

OECD Global Network on Privatisation and Corporate Governance of State- Owned Enterprises

Priorities for SOE governance reforms in Asia

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The Objectives of the Network on Corporate Governance of SOEs in Asia are:

- To raise awareness of the importance and challenges related to good corporate governance of SOEs
- To evaluate SOE corporate governance policy frameworks and practices, and benchmark these against international good practices

- To influence policy making by providing a forum in which policy makers, practitioners and experts can share knowledge and experiences
- To support effective reforms by assessing policy options, developing recommendations and agreeing on priorities for reforms adapted to the conditions in Asian economies

Effective implementation of impactful reforms is a clear priority

- Using the OECD guidelines the network has come up with a policy brief covering various recommendations
- Policy brief is a consensus document resulting from its deliberations over its 4 meetings

- This policy brief will form important basis for network's future work
- Network will focus on identifying reform priorities for individual countries and monitoring of their implementation

Recommendations

OECD Guideline 1

- Ensuring an effective legal and regulatory framework for State-Owned Enterprises

R1.1 – Complete the corporatisation process and harmonise SOEs' legal status within each economy

R1.2 – Clarify and ensure effective separation between the ownership function and regulation

R1.3 – Make specific obligations and related costs transparent

R1.4 – Ensure arm's length relationships between SOEs, state-owned banks and financial institutions

R1.5 – Promote a public debate on the corporate governance of SOEs

OECD Guideline 2

- The State acting as an owner

R2.1 – Rationalise the state owned sector

R2.2 – Asian governments should develop and disclose an ownership policy

R2.3 – Ensure visibility, strength and consistency in the exercise of the ownership function, through centralisation or effective coordination between the different ownership entities

R2.4 – Avoid interference in SOE management

R2.5 – Develop structured and transparent board nomination process for SOE boards

R2.6 – Ensure appropriate accountability of the ownership function

OECD Guideline 3

- Equitable treatment of shareholders

R3.1 – Reinforce provisions protecting the rights of minority shareholders in relevant laws and regulations

R3.2 – Increase the independence of SOE boards and improve the transparency of their nomination process

R3.3 – Reinforce minority shareholders' capacity to obtain effective redress for the violation of their rights

R3.4 – Support the development of minority shareholders associations

OECD Guideline 4

- Relations with stakeholders

R4.1 – SOEs should reassess their stakeholder engagements and develop a strategic approach vis-à-vis stakeholder relations

R4.2 – Mechanisms could be developed to allow and encourage stakeholders to exercise their voice

R4.3 – Ownership entities should encourage SOEs to report on stakeholder relations

OECD Guideline 5

- Transparency and disclosure

R5.1 – Clarify SOE objectives and make non-commercial ones explicit

R5.2 – Cover the costs of non-commercial objectives by the state budget

R5.3 – Build up and publish relevant performance indicators

R5.4 – Require large SOEs to be as transparent as listed companies

R5.5 – Ensure that SOEs are subject to a robust audit system

R5.6 – Actively monitor and benchmark SOE performance

R5.7 – Publish aggregate reports on state ownership

OECD Guideline 6

- The responsibilities of boards of SOEs

R6.1 – Clarify and reinforce SOE board mandates and functions

R6.2 – Ensure that SOE boards are actively engaged in shaping the strategy

R6.3 – Require SOE boards to have nomination committees

R6.4 – Enhance SOE boards' role in talent management and in setting remuneration

R6.5 – Increase competencies in SOE boards

R6.6 – Provide proper training for SOE board members, including induction training

R6.7 – Develop performance evaluation for SOE boards

Examples of priorities identified by individual countries:

Bhutan – Avoid government interference with SOE management (R2.4); clarify and reinforce SOE board mandates and functions (R6.1); develop performance evaluation for SOE boards (R6.7)

Chinese Taipei – Develop structured and transparent board nomination process for SOE boards (R2.5); increase competencies in SOE boards (R6.5) – including through greater reliance on independent directors (the participant stressed that these objectives relate to listed SOEs).

India (*State of Kerala*) – Separation between the ownership function and regulation (R1.2); develop structured and transparent board nomination process for SOE boards (R2.5); clarify and reinforce SOE board mandates and functions (R6.1); provide proper training for SOE board members (R6.6)

Indonesia – Separation between the ownership function and regulation (R1.2); avoid government interference with SOE management (R2.4)

Pakistan – Increase competencies in SOE boards (R6.5); provide proper training for SOE board members (R6.6); develop performance evaluation for SOE boards (R6.7)

PR China – Complete the corporation process (R1.1); separation between the ownership function and regulation (R1.2); make specific obligations and related costs transparent (R1.3); develop and disclose an ownership policy (R2.2); ensure visibility, strength and consistency in the exercise of the ownership function (R2.3); avoid government interference with SOE management (R2.4); clarify SOE objectives and make non-commercial ones explicit (R5.1); cover the costs of non-commercial objectives by the state budget (R5.2); build up and public relevant performance indicators (R5.3); ensure that SOEs are subject to a robust audit system (R5.5); clarify and reinforce SOE board mandates and functions (R6.1); enhance SOE boards' role in talent management and setting remunerations (R6.4); increase competencies in SOE boards (R6.5)

Philippines – Ensure visibility, strength and consistency in the exercise of the ownership function (R2.3); monitor and benchmark SOE performance (R5.6); increase competencies in SOE boards (R6.5); provide proper training for SOE board members (R6.6); develop performance evaluation for SOE boards (R6.7)

Singapore – Develop performance evaluation for all SOE boards (R6.7);

Thailand – Increase competencies in SOE boards (R6.5); provide proper training for SOE board members (R6.6); develop performance evaluation for SOE boards (R6.7)

Vietnam – Avoid interference in SOE management (R2.4); develop structured and transparent board nomination process for SOE boards (R2.5); develop performance evaluation for SOE boards (R6.7). (The Vietnamese participant further mentioned a need to continue an ongoing effort to list SOEs on stock exchanges and eventually privatise them).

Future Directions

- Successful implementation of priority reforms is key future outcome for the network
- Future efforts will focus on:
 - (i) developing benchmarks
 - (ii) monitoring efforts and
 - (iii) reporting progress

- Network will collate group successes and experiences to help individual national efforts
- Network will encourage direct contacts between members to share knowledge and experiences and provide support

Thank you

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