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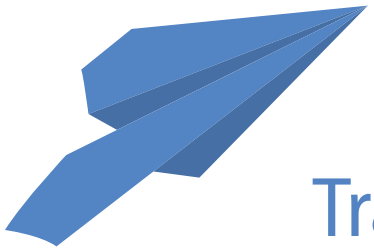
Policy Note

Transparency of State Owned Enterprises in Vietnam

Current Status and Ideas for Reform



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Transparency of State Owned Enterprises in Vietnam

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Foreword

This Policy Note provides an overview of information disclosure requirements and practices of State Owned Enterprises (SOEs) in Vietnam. It was prepared as part of Analytical and Advisory work under the Vietnam Economic Management and Competitiveness Credit to help inform the Government of Vietnam's efforts to strengthen the disclosure of financial and non-financial information by SOEs.

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The Policy Note has been discussed at various seminars and workshops in Vietnam with representatives from the National Assembly, the Government of Vietnam, State Owned Enterprises, and Development Partners. The team is grateful to the Corporate Finance Department of the Ministry of Finance, the Enterprises Development Agency of the Ministry of Planning and Investment, and the Asian Development Bank in Vietnam for valuable guidance and advice. Support for the preparation of this Policy Note is gratefully acknowledged from the following EMCC Development Partners: the Australian Department of Foreign Affairs and Trade (DFAT), the United Kingdom Department for International Development, the Swiss State Secretariat for Economic Affairs, and the Canadian Department for Foreign Affairs, Trade and Development. All errors remain the authors'.

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Abbreviations and Acronyms

CIEM	Central Institute for Economic Management
EGs	Economic Groups
GCs	General Corporations
GSO	General Statistics Office
IPO	Initial Public Offering
JSB	Joint Stock Bank
MARD	Ministry of Agriculture and Rural Development
MOF	Ministry of Finance
MOIT	Ministry of Industry and Trade
MOLISA	Ministry of Labor, Invalids and Social Affairs
MOT	Ministry of Transport
MPI	Ministry of Planning and Investment
PFM	Public Finance Management
PPC	Provincial People Committee
PREM	Poverty Reduction and Economic Management
SAV	State Audit of Vietnam
SBV	State Bank of Vietnam
SCIC	State Capital Investment Corporation
SEDP	Socio-Economic Development Plan
SEC	Securities and Exchange Commission
SEG	State Economic Group
SGC	State General Corporations
SOCB	State-Owned Commercial Bank
WB	The World Bank

Key Points and Ideas for Next Steps

There is a growing body of evidence that information disclosure by SOEs, alongside other reforms, can contribute to improved efficiency. Information disclosure includes both financial and non-financial data and can be either internal or external (i.e. public disclosure).

The prevailing view is that the disclosure of both financial and non-financial information, relating to SOEs, has been generally disappointing in Vietnam. Current practices vary across SOEs but are generally insufficient in the quality, accuracy and timeliness of data, such that the capacity of government to effectively oversee SOE performance is severely constrained. The existing stock of regulation also falls short of providing for an effective legislative framework especially for the public disclosure of information. *See page 12*

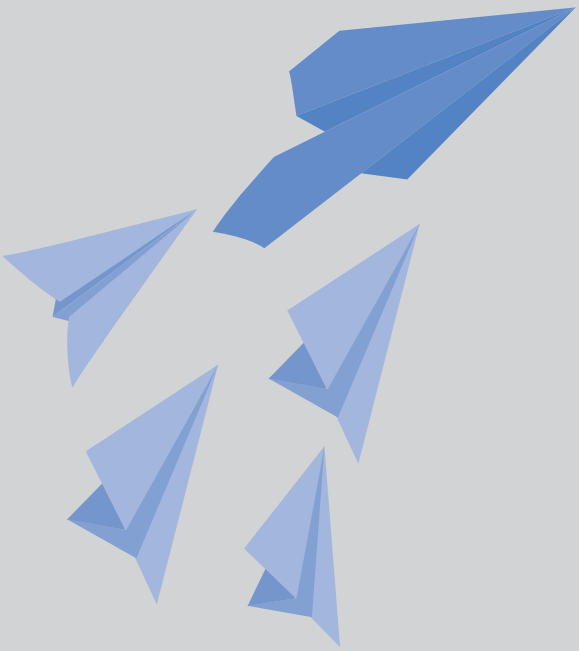
The findings from the research support this prevailing view and suggest that whilst there are a considerable number of SOEs producing information for internal purposes, the quality of information needs to be improved. Specifically, information needs to become more accurate and more often include key information for oversight and monitoring and evaluation. *See page 24*

The standard of public disclosure is below levels in comparable jurisdictions. Public information is at worst non-existent and at best outdated, ambiguous and contradictory (with the exception of a few large equitized SOEs). Better public disclosure –in terms of volume and quality- could bring substantial benefits, as discussed in Section 2. It is also apparent that being in the spotlight can increase the demand for information as many of the troubled SOEs have additional requirements.

Reform in Vietnam needs to be specific to the country's legal, institutional and economic context. Nevertheless, there are key lessons on SOE reform, both general and focused on information disclosure, which Vietnam can garner from specific countries and OECD guidelines. (Some key lessons are summarized in Section 5.) *See page 34*

Ideas to take things forward: The following are for credible steps that could be taken to improve SOE information disclosure as a means of improving SOE efficiency. The proposed steps are listed (each one is explored in further detail in Section 6):

I. Phase in the enhanced disclosure process by piloting it with a select set of SOEs. One such phasing could start with the Economic Groups, then expand to General Corporations and finally to the remaining SOEs with 100 percent state equity. *See page 38*
II. Focus on public disclosure and not merely on internal disclosure.
III. Disclose quality information on the SOEs at one central place (website), with a national agency being in charge of coordinating the process.
IV. Simplify information requirements and build a more straight forward legislative framework and a standardized information disclosure system.
V. Incentivize compliance by SOEs to the legislative and regulatory framework by rewarding compliant enterprises and penalizing non-complaint ones.



1. Introduction

1.1. Information disclosure by State Owned Enterprises (SOEs) is part of a broader agenda to promote greater public sector transparency in Vietnam. Recent studies by the World Bank and others have shown that despite progress, compliance with legal requirements for transparency remains a challenge across a wide range of public sector governance areas in Vietnam.[1] However, the marginal benefit to increased transparency is very significant. Timely availability of credible economic data, and better communication of policy changes, can help reduce market uncertainty and perceptions of risk.

1.2. Transparency of SOEs is particularly important given their large presence in Vietnam's economy. In a survey conducted in 2011 for the Vietnam Development Report (2012) entitled 'Market Economy for a Middle Income Vietnam', improving transparency was cited by respondents as the top reform solution for SOEs in Vietnam together with accelerating equitization (Figure 1)[2]. Prime Minister's Decision 929 (2012), which sets out an overall plan to restructure General Corporations and State Economic Groups, sets out several commitments to help improve the transparency of SOEs.

1.3. The SOE transparency agenda is an important part of the program supported under the Economic Management and Competitiveness Credit (EMCC) budget support operation.[3] It is with this background that this Policy Note was prepared to help promote a dialogue between the Government of Vietnam and Development Partners on ways to enhance disclosure of information by SOEs.

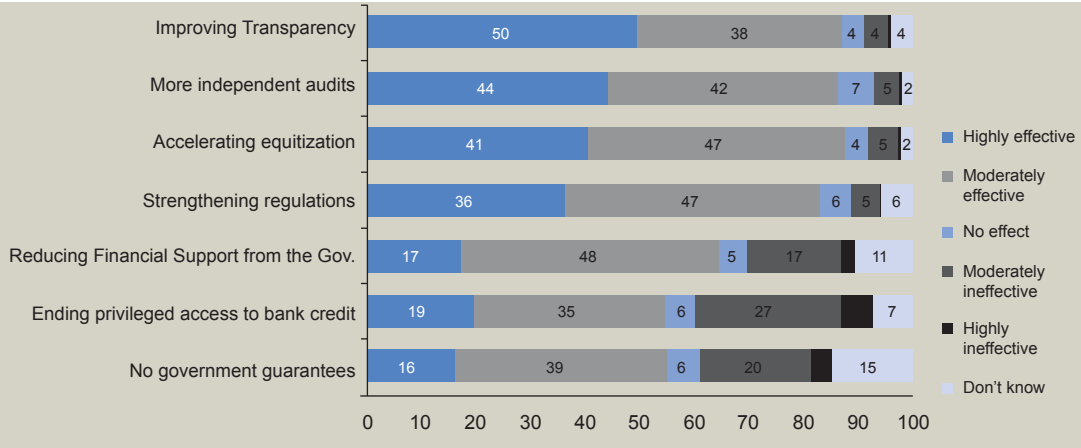
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[1] See for example: 'Vietnam Development Report (2010): Modern Institutions'; 'Vietnam Development Report (2012): Market Economy for a Middle Income Vietnam'; 'Survey Report on Information Disclosure of Land Management Regulations (2010)'; 'Vietnam Fiscal Transparency Review (2013)'. In addition to these, World Bank is starting a Vietnam Transparency Project to help improve transparency in different areas of public sector governance.

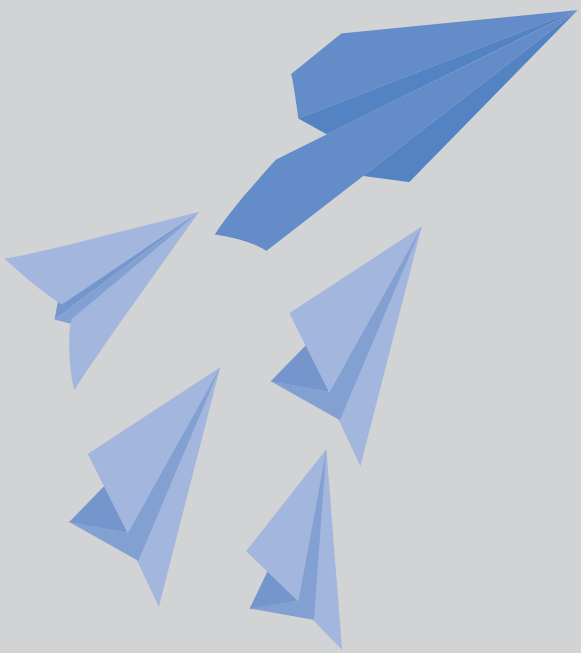
[2] World Bank, Vietnam Chamber of Commerce and Industry, Irish Aid (2012), 'Vietnam in Transition – Changing Attitudes Toward the Market and the State'.

[3] See: http://www.worldbank.org/projects/P122793/economic-management-competitiveness-credit-1?lang=en; accessed July 07, 2013.

Figure 1: SOE Reform Solutions for Vietnam



Source: *'Vietnam in Transition – Changing Attitudes Toward the Market and the State'.*



2. What are the benefits associated with SOE information disclosure?

2.1. Timely and accurate disclosure of corporate information is necessary for accountability, performance monitoring, and ensuring compliance with corporate rules and regulations. These can contribute to better functioning of markets and improved corporate performance. Lack of corporate information disclosure on the other hand can lead to opaque practices and, as illustrated by the current (and previous) global crisis, have negative economy-wide impacts.

2.2. Improving information disclosure by SOEs is a high priority in Vietnam given the relatively large role they play in the economy. Improved disclosure of information would provide investors an idea of SOE performance, give the public the right to information on the use of public assets, and give government the ability to hold SOEs accountable for results. Therefore, information disclosure needs to be improved not only for its own sake, but because it can play a key part in unlocking overall SOE efficiency that should lead to a more favorable business environment and improved use of public funds and scarce resources such as land and capital.

2.3. Better disclosure is focused on internal and external stakeholders, and requires disclosure of accurate financial and non-financial data. Internal disclosure can be considered as 'within government', including for example: budget reporting, financial statements, audit reports, performance reporting and other monitoring and evaluation requirements by government "owners" and regulators. External disclosure refers to information that is in the public domain (e.g. via websites, annual reports, publications, press conferences, mass media, web portals, and official gazettes). Disclosure can also be direct from the SOE or via third parties (for example by the Ministry of Finance or State Audit of Vietnam).

2.4. There is a large body of evidence from the private sector highlighting the transformational role that information disclosure can have on performance, including better financial performance and improved market valuations. For instance, a recent study of the eight largest Latin American stock markets showed that increases in voluntary internet-based disclosure lead to both improved market valuations and returns on assets[4]. Where

[4] Garay, Urbi, Gonzalez, Maximiliano, Guzman, Alexander and Trujillo (2012) "Internet-Based Corporate Disclosure and Market Value: Evidence from Latin America".

ownership is separated from control, the information known to managers inside an enterprise is considerably greater than the information known to outside shareholders. This leads to agency costs, and increases in perceived risk. Improved disclosure can reduce these costs and risks, increasing valuation.

2.5. For SOEs the benefits are potentially even greater since the information gaps between managers and owners are potentially bigger. Evidence of these benefits is harder to collect, since improvements in disclosure are often accompanied by other governance changes (board improvements, institutional reforms, financial restructuring for example). However, there are good recent case examples of where improved disclosure of information, alongside other reforms, has led to the improved performance of SOEs:

- In Malaysia, the Government introduced a comprehensive reform of Government Linked Companies in 2004, based on a foundation of improved disclosure and performance monitoring. Since the program commenced, combined SOE net income (profit) has grown at a compound rate of over 18 percent; and the portfolio returns over 11 percent per annum on equity.[5]
- In Lithuania, an improved disclosure regime formed a key component of an SOE reform program commenced in 2009. The results were immediate and impressive. In 2009, the portfolio of SOEs made an operating loss of 276M Litas (USD 105 mn), in 2010 it made a profit of 40 mn Litas (USD 15 mn) and by 2011 the profit had climbed to 142M Litas (USD 54 mn). Dividends have climbed almost five fold.[6]

2.6. In Vietnam, there is strong demand for improved transparency and accountability. In January 2013, when chairing a meeting with SOE leaders, Prime Minister Nguyen Tan Dung requested that: *"State-owned enterprises must increase the transparency of their operations" and "that business and production results must be published in a transparent, honest and timely manner so the public understand how SOEs operate"*[7]. There is a drive for SOEs to provide more and better quality information to government including on: business strategies; financial reports; investment portfolios and progress of investment projects. Information is also demanded on the qualifications and the expertise of managers plus criteria for appointment to leadership positions.

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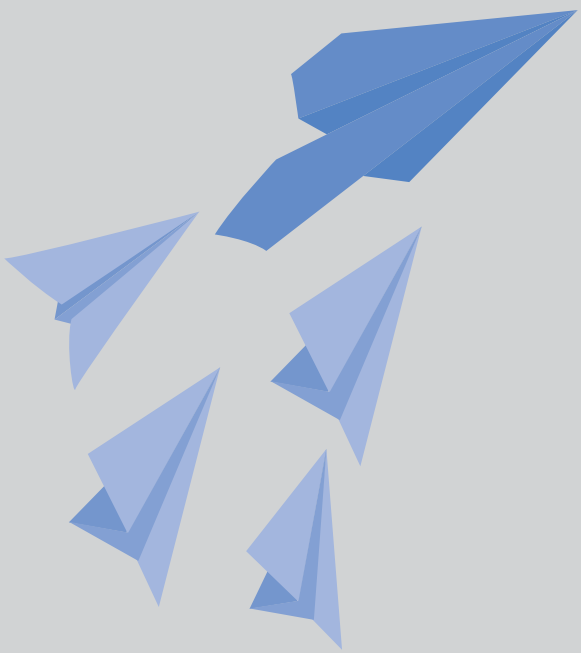
[5] For further information see: http://www.pcg.gov.my/PDF/GLCT%20Programme%20Report%20Card%20%28May%202012%29.pdf

[6] For further information see: http://vkc.vtf.lt/index.php?r=document/view&id=1851.

[7] See: http://en.vietnamplus.vn/Home/PM-urges-transparent-SOE-operations/20131/31181.vnplus; accessed 24 April 2013.

2.7. Supporting the justification for improved disclosure practices are shortcomings with the status quo in Vietnam. For example it is widely acknowledged that had transparency and information disclosure been better, the recent problems with Vinashin could have been less severe as the relevant authorities would have acted earlier. Vinashin was inspected and audited 11 times within two years prior to its failure. However, none of the wrongdoing and mismanagement was publicly disclosed until the Economic Group collapsed. The inspections and audits focused on only one small portion of the company, suggesting failures in the control process and in the governance of SOEs in general. Had audits and inspection reports been disclosed to the public these shortcomings in the audit and inspection processes might have been identified earlier and encouraged further scrutiny of the company[8].

[8] See: http://sggp.org.vn/kinhte/2010/9/238030/; accessed 24 April 2013.



3. What disclosure obligations do Vietnamese SOEs currently have?

3.1. As background to this note, research was undertaken to review and document the existing disclosure requirements for SOEs in Vietnam. This stocktaking exercise is set out in Annex I. It shows that reporting requirements have grown organically and involve disclosure of different types of information to many different agencies. Therefore, although there are many parties responsible for providing oversight on different, this weakens responsibility for the overall performance of SOEs.

3.2. For example, a key piece of guidance is Decree 99/2012 from which SOEs are obliged to provide the following information to the PM and different line ministries (see Table 1 below).

Table 1: Vietnamese SOEs current reporting requirements

To the Prime Minister
• Any changes and revisions to the Charter; • Any changes and revisions to the objective, mission, business line, corporate restructuring, dissolution or request for bankruptcy. • Increase or decrease in share capital, capital mobilization, shares and total shared to be offered to the public, the repurchase of more than 10% of shared which have been sold. • Five year strategy, business plan.
To Line Management Ministries and / or Provincial People's Committee (PPC)
• Performance of the Representative, payment of salary, fringe benefits of the representative, evaluation of the representative. • Report on performance of the board of directors, key management positions (director general and deputies). • Any changes and revisions to the objective, mission, business line, corporate restructuring, dissolution or request for bankruptcy. • Any changes and revisions to the objective, mission, business line, corporate restructuring, dissolution or request for bankruptcy. • Increase or decrease in share capital, capital mobilization, shares and total shared to be offered to the public, the repurchase of more than 10% of shared which have been sold. • Five year strategy, business plan.

Table 1: Vietnamese SOEs current reporting requirements

• List of investment project of group A, B; • Plan to procure assets or to borrow loans of 50% or more or of a lower percentage as stipulated in the conglomerate's charter. • Plan to borrow from overseas. • Salary of the members of the boards, director generals and deputy director generals, total budget for salary of the board of directors. • Financial reports, profit appropriation plans. • Reports on law compliance, the management and maintenance of state capital, implementation of business plan, business strategy, business performance, business efficiency.
To the Ministry of Finance (MoF)
• Information on business results, performance and the implementation and delivery of social and public services. • Information on the plan to increase or decrease of State capital at equitized conglomerates. • Increase or decrease in share capital, capital mobilization, shares and total shared to be offered to the public, the repurchase of more than 10% of shared which have been sold. • Any plan for borrowing from overseas.
To the Ministry of Planning and Investment (MPI)
• Plans on reestablishment, restructuring, revisions to objective, missions, change in ownership, dissolution, request for bankruptcy in the case of conglomerates. • Five year business plan and strategy as in the case of State conglomerates • Annual reports on the implementation of objectives, task, business of conglomerate and general cooperation.
To the Ministry of Home Affairs (MoHA)
• Report by State representative at the SOEs on the compliance of regulations by the Party and by the Government in terms of personnel.
To MOLISA
• Report on the compliance of policies and regulations on recruitment, salary, bonus and fringe benefit of the SOE.

Source: *Decree No. 99/2012/ND-CP dated November 15, 2012 on the Implementation of the Rights, Responsibilities and Obligations of State Owner for SOEs and State Capital Invested in enterprises and interviews with different ministries.*

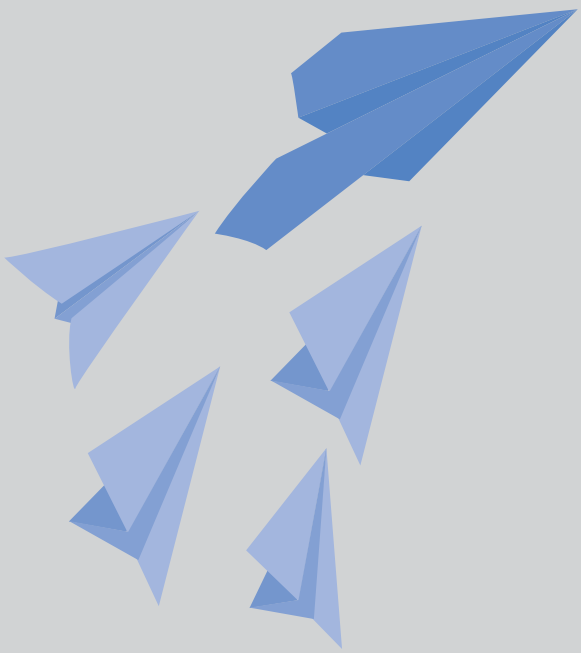
3.3. In this context, the main findings from the review are as follows:

- There is little obligation on SOEs to publicly disclose information on financial and non-financial performance. Disclosure requirements are mostly internal and public disclosure is primarily voluntary.
- SOEs are obliged to send reports and information to many different places as opposed to a few or one single agency.
- Each agency mandated to govern SOEs has different rights to information and many of them are overlapping.
- The instruction is fragmented and to follow them requires knowledge of more than ten pieces of legislation.
- Equitized and listed SOEs have additional disclosure requirements (for example in the Securities Law)
- If an SOE did attempt to comply with the legislative framework in its totality then it would be a major administrative burden.

3.4. This suggests that any further reviews to SOE disclosure requirements should seek to rationalize and consolidate the existing regime. In addition, it is important to take account of the fact that placing reporting obligations on SOEs imposes costs on the SOEs and, in imposing new regulations, policy makers should seek to weigh up these costs against the potential benefits. An effective use of Regulatory Impact Assessments, as already conducted by the government vis-à-vis new regulations, would be one process by which to assess the net benefits of any new disclosure requirements for SOEs.

3.5. The legislative review was complemented by interviews with key stakeholders (including at MPI, MoF, CIEM and SOE employees where possible). From these interviews, it is clear that in addition to legal requirements for reporting, SOEs are in practice often subject to ad hoc requests for information by the National Assembly (typically for larger SOEs), the police, line ministries and sub-national government.

3.6. In summary the existing stock of regulations falls short of providing an effective legislative framework for information disclosure. There is insufficient provision for public disclosure of information, which is largely voluntary. Furthermore, the complex and overlapping nature of the requirements dilutes accountability, places a substantial administrative burden on SOE compliance obligations, and decreases the capacity of SOEs to realistically or comprehensively meet their internal and external reporting requirements.



4. What information is currently disclosed in Vietnam?

4.1. The prevailing view is that the disclosure of both financial and non-financial information relating to SOEs in Vietnam is disappointing. Information on SOEs was ranked as the top area for improving disclosure in a survey conducted in April 2012 on the transparency of the State Budget in Vietnam[9]. The methodology was inspired by colleagues work on the public disclosure of land management regulations in Vietnam[10]. This section seeks to assess whether there is accuracy in this viewpoint by triangulating information from different sources. Three types of information were researched: (i) primary data and analysis (including website searches); (ii) existing research literature; and (iii) anecdotal information from interviews, workshops and meetings (with SOE officials, government, civil society and development partners). A summary of findings is provided here but further information from the information status checks can be found in Annex II.

Primary data and analysis

4.2. Many SOEs have a functioning website, although a substantial minority does not. Of 100 SOEs sampled (including 11 Economic Groups and 12 General Corporations) as part of this research 89 had websites (see Annex II for the full list). Some of the SOEs use the websites as a marketing tool and others to offer online services. However, rarely are the websites used as a means to systematically disclose financial and non-financial information.

4.3. That said, as noted above and can be seen in Annex I, the legislative framework provides few clear rules about what should be in the public domain let alone specifically on websites. The sample is biased towards larger SOEs as an attempt was made to include all Economic Groups (EG), General Corporations (GC) and SOEs listed as part of Prime Minister's Decision No. 91/TTg and Prime Minister's Decision No. 90/TTg. All of the 11 EGs and 12 GCs had websites. Table 2 below shows that while each of the GC and EG websites provide basic non-financial information, very little financial information is provided (either in a summarized format or as an annual or auditors report). The disclosure performance of GC and EGs does not differ substantially from other large SOEs with the exception that EGs are more likely to provide an annual report, auditors report or financial statement.

[9] WB, "Vietnam Fiscal Transparency Review: Analysis and Stakeholder Feedback on State Budget Information in the Public Domain," (March 2013) – See p.30-31 and 39-40

[10] See: http://bit.ly/1qjS8nr

Table 2: Vietnamese SOEs current reporting status

		Annual report or			
	Number with Website	Basic Information on SOE	News/ Strategy Overview	Financial Statement or Auditors report	Summarised Financial Information
SOE sample	89	100%	87%	16%	8%
Of which Economic Groups	11	100%	100%	45%	9%
Of which General Corporations	12	100%	50%	8%	8%

Table 3: General Corporation Website Check

General Corporations	Company Overview	Company News/ Strategy	Info. on Financial Perfomerce	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
Housing and Urban Development Corporation	✓	✗	✗	✗	✗
Song Da Corporation	✓	✓	✗	✗	✓
Vietnam Northern Food Corporation	✓	✓	✗	✗	✗
Vietnam Southern Food Corporation	✓	✗	✗	✗	✗
Vietnam Paper Corporation	✓	✗	✗	✗	✗
Vietnam National Coffee Corporation	✓	✗	✗	✗	✗
Vietnam Airlines Corporation	✓	✗	✗	✗	✗
Vietnam National Tobacco Corporation	✓	✗	✗	✗	✗
Vietnam National Shipping Lines	✓	✓	✗	✗	✓
Vietnam Railways	✓	✓	✗	✗	✓
Vietnam Steel Corporation	✓	✓	✓	✓	✓
Vietnam Cement Industry Corporation	✓	✓	✗	✗	✗

Table 4: Economic Group Website Check

Economic Groups	Company Overview	Company News/ Strategy	Info. on Financial Perfomerce	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
Vietnam Posts and Telecommunications Group (VNPT)	✓	✓	✗	✗	✗
Vietnam National Coal – Mineral Industries Holding Corporation Limited (VINACOMIN)	✓	✓	✗	✗	✗
Vietnam Oil and Gas Group	✓	✓	✗	✓	✗
Vietnam Electricity	✓	✓	✗	✗	✗
The Vietnam National Textile and Garment Group	✓	✓	✗	✗	✗
Vietnam Rubber Group	✓	✓	✗	✓	✗
BaoViet Holdings (BVH)	✓	✓	✓	✓	✓
Viettel Group	✓	✓	✗	✓	✗
Vietnam National Chemical Group	✓	✓	✗	✗	✗
Vinashin Business Group	✓	✓	✗	✗	✗
Vietnam National Petroleum Group	✓	✓	✗	✓	✓

4.4. The information specific to each SOE is provided in Annex II and Tables 3 and 4 illustrate whether a website is present and the associated content for 11 EGs and 12 GCs.

Indirect Sources

4.5. In addition to the direct disclosure by SOEs there are potential sources of indirect information. The research revealed the following disclosure of information by supervisory bodies:

4.6. **State Audit Vietnam (SAV):** SOEs are subject to audit by the SAV by law. The law stipulates in Article 59 that *"audit reports, after being issued, shall be publicized together with financial statements according to the provisions of the State Budget Law and the Accounting Law".* Despite this legislation it

remains difficult for members of the general public to find SOE audit reports. Whilst SAV has reportedly stepped up efforts to audit SOEs financial statements, less than ten SOE related auditor's reports (out of a total around 1,300 SOEs) can be found on SAV's website, and some of these reports date back to 2007.

4.7. **State Inspectorate:** A number of SOEs are also subject to inspection by the State Inspectorate of the Provincial People's Committee (PPC). The Inspection Law (Article 21) stipulates that conclusions of all inspections should be notified to the public. Such publication can take place by: announcement; press conference; publication in the mass media; posting on websites of state inspection agencies or via a public notice. This should provide public information on the inspected SOEs. The record on publication however is not very strong. The recent publication of inspection reports on Vinashin (post collapse) and Vinalines among other economic groups are promising though these continue to lack in detail.

4.8. **Line Ministries:** There is no regulation on the obligation of line ministries to disclose information on SOEs. The annual reports of selected ministries reviewed as part of this study (e.g. MOIT, MOLISA, MARD, etc.) did not provide information regarding the performance of the SOEs under those ministries.

4.9. **National Steering Committee on Enterprise Reform and Development (NSCERD):** SOE information is often disclosed in reports made public by NSCERD. The reports are mostly based on communication from the MoF to the rest of government. Whilst the reports are not available online they have recently been shared with the mass media. The reports however only provide aggregate information on SOEs that is not broken down by SOE.

4.10. **Ministry of Finance (MoF):** With PM Decision 224/2006/QD-TTG (October 6, 2006) and Circular 115/2007/TT-BTC (September 25, 2007) on supervision and assessment of SOE performance, the government has stepped up its efforts to monitor the performance of SOE through independent review and stricter enforcement of financial reporting to the Ministry of Finance[11]. In November 2012, the Ministry of Finance submitted a report to the National Assembly on the overall situation of SOEs and their performance. The report was then leaked to the public through the mass media and it was the first time that the pubic was really informed about the huge amount of debts and the poor performance of SOEs in a semi-official manner. The MoF website does not provide detailed information on SOEs as required by prevailing regulations, e.g. on the rankings of SOEs. Very limited information on SOEs could be found on the ministry's

[11] In addition to this, the Prime Minister also issued Decision No. 169/2007/QD-TTg, providing regulation on supervision over loss-making and poor-performing SOEs.

website, e.g. the total contribution of SOE to the State Budget. The ministry is stepping up its efforts to disclose more information on financial performance of SOEs on its website by drafting and enforcing a decree on performance monitoring of SOEs.

4.11. **Ministry of Planning and Investment (MPI):** MPI does not seem to play a very active role in disclosing information on SOEs through its website. Only a very limited amount of SOE-related information and data is available on the ministry's website. The information on the ministry's website is more focused on socio-economic development, territorial economic development and planning, FDI, ODA management, public procurement. The ministry also runs a Business Portal at www.business.gov.vn, and the portal mostly provides key facts on private sector enterprises. Information on single SOEs cannot be found on this website. MPI is planning to upgrade its business portal to disclose more information on SOEs. At the time of writing, some general reports (with limited information) on SOEs had been posted on this portal.

4.12. **General Statistics Office (GSO):** The annual Statistics Yearbooks published by the GSO provide information on SOEs (albeit with a two-year delay), collected by the office's annual enterprise surveys[12]. Whilst the information is useful for an overview of SOEs and can be used for macro or sector analysis, there is no information on specific SOEs, which limits utility in terms of public interest in performance of individual SOEs.

4.13. **State Bank Vietnam (SBV):** The SBV has recently stepped up its efforts to use its website to communicate monetary policy and major decisions relating to the banking sector. It shares through its website laws and regulations related to the banking sector. The SBV also provides key data and information on the monetary market and the banking sector, foreign exchange market, banking supervision and oversight. However, the website lacks information on State Owned Commercial Banks and information on links between SOEs and the banking sector e.g. total lending to SOEs.

Existing Research Literature

4.14. A key piece of research on reporting by 290 SOEs was carried out by CIEM in 2010[13]. Insights from the CIEM study include:

- Nearly all (99 percent) of the SOEs surveyed did provide some kind of information through websites, reports to owner line ministries and agencies, corporate publications and mass media. Most common was the internal disclosure of information in the form of reports submitted to the owner line

[12] See ww.gso.gov.vn; accessed 24 April 2013.

[13] The study covered the following places: Hanoi, Hai Phong, Quang Ninh, Nghe An, Ha Tinh, Da Nang, Dak Lak, Dak Nong, Ba Ria Vung Tau, Dong Nai and Ho Chi Minh City. SOEs included in the survey: holding company, independent SOE, SOEs which are part of an SEG, General Economic Corporation.

ministries/agencies and to the board of directors (95 percent of SOEs). Around 70 percent produced reports with profit and loss statements and balance sheets. These reports however were typically unavailable to the general public – only 7 percent of SOEs had widely circulated publications and only 9 percent utilized mass media.

- The study finds that equitized SOEs perform better than SOEs generally in relation to information disclosure. Among the equitized SOEs that were surveyed, 16 percent produced widely circulated publications (compared with 7 percent of SOEs surveyed) and 32 percent utilized mass media (compared to 9 percent of SOEs surveyed).
- CIEM also found the following: (i) 53 percent of SOEs do not disclose internal audit reports; (ii) 60 percent of SOEs do not announce their risk management policy; (iii) 51 percent of SOEs do not disclose information on transactions with parties/people related to members of the board, to members of the management, and to the chairman of the board; (iv) 39 percent of SOEs do not disclose information on remuneration, bonus and fringe benefits for members of the board, chairman of the board, members of the management and members of supervision parties; and (v) 49 percent of SOEs do not disclose information on the sale, purchase of shares of the SOE or of other member companies by members of the board, by members of the management, and by the chairman of the board.

4.15. Another relevant study by Binh (2012) looks into the voluntary provision of information by Vietnamese enterprises in 2009 as part of their annual reports. The sample covers 297 non-financial listed enterprises, including SOEs that have been equitized. Of the enterprises surveyed 98 (or 33 percent) did not disclose an annual report and of the majority that did the quality varied considerably. While listed firms' disclosure performance in Vietnam is better than non-listed SOEs, this research suggests that equitization is only part of the answer: even when firms are listed they may still not disclose information, even though this is a legal requirement, and that disclosed information when available often lacks key information (e.g. financial statements, balance sheets, and general corporate information).

Anecdotal information

4.16. Some further anecdotal insight was gained from interviews, workshops and meetings (with SOE officials, government, civil society and development partners). Key insights include:

- Internal disclosure is in a better situation than external or public disclosure (supporting the findings from the CIEM, 2011 study). As per the stipulation in Article 148 of the Enterprise Law the following reports are being generated by many SOEs: (i) consolidated financial

statement of the group of companies as provided for by the law on accounting; (ii) consolidated report on annual business results of the group of companies; and (iii) consolidated report on the management and direction of the group of companies. However, it is pointed out that: *"the consolidated reports are only available internally and can be made available to line ministries and selected government agencies. They are not at all available to the general public, thus making it impossible for the public to monitor the performance of SOEs"* [14].

- A CIEM and SIDA Workshop on SOE oversight organized in late 2012 noted that even information on SOEs which are disclosed by competent authorities are incomplete, uncertified for accuracy. For example as far back as 2009 and 2010, official reports showed Vinashin was facing bankruptcy with outstanding debts of 86,000 billion dong. The debt to equity ratio was 11:1. However, the full accounts of debts, total assets, losses were being disclosed partially and in an inconsistent manner. There is still a public debate on the actual and accurate figures of these data.
- EGs have expanded fast to other non-core business areas, but *"oversight government bodies are not aware of and are not informed and thus unable to control the expansion"* [15].
- There is a perception that unless there are administrative sanctions, compliance with disclosure requirements will remain low. This perception is reported in CIEM (2010), which noted that *"the complicated and huge number of regulations on information disclosure by SOEs only exist on paper with limited enforcement validity"*. Government authorities do, however, apply measures and penalties on equitized SOEs for failing to meet with legal regulations on information disclosure. For example, the Securities and Exchange Commission (SEC) has recently decided to impose a penalty of VND 50 million to Vinaplast (an equitized SOE) for failing to submit annual reports for 2010 and 2011; for the delay in submitting audited financial reports to SEC in 2010 and 2011 (VND 30 million); and for not having updated information on its website[16]. Similar penalties have been applied by the Commission to other public, listed and equitized SOEs in the last few years. These penalties are publicly announced.
- There are grounds to argue that the compliance of equitized companies in

[14] Dr. Nguyen Kim Toan, Former Director of the Enterprise Reform Department, the Government Office (http://www.vietnamplus.vn/Home/Se-thuc-chat-giam-sat-danh-gia-doanh-nghiep-NN/201212/174467.vnplus)

[15] Pham Duc Trung, Deputy Director of SOE Department of CIEM. CIEM – SIDA Workshop on Oversight on SOEs, 22 November 2012.

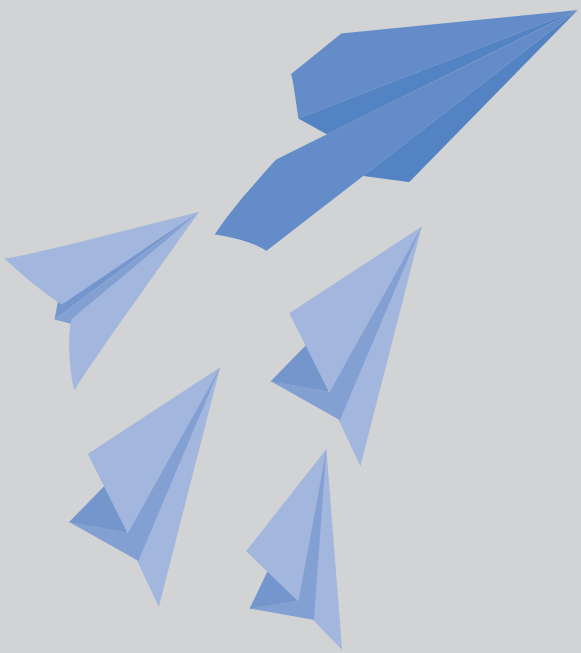
[16] The Sai Gon Economic Times, 15 March 2013.

information disclosure has been better than SOEs in general. For example, the Bao Viet Group (the only EG that has been equitized until now) has become much more transparent in disclosing its information. The company's website is now rich in information and includes among others details of its financial position, key personnel, services and products, organizational structure, key activities in the month or the year, major deals of the company, and major decisions made by the board. Annual reports of the group are also available for download from 2008 (the year after the equitization of the Group). Other SOEs with visible improvement in terms of publicly disclosed information include: Vietinbank, Vinamilk[17], Vinaconex, among others.

Summary

4.17. The findings from this section suggest that whilst there is a considerable number of SOEs producing information for internal purposes, the quality of the information needs to improve. Specifically, information needs to become more accurate and include key information to enable effective oversight and monitoring and evaluation. The standard of public disclosure is below levels that can bring the benefits discussed in Section 1. Public information is at worst non-existent and at best outdated, ambiguous and contradictory (with the exception of a few large SOEs). It is also apparent that being in the spot light can increase the demand for information as many of the troubled SOEs have additional requirements.

[17] There is only 45 percent State Capital in Vinamilk (held by SCIC), so by some definitions it is no longer an SOE.



5. International Practice with SOE disclosure

5.1. Many countries are grappling, or have grappled, with similar SOE reform issues as in Vietnam. The following section provides examples, but first sets out guidance from the OECD relating to the governance of SOEs.

5.2. The OECD Guidelines on Corporate Governance of SOEs provide numerous recommendations on improving transparency and disclosure at the company level[18]. Key points are as follows:

- Disclosure is important for many different potential users: the government, so it can be an effective owner; the Parliament to play its role in reviewing the performance of the state as an owner; the media to raise awareness; and the general public/ taxpayers to get a clear picture of SOE performance.
- As a general principle, SOEs should be as transparent as the "best-in-class" publicly listed corporations. Where private sector standards are less than adequate, SOEs (particularly listed SOEs) have a role to play in leading better corporate disclosure.
- In terms of financial disclosure, the Guidelines recommend that SOEs should be subject to the same high-quality accounting and auditing standards as listed companies, and that large or listed SOEs should use internationally recognized standards (International Financial Reporting Standards - IFRS). Accounts should be audited by independent external auditors, based on the relevant international auditing standards. There should also be effective internal audit procedures, overseen by an audit committee for the Board of Directors.
- Non-financial disclosure should include adequate information on ownership and voting structures (where there are non-Government shareholders), risks and related party transactions. Ideally, annual disclosures will include management discussion and analysis of performance, including any material risk factors and measures taken to manage risks. Where SOEs have non-commercial obligations, these should be disclosed, together with their costs, funding and performance in achieving the objectives.

[18] For further on the OECD guidelines see: http://www.oecd.org/corporate/ca/corporategovernanceofstate-ownedenterprises/oecdguidelinesoncorporategovernanceofstate-ownedenterprises.htm; accessed April 8, 2013.

5.3. A number of OECD member and non-member countries are taking steps to improve SOE disclosure regimes, including through improvements in their performance monitoring and reporting systems. The following four country examples are interesting from a Vietnam perspective:

5.4. **Improving Disclosure through Mandatory Corporate Governance Regulations in Pakistan:** Poor corporate governance generally, and poor public disclosure specifically, has impacted the performance of SOEs in Pakistan. To address this, the Securities and Exchange Commission has issued new Public Sector Companies (Corporate Governance) Rules in March 2013 that cover a range of corporate governance matters, including both financial and non-financial disclosure. Financial reports must be prepared quarterly and released on the company website within a month of the quarter. An annual director's report will be required containing significant non-financial information, including subsidies received; governance metrics such as board meetings and attendance, remuneration policies; performance indicators and results; significant plans, decisions and risks. The new regulations are in response to poor compliance with the existing voluntary code. They came into effect in mid-2013.[19]

5.5. **Performance Reporting in Malaysia:** The Transformation Program for Government Linked Companies (GLCs) in Malaysia included the publication of a "Blue Book: Guidelines on Announcement of Headlines KPIs and Economic Profit" in 2006. The Guidelines provide a comprehensive reference to GLCs to ensure uniformity and consistency in financial and non-financial performance reporting. Each GLC has 5 to 8 KPIs with targets along financial, customer, and operational dimensions that are tightly linked to its specific strategy. The targets of each KPI are benchmarked against comparable international peers. The CEO is responsible for the implementation of KPIs and for reporting them to the market. Business performance reviews are conducted every quarter in order to understand any major variances and to chalk out action plans to further improve performance. The Blue Book also provides guidance on Economic Profit reporting, on how to deliver headline KPI results and provides a communication checklist for GLCs. It also gives advice on how to manage poor or missed results.[20]

5.6. **Use of a Centralized Reporting Portal in Mauritius:** Mauritius has a dispersed model of SOE ownership and suffers from incomplete and inconsistent reporting of annual financial statements and performance reports. To address this problem, the

[19] For further information see: http://www.secp.gov.pk/notification/pdf/2012/S.R.O283%281%292012-DraftRegulationsforComments.pdf; accessed 24 April 2013.

[20] For further information see: http://www.pcg.gov.my/PDF/GLCT%20Programme%20Progress%20Review%20%28May%202012%29.pdf; accessed 24 April 2013.

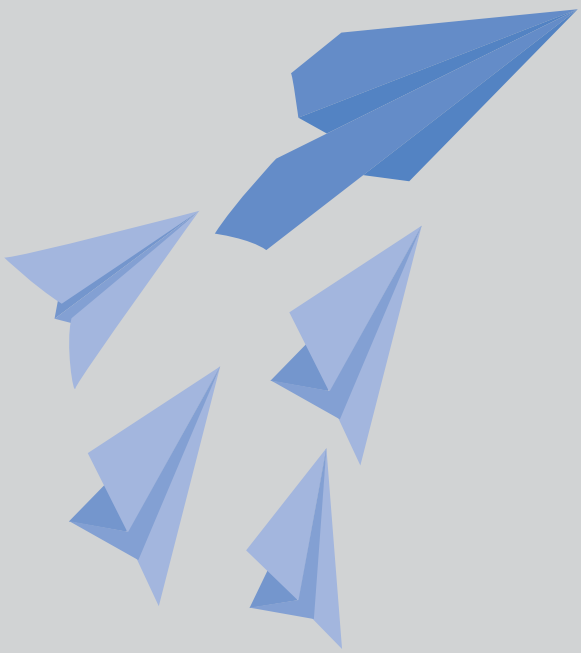
governance unit in the Prime Minister's Office has established a centralized, web-based reporting portal: the Parastatal Information Management System (PIMS). PIMS requires SOEs to electronically submit a number of generic financial (e.g revenue, costs, profit, assets, liabilities) and non-financial (e.g. number of employees) measures. In addition, the system provides for uploading of periodic financial statements (annual and quarterly reports) in a PDF format. The system can be accessed only within Government, with the capacity to provide differential levels of access. Take up of the system has been slow, partly because it has not replaced existing reporting requirements, but merely added to them. In addition, the Ministries of Finance and the Prime Minister's Office has, to date, restricted access to the system by Line Ministries, limiting the incentives for SOEs that report to Line Ministries to comply.[21]

5.7. **India's Performance Management System:** In India, Central SOEs are monitored and evaluated following negotiation of a performance agreement, ultimately signed by the SOE and its administrative ministry. Established in 1986, the main goal was to improve SOE performance by providing greater autonomy to the enterprises while holding them accountable for results through the MOU, which set out objectives, targets, and incentive-based rewards. The system has steadily evolved and improved over the past 20-plus years, and has become a key tool for ensuring accountability of CPSEs and their directors. The Department of Public Enterprises guidelines specify particular financial and nonfinancial or dynamic targets, with different weights assigned to each, based on the broad sector the CPSE operates in (loss-making companies and those under construction have their own formats). A key feature of the system is that results are published and can be found on the on the Department of Public Enterprises website.[22]

5.8. **South Korea's Web Portal.** As part of comprehensive SOE reform efforts (outlined in Annex III) and to reduce the need for the public to search numerous websites an internet-based portal was set-up in 2005. This system (known by its acronym as the ALIO; see www.alio.go.kr) provides information on all public institutions in Korea, including SOEs. SOEs are (and other public institutions) are mandated to disclose operational data according to 34 standardized categories of financial and non-financial information (initially only 20 items had to be disclosed). See Annex III for a listing of the types of inflation posted on ALIO.

[21] For further information see: http://www.gov.mu/English/News/Pages/Public-Sector-Governance-Parastatals-Information-Management-System-Launched.aspx; accessed 24 April 2013.

[22] See: http://dpe.nic.in/sites/upload_files/dpe/files/RFD_2013-14_23042013.pdf; accessed 05 September 2013.



6. What steps could be taken?

6.1. The following credible steps could improve SOE information disclosure and contribute to better allocation of resources, improved SOE performance, and greater economic stability in Vietnam. Overlaying this, is a fundamental requirement to ensure that there is a political consensus around the need for reform, and an understanding of the benefits that reform can bring. Without a strong drive for reforms, groups that benefit from existing SOE disclosure policy could block progress. The ideas include:

i. **Phase in the enhanced disclosure process by piloting it with a select set of SOEs.** One such phasing could start with the Economic Groups, then expand to General Corporations and finally to the remaining SOEs with 100 percent state equity. The size of the SOE sector in Vietnam is such that some sequencing of reforms will be required; focusing on larger SOEs is a good starting point.

ii. **Focus on public disclosure and not merely on internal disclosure.** This study supports the prevailing view that the internal reporting system between SOEs and government needs attention. However, the main efficiency return on information disclosure will likely come from public disclosure of information, since the data, structures and skills set used for effective external reporting can be harnessed to improve the internal reporting environment. As a first step, a key feature of the ownership oversight regime should be to ensure that all SOEs comply with the minimum disclosure requirements, in terms of releasing audited financial statements within the required timeframes. Improving the provision of information on SOE websites is a key means of achieving this focus. To improve accountability, the relevant ownership Ministries should check websites and publish benchmark reports highlighting SOE non-compliance with reporting requirements. . In order to encourage ownership Ministries to do this, they too should be monitored or benchmarked to ensure that they are carrying out their responsibilities. Not all information needs to be shared as some can be genuinely designated as strategic (although this list need to be revisited frequently and guided by criteria), but there must be sufficient financial and non-financial information in the public domain (South Korea's ALIO system described in Section 5 above and in Annex III) provides a good starting point for what information should be disclosed. This is an achievable reform in the next one to two years in Vietnam.

iii. **Disclose information on the SOEs at one central place (website), with a**

national agency being in charge of coordinating the process. The task of collection, compilation and reporting of the information to the central agency should be the responsibility of the SOEs. For reform to succeed SOEs need centralized and clear coordination. A simple central web portal will help do this by reducing the fragmented nature of reporting (owner line ministries can be permitted to access information on particular SOEs despite the portal being maintained centrally). The Korea and Mauritius examples show this is not overly complicated to get right when there is political will. Coordination could be enhanced via an inter-Ministerial oversight committee ensuring the various Ministries involved in SOE reform do not duplicate each other's efforts. This might include strengthening the NSCERD and should in either case involve members from the rpivaste sector and relevant NGOs and think tanks. At present the Government has many oversight bodies relating to SOEs, but dilutes the government's ability to effectively hold SOEs accountable for overall performance.

iv. **Simplify information requirements and build a more straight forward legislative framework and a standardized information disclosure system.** Current legislation needs to be revised in a manner that builds towards an effective and consistent framework for SOE disclosure and performance management over the next few years. Better coordination is needed from groups drafting legislation and leadership is needed to ensure the direction of a framework is maintained so current issues of complexity and fragmentation are minimized. Data requirements placed on SOEs should be in a consistent form, and matched to the data collection methods used internally by SOEs. Where possible, The external disclosure requirements for SOEs should also be harmonized with the requirements for private sector listed companies. This will likely require legislative updates, as legal provisions for public disclosure are currently very limited. Use of the standardized portal for the collection and dissemination of information within Government (as described above) would substantially reduce the reporting burden on SOEs and would provide a framework for better coordination between the various Ministries. Many SOEs do not have systems (ICT infrastructure, capable human resources, book-keeping systems, MIS) in place to generate a good standard of information and reports in a timely manner. By making these requirements clearer, SOEs can more easily build up the required skill-sets and capacity to comply with requirements.

v. **Incentivize compliance by SOEs to the legislative and regulatory framework by rewarding compliant enterprises and penalizing non-complaint ones.**

There is a lack of incentive to comply with the rules and disclose quality information (or put differently there is an absence of penalty when not complying). As the requirements for information disclosure are simplified a system must be developed to ensure compliance. The South Korea experience outlined in Annex III has such a system that could be adapted for the Vietnam context.

SOEs must also keep in dialogue with government and be provided with training and clear guidelines. Some elements of SOEs work remain difficult to explain, including requests by government for SOE to perform social duties. Without this information many profit and loss statements do not offer a true reflection of the respective SOE and should be communicated in the respective reports.

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Annex

Annex I: Review of Current Legislation Impacting on SOE Information Disclosure

NB: "State-owned Enterprises are those in which the State holds more than 50% of the share capital" (Article 4, Enterprise Law)

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Enterprise Law, 29 November 2005		
Details of business registration certificate to the tax office, statistics office	All enterprises, including SOEs	>Within seven working days as from the date of grant of a business registration certificate or registration of changes in a business registration dossier, enterprises shall notice to the tax office, statistics office and other competent state agencies at the same level, the People's Committee of the district, town or provincial city and the People's Committee of the commune, ward or township where the enterprise's head office is located. >Within thirty days as from the date of receiving the business registration certificate, enterprises must publish in the business website of the business registration office or in three consecutive issues of a newspaper or electronic newspaper
Progress of capital contribution to the enterprises	All enterprises, including SOEs	The representative-at-law of a company must inform in writing the progress of capital contribution to the business registration office within fifteen days as from the date of commitment to contribute capital
Increase and decrease of the charter capital	All enterprises, including SOEs	The company must inform in writing the business registration office its decision on capital increase or decrease within seven working days as from the date of making such decision.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Progress and status of capital contribution	All enterprises, including SOEs	Within ninety days as from the date the company is granted a business registration certificate, the company must inform the business registration office about equity capital contribution.
Shareholders owning 5% or more of the total number of shares	All enterprises, including SOEs	Shareholders owning 5% or more of the total number of shares shall be registered with the authorized business registration office within seven working days as from the date they acquire that ownership percentage.
Related management benefits from the company	Joint-stock enterprises, including equitized SOEs	Members of the Management Board, the director or general director and other managers of the company must declare all their related benefits with the company
Annual statements and reports	Joint-stock enterprises, including equitized SOEs	>By the end of a fiscal year, the Management Board shall prepare: a/ Report on the business operation of the company; b/ Financial statements; c/ Evaluation report on the management and direction of the company; >Annual financial statements of a joint-stock company, if required by law to be audited, must be audited before they are submitted to the Shareholders' Meeting for consideration and approval. >Joint-stock companies shall forward their annual financial statements already approved by the Shareholders' Meeting to competent state agencies according to the provisions of law on accounting and other relevant laws. >A brief of the annual financial statement shall be notified to all shareholders. >All individuals or organizations shall be entitled to have access to or make copies of the annual financial statements of a joint-stock company at the competent business registration office.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Reduction in registered investment capital	Private companies	>In the course of business, the owner of a private enterprise may increase or reduce his/her investment capital in business operations of the enterprise, which shall be reflected in accounting books. Where the remaining capital after reduction is lower than the registered investment capital, the owner may do so only after registering such reduction with the business registration office.
Management of private enterprises	Private companies	>The owner of a private enterprise may directly manage and run business operations of the enterprise or employ another person to do so. Where the latter is the case, the owner must register it with the business registration office while still taking full responsibility for all business operations of the enterprise.
Leasing of private enterprises	Private companies	>The owner of a private enterprise may lease his/her entire enterprise, provided he/she shall report in writing thereon to the business registration office and the tax agency and such report shall be enclosed with a notarized copy of the leasing contract.
Sale of private enterprises	Private companies	>The owner of a private enterprise may sell his/her enterprise to another person. At least fifteen days before the date of transfer of the enterprise, the owner shall notify in writing the business registration office of the transfer.
Financial statements of the parent company and its subsidiary companies	All enterprises including SOEs which are holding companies	>By the end of a fiscal year, a parent company must also make the following reports: (a) Consolidated financial statement of the group of companies as provided for by the law on accounting; (b) General report on annual business results of the group of companies; (c) General report on the management and direction of the group of companies. >All annual financial statements and financial settlement documents of the parent company and subsidiaries and all consolidated financial statements of the whole group shall be kept at the head office of the parent company.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Division of enterprises	Limited liability company or a JSO (including one member liability limited SOE and equitized SOE)	The Members' Council, the company owner or the Shareholders' Meeting of the to-be-divided company adopts a decision on the division of the company in accordance with the provisions of this Law and the company's charter. Within fifteen days as from the date of its adoption, the company division decision shall be sent to all creditors and notified to employees of the divided company
Separation of enterprises	Limited liability company or a JSO (including one member liability limited SOE and equitized SOE)	The Members' Council, the company owner or the Shareholders' Meeting of the to-be-separated company adopts a decision on the separation of the company in accordance with the provisions of this Law and the company's charter. Within fifteen days as from the date of its adoption, the company separation decision shall be sent to all creditors and notified to employees.
Consolidation of enterprises	Limited liability company or a JSO (including one member liability limited SOE and equitized SOE)	>In the case of consolidation of companies, the consolidation contract must be sent to all creditors and notified to employees within fifteen days from the date of its adoption; >If the consolidating company shall have a market share of between 30% and 50% in the relevant market, the representatives-at-law of the consolidated companies shall report to the competition management agency before the consolidation, unless otherwise provided by the law on competition.
Merger of enterprises	Limited liability company or a JSO(including one member liability limited SOE and equitized SOE)	>The merger contract must be sent to all creditors and notified to employees within fifteen days from the date of its adoption; >If the merging company shall have the market share of between 30% and 50% in the relevant market, the representative-at-law of the company shall report to the competition management agency before the merger, unless otherwise provided by the law on competition. >Mergers resulting in merging companies having a market share of more than 50% in relevant market shall be prohibited, unless otherwise provided by the law on competition.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Transformation of enterprises	Limited liability company or a joint-stock company (including one member liability limited SOE and equitized SOE)	>A limited liability company may be transformed into a joint-stock company or vice versa. The transformation decision must be sent to all creditors and notified to employees within fifteen days from the date of its adoption.
Transformation of one-member limited liability companies	One-member limited liability company or a joint-stock company (including one member liability limited SOE	>Where the owner of a one-member limited liability company transfers part of the company's charter capital to (an)other organization(s) and/or individual(s), such owner and the transferee(s) shall, within fifteen days as from the date of transfer, register the change in the company's number of members with the business registration office. >Where the owner of a one-member limited liability company transfers the whole of the company's charter capital to an individual, the transferee shall, within fifteen days as from the date of completion of transfer procedures, register the change in the company's owner and organize the management and operation of the company in accordance with the provisions on one-member limited liability company with its owner being an individual.
Business suspension	All enterprises, including SOEs	>An enterprise has the right to suspend its business after sending a written notice to the business registration office and tax agency on the date it suspends its business and the duration of suspension no later than fifteen days before the date of suspension or restart of its business.
Dissolution of enterprises	All enterprises, including SOEs	>Within seven working days as from the date of its adoption, the dissolution decision must be sent to the business registration office, all creditors, people with related rights, obligations and interests, and laborers of the enterprise; such decision shall be publicly posted at the enterprise's head office.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
		>If newspaper publishing is required by law, the enterprise dissolution decision must be published in at least three consecutive issues of a printed or electronic newspaper. >Within seven working days as from the date of making full payment of all debts owed by the enterprise, the representative-at-law of the enterprise must send a dossier on its dissolution to the business registration office.
Annual sum-up reports on the situation of state capital-related business to the National Assembly	The Government	>"The Government shall submit to the National Assembly annual sum-up reports on the situation of state capital-related business, situation of state capital and assets security and development in enterprises" [Article 168].
Circular No. 121/2012/TT-BTC dated on July 26, 2012 providing regulations on corporate governance applicable to public companies.		
All about business, production, finance and management of public companies	Public company	>Public companies must completely, accurately and promptly disclose the periodic and irregular information about their business, production, finance and management to their shareholders and the public. The information and methods of information disclosure must comply with laws and the company's charter. Besides, public companies must completely, accurately and promptly disclose other information if such information may possibly affect the securities prices, and the decisions of shareholders and investors. >The information must be disclosed using the methods that ensure the equitable access for shareholders and investors. The language used in information disclosure must be clear, comprehensible and avoid the misinterpretation of shareholders and investors. >When becoming a large-scale public company, the public company must send report to the State Securities Commission and disclose information as prescribed

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Information about the company management	Public company	>Public companies must disclose the information about the company management at the annual General assemblies of shareholders and in the annual reports of the company as prescribed by law provisions on securities and the securities market. >Public companies must report every six (06) months and disclose the information about the company management as prescribed by law provisions on securities and the securities market.
Annual operation and performance reports, financial statements, business plan	Public company	>The annual on the operation of annual shall be submitted to the General assembly of shareholders
The reports on the operation of the Control Board at the annual General assembly of shareholders	Public company	>The reports on the operation of the Control Board shall be presented at at the annual General assembly of shareholders.
Candidacy and nomination to members of the board of directors	Public company	>The information related to the Board of Directors candidates (in case the candidates are chosen) must be announce at least seven (07) days before convening the General assembly of shareholders on the company's website so that the shareholders may study those candidates before voting.
Transactions with related parties	Public company	>The members of the Board of Directors, the Control Board, and the executive Director (General Director)are responsible for reporting and disclosing information about the transactions in the following cases: (i) The transactions between the company and another company of which the founders or the members of the Board of Directors, the executive Director (General Director) within the previous three (03) years are the members stated above;

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
		(ii) The transactions between the company and another company in which the members stated above are the members of the Board of Directors, the executive Director (General Director), or major shareholders; and (iii) The transactions that may bring material or non-material interests to the members stated above.
Internal regulation on the company management	Public company	>The Board of Directors is responsible for formulating the internal regulation on the company management. The internal regulation on the company management must not contradict the current provisions on company management. The internal regulation must be announced on the company's website.
Securities Law, 24 November 2010		
Public company dossiers, including: (i) the company's charter, (ii) a copy of the company's business registration certificate; (iii) brief information on the model of business organization, management apparatus and shareholders' structure; and the latest year's financial statement .		>The information must be disclosed to the State Securities Commission within ninety days after they become public companies", and "Within seven days after receiving valid dossiers, the State Securities Commission shall publicly announce the names and business operations of and other information related to public companies on the State Securities Commission's media" [Articles 25 and 26]. One of the first obligation of public companies is "to disclose information according to the provisions of Article 101 of this Law" [Article 27] >NB. furthermore, the Ministry of Finance, in its circular No. 09/2010/TT-BTC and No. 52/2012/TT-BTC also further requires that public and listed company have to disclose the information on the website of the State Securities Commission and on the enterprise's website. They also require that public company has one corner/ page on its website that is dedicated to providing information to the company's shareholders (Circular 52).

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Periodical information on financial statements.	All enterprises (include SOEs) which offer securities to the public	>The Securities Law also stipulates that "within ten days after having their annual financial statements audited, public companies shall disclose periodical information on such annual financial statements [23]", and that "a public company shall disclose extraordinary information within twenty four hours after the occurrence of one of the following events" [Article 101]. >In addition these, listed enterprises have to be subject to stricter regulations. In addition to these, "a listing organization shall also (i) disclose information within twenty four hours after an asset loss valued at 10% of its own capital or more; (ii) disclose information on a quarterly financial statement within five days after the completion of that statement; (iii) disclose information according to regulations of the Stock Exchange or the Securities Trading Center".
Circular No. No. 204/2012/TT-BTC dated 19 November 2012 on guiding the dossier and procedure for public offering of securities		
Details of the dossiers of application for offering their stocks to the public	All enterprises (include SOEs) which offer securities to the public	>The organizations that issue their stocks must provide relevant information when the major stockholder, the corporations, and state-owned general companies make dossiers of application for offering their stocks to the public. >The information in the application for public offering of securities must be accurate and contain all the essential information, must not cause confusion that affect the investors' decisions.

[23] These financial statements include: (i) a financial statement consists of an accounting balance, a report on business or production results, a cash flow report and an explanation; (ii) an issuing organization being a parent company shall submit a consolidated financial statement according to the accounting law; (iii) Annual financial statements must be an audited by accredited audit organization; (iv) if the dossier is submitted before March 1 of a year, the annual financial statement of the preceding year in the initial dossier may be an unaudited one, which, however, must be accompanied with the audited financial statements of the two previous years; (v) if the accounting period of the latest financial statement ends more than ninety days after the date of submission of the valid dossier of securities public offering registration to the State Securities Commission, the issuing organization shall make an additional financial statement for the latest month or quarter (Article 16, Securities Law)

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Announcement of securities issuance/ details of securities offering	All enterprises (include SOEs) which offer securities to the public	>Within 3 working days as from the Certificate of registration of securities offering takes effect, the issuer shall announce the issue on three consecutive issues of an electronic newspaper or newspaper that is published nationwide. The announcement of the issue and the official prospectus must also be posted on the websites of the issuer and the Stock Exchange where the securities are posted or registered (if any)
Report the offering result	All enterprises (include SOEs) which offer securities to the public	>The issuer must report the result of the securities offering to the State Securities Commission within 10 days as from the end of the offer. >Within 7 working days as from receiving the complete and valid report on the securities offering result, the State Securities Commission shall post the information about the reception of the report on the securities offering result on its website.
Decree No. 99/2012/ND-CP dated November 15, 2012 of the Government on assignment, decentralization of the implementation of the rights, responsibilities and obligations of state owner for the state-owned enterprises and state capital invested in the enterprises		
Status of the debts and other asset obligations of the SEGs, state corporations and other enterprises with 100% state capital	MoF	The Ministry of Finance annually reports to the Government on the status of the debts and other asset obligations of the State economic groups, state corporations and other enterprises with 100% of state capital within the whole country.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Reports on the investment, finance and effectiveness of use of the state capital, enterprise's business results of the State economic groups, state corporations and other enterprises with 100% of state capital	State owner representative at SOE	State owner representative at SOE shall send periodical or irregular reports on the investment, finance and effectiveness of use of the state capital, enterprise's business results.
Reports on observance of the law; management, use, conservation and development of the state capital in the enterprises; the implementation of strategies, plans; to evaluate the implementation of the goals, tasks assigned, results of operation, business, production efficiency of the State economic groups, state corporations and other enterprises with 100% of state capital	State owner representative at SOE	State owner representative at SOE shall send reports to line ministries/PPC on the observance of the law; management, use, conservation and development of the state capital in the enterprises; the implementation of strategies, plans; to evaluate the implementation of the goals, tasks assigned, results of operation, business, production efficiency of the enterprises;

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Report to the Government on business, production effectiveness and implementation of assigned public-utility tasks of the enterprises in which the State holds more than 50% of charter capital	MOF	The MOF shall consolidate, on an annual basis, report to the Government on business, production effectiveness and implementation of assigned public-utility tasks of the enterprises in which the State holds more than 50% of charter capital within the whole country. To coordinate with the line-managing ministry, provincial-level People's Committee to request the representatives to report for implementing the supervision, regular examination and inspection in accordance with provisions on the management, use, conservation and development of State capital invested in the enterprises within the whole country
Report to the Government on the implementation of the objectives, tasks, lines of business of the economic groups and corporations after equitization	MPI	The Ministry of Planning and Investment shall consolidate, on annual basis, report to the Government on the implementation of the objectives, tasks, lines of business of the economic groups and corporations after equitization under the line-managing ministry. To coordinate with the line-managing ministry, provincial-level People's Committee to request the representatives to report for implementing the supervision, annual examination and inspection in accordance with provisions on the implementation of strategies, plans of production, business and plans of investment and development in 5 years.
Report on personnel of the economic groups, and state economic corporations after equitization	MOHA	Ministry of Home Affairs shall coordinate with line ministry, provincial-level People's Committee to request the State owner representatives to report on the compliance with the policy and laws of the Party and State on personnel of the economic groups, and state economic corporations after equitization
Report on compliance with policy and laws on recruitment; remuneration, salaries and bonuses of the enterprise	MOLISA	Ministry of Labor, War Invalids and Social Affairs shall coordinate with the line-managing ministry, provincial-level People's Committee to supervise and examine annually and inspect in accordance with provisions on the compliance with policy and laws on recruitment; remuneration, salaries and bonuses of the enterprise.

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
Decree No. 101/2009/ND-CP dated November 05, 2009 of the Government on pilot establishment, organization, operation and management of state economic groups		
Prepare and disclose annual financial report to the public	SEG	Holding company shall prepare annual financial statements and disclose annual financial to the public, and provide necessary information for accurate assessment of their operation effectiveness (Article 19).
Annual reports and extraordinary reports at the request of the Government and the Prime Minister	SEG	The Board of Directors of a parent company shall make annual reports and extraordinary reports at the request of the Government and the Prime Minister on the following: (i) The direction and results of direction of its economic group to realize objectives, including business objectives in its main business lines, and fulfill tasks assigned by the state owner to its groups; (ii) Portfolios and the structure of investment in main and unrelated business lines; (iii) The raising of capital for investment in finance, banking real estate and securities; (iv) Forms and levels of association among enterprises of its economic group; (v) Organization and personnel work of the parent company: human resources engaged in main, related and unrelated business lines; and (vi) Regulations of the parent company on issues which must be adopted by the parent company before its authorized representatives in member enterprises decide or participating in deciding on them (Article 41).
DECISION 192/2004/QD-TTG DATED 16 NOVEMBER 2004 OF PRIME MINISTER regarding the Regulation on Fiscal Transparency of State Budget, Budget Unit, Institutions financed by State Budget, Capital Investment Project financed by State Budget, SOEs, and Fund with funding from State Budget and Contribution of the People		
Corporate fiscal information	All SOEs	>President of Management Board, General Director or Director of SOE shall be responsible to disclose the following information: (i) Financial situation; (ii) Result of business activities; (iii) Creation, contribution and use of SOE Funds; (iv) SOE contributions to National Budget; (v) Employees Income and average income; and (vi) Amount of Government Contributions and effectiveness of these contributions in SOE or other organization

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
		>The disclosure of financial information will be implemented in the forms of printed documents, notice at SOE office within 90 days, and financial report in annual meeting of all employees and staffs. >The discljosure shall be implemented 120 days after the end of calendar year. (Article 12 and 13)
Circular 29/2005/TT-BTC dated 14 April 2005 of Ministry of Finance on fiscal transparency of SOEs		
Corporate fiscal information	All SOEs	>President of Management Board, General Director or Director of SOE shall disclose the following information: (i) Financial situation (asset, capital, liabilities,...); (ii) Result of business activities; (iii) SOE contributions to National Budget; (iv) Financial report explanations; (v) Creation, contribution and use of SOE Funds; (vi) Employees Income and average income; (vii) Amount of Government Contributions and effectiveness of these contributions in SOE or other organization >The disclosure shall be implemented within 120 days after the end of calendar year and will be in the format of: (i) Printed documents; (ii) Notice at SOE office within 90 days; and (iii) Financial report in annual meeting of all employees and staffs.
Circular 03/2005/TT-BTC by the Ministry of Finance on Disclosing Fiscal Information of State Budget at Different Level and on Fiscal Information Reporting		
State Budget estimation, settlement accounts including "investment and capital support for State enterprises; State economic organizations,	MOF and Provincial People's Committees (PCC)	>Disclosure to the public information on Central State Budget estimation, settlement accounts, including State Budget estimation, settlement accounts, expenditures of Central Budget and budget expenditure of local budget according to the budget which has been approved and ratified by the National Assembly. Method of disclosure: the disclosure of budgetary information as indicated at 1.1, article 1 of this circular shall be implemented in the following methods: written notice to ministries, ministerial

What needs to be disclosed?	Who must disclose?	How should information be disclosed?
and State financial organizations; contribution of share capital and equity capital to joint ventures with enterprises in areas that require the participation of the State" (as defined in State Budget Law);		agencies, Government agencies, other agencies at Central level, People's Council ant People's Committee at Provinces, and cities; publications and public announcement at the website of the Ministry of Finance (www.mof.gov.vn) >Disclose budgetary information of provinces and cities which are under Central Government management (generally referred to as provincial budget). Budgetary information to be disclosed includes information on budget estimation, final settlement accounts of provincial budgets which were approved and ratified by provincial People's Committee. Method of disclosure: the disclosure of budgetary information as indicated at 2.1, article 2 of this circular shall be implemented in the following methods: written notice to provincial government agencies, Provincial People's Council ant People's Committee at Provinces, People's Council ant People's Committee at districts level; publications and public announcement on websites (applicable to provinces and cities which have official websites) .

Annex II: Website Information Status Checks for SOEs: April 2013

Name	SOE Type (EG/ GC/90)	Website	If website then content (yes or no) by category:				
			Company Overview	Company News/ Strategy	Info. on Financial Performance	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
Housing and Urban Development Corporation	GC	www.hud.com.vn	✓	×	×	×	×
Song Da Corporation	GC	www.songda.vn	✓	✓	×	×	✓
Vietnam Northern Food Corporation	GC	www.vinafood1.com.vn	✓	✓	×	×	×
Vietnam Southern Food Corporation	GC	www.vinafood2.com.vn	✓	×	×	×	×
Vietnam Paper Corporation	GC	www.vinapaco.com.vn	✓	×	×	×	×
Vietnam National Coffee Corporation	GC	www.vinacafe.com.vn	✓	×	×	×	×
Vietnam Airlines Corporation	GC	www.vietnamairlines.com	✓	×	×	×	×
Vietnam National Tobacco Corporation	GC	www.vinataba.com.vn	✓	×	×	×	×
Vietnam National Shipping Lines	GC	www.vinalines.com.vn	✓	✓	×	×	✓
Vietnam Railways	GC	www.vr.com.vn	✓	✓	×	×	✓
Vietnam Steel Corporation	GC	www.vnsteel.vn	✓	✓	✓	✓	✓
Vietnam Cement Industry Corporation	GC	www.vicem.vn	✓	✓	×	×	×
Vietnam Posts and Telecommunications Group (VNPT)	EG	www.vnpt.com.vn	✓	✓	×	×	×
Vietnam National Coal – Mineral Industries Holding Corporation Limited (VINACOMIN)	EG	www.vinacomin.vn	✓	✓	×	×	×
Vietnam Oil and Gas Group	EG	www.pvn.vn	✓	✓	×	✓	×
Vietnam Electricity	EG	www.evn.com.vn	✓	✓	×	×	×
The Vietnam National Textile and Garment Group	EG	www.vinatex.com	✓	✓	×	×	×
Vietnam Rubber Group	EG	www.vnrubbergroup.com	✓	✓	×	✓	×

Name	SOE Type (EG/ GC/90)	Website	If website then content (yes or no) by category:				
			Company Overview	Company News/ Strategy	Info. on Financial Performance	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
BaoViet Holdings (BVH)	EG	www.baoviet.com.vn	✓	✓	✓	✓	✓
Viettel Group	EG	www.viettel.com.vn	✓	✓	×	✓	×
Vietnam National Chemical Group	EG	www.vinachem.com.vn	✓	✓	×	×	×
Vinashin Business Group	EG	www.vinashin.com.vn	✓	✓	×	×	×
Vietnam National Petroleum Group	EG	www.petrolimex.com.vn	✓	✓	×	✓	✓
Vietnam Electrical Equipment Joint Stock Corporation	90	www.gelex.vn	✓	✓	✓	✓	✓
Vietnam Electronics and Informatics Joint – Stock Corporation	90	www.viec.com.vn	✓	✓	✓	✓	✓
Machines and Industrial Equipment Corporation	90	www.mie.com.vn	✓	✓	×	×	✓
Saigon Beer Alcohol and Beverage Joint Stock Corporation	90	www.sabeco.com.vn	✓	✓	×	✓	✓
Vietnam Engine and Agricultural Machinery Corporation	90	www.veam.com.vn	✓	✓	×	×	×
Vietnam Industrial Construction Corporation	90	www.vinaincon.com.vn	✓	×	×	×	✓
Hanoi Beer Alcohol and Beverage Joint Stock Corporation	90	www.habeco.com.vn	✓	✓	×	✓	✓
Vietnam National Company for Vegetable Oils, Aromas and Comestics	90	www.vocarimex.com.vn	✓	✓	×	×	×
Contruction Corporation No.1	90	www.cc1.net.vn	✓	✓	✓	×	×
Building Materials Corporation No.1	90	www.fico.com.vn	✓	×	×	×	×
Vietnam Construction and Import – Export Joint Stock Corporation	90	www.vinaconex.com.vn	✓	✓	✓	✓	✓
Mien Trung Corporation	90	×	-	-	-	-	-

Name	SOE Type (EG/ GC/90)	Website	If website then content (yes or no) by category:				
			Company Overview	Company News/ Strategy	Info. on Financial Performance	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
Vietnam Urban and Industrial Zone Development Investment Corporation	90	www.idico.com.vn	✓	✓	×	×	×
Civil Engineering Construction Corporation No.1	90	www.cienco1.com	✓	✓	×	×	×
Civil Engineering Construction Corporation No.4	90	www.cienco4.com	✓	✓	×	×	×
Civil Engineering Construction Corporation No.5	90	www.cienco5.com	✓	×	×	×	×
Civil Engineering Construction Corporation No.6	90	×	-	-	-	-	-
Civil Engineering Construction Corporation No.8	90	www.cienco8.com	✓	✓	×	×	×
Thang Long Construction Corporation	90	www.thanglonggroup.com.vn	✓	✓	×	×	×
Vietnam Waterway Construction Corporation	90	www.vinawaco.vn	✓	✓	×	×	×
Vietnam Motors Industry Corporation	90	www.vinamotor.vn	✓	✓	×	×	×
Transport Engineering Design Inc	90	www.tedi.vn	✓	✓	×	×	×
Waterway Transport Corporation	90	×	-	-	-	-	-
Southern Waterborne Transport Joint Stock Corporation	90	www.sowatco.com.vn	✓	✓	✓	✓	✓
Vietnam Trading Engineering Construction Joint Stock Corporation	90	www.vietracimex.com	✓	✓	×	×	✓
Southern Airports Corporation	90	www.tsnairport.hochiminhcity.gov.vn	✓	✓	×	×	✓
Vietnam Air Navigation Services Corporation	90	www.vatm.vn	✓	✓	×	×	✓
North Airports Corporation	90	×	-	-	-	-	-

Name	SOE Type (EG/ GC/90)	Website	If website then content (yes or no) by category:				
			Company Overview	Company News/ Strategy	Info. on Financial Performance	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
Middle Airports Corporation	90	www.mac.org.vn	✓	✓	×	×	✓
Fruit and Agricultural Product Corporation Limited	90	www.vegetexcovn.com.vn	✓	✓	×	×	✓
Vietnam General Corporation of Agricultural Materials	90	www.vigecam.vn	✓	✓	×	×	×
Vietnam Sericulture Corporation (Bankrupted)	90	×	-	-	-	-	-
Vinasugar 1 Corporation Limited	90	×	-	-	-	-	-
Vinasugar 2 Corporation Limited	90	×	-	-	-	-	-
The Agriculture & Irrication Mechanization Electrification – Construction Corporation	90	www.agrimeco.com.vn	✓	✓	×	×	✓
Hydraulic Construction Corporation No.4 Joint Stock Company	90	www.thuyloi4.com.vn	✓	✓	✓	✓	✓
Vietnam Forest Corporation	90	www.vinafor.com.vn	✓	✓	×	×	✓
Vietnam National Livestock Corporation	90	www.vilico.vn	✓	✓	×	×	✓
Agricultural of Construction & Rural Development Limited Corporation	90	www.vinacco.vn	✓	✓	×	×	✓
Vietnam National Seaproducts Corporation	90	www.seaprodex.com	✓	✓	×	×	✓
East Sea Fishery Corporation (Merged to SEAPRODEX)	90	×	-	-	-	-	-
Halong Fishery Corporation (Merged to SEAPRODEX)	90	×	-	-	-	-	-
Vietnam Medical Equipment Corporation	90	www.vinamed.com.vn	✓	✓	×	×	✓
Vietnam Pharmaceutical Corporation	90	www.vinapharm.net.vn	✓	✓	×	×	✓
Truong Son Building Corporation	90	×	-	-	-	-	-
Thanh An Corporation	90	www.binhdoan11.vn	✓	✓	×	×	×

Name	SOE Type (EG/ GC/90)	Website	If website then content (yes or no) by category:				
			Company Overview	Company News/ Strategy	Info. on Financial Performance	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
28 Corporation	90	www.agtex.com.vn	✓	✓	×	×	×
15 Corporation	90	www.tongcongty15.com.vn	✓	✓	×	×	×
Military Petroleum Corporation	90	www.mipecorp.com.vn	✓	✓	×	×	×
Tan Cang Corporation	90	www.saigonnewport.com.vn	✓	✓	×	×	✓
Thai Son Corporation	90	www.thaisoncorp.com.vn	✓	✓	×	×	✓
International Cooperation Corporation	90	www.coecco.com.vn	✓	✓	×	×	×
Vietnam Helicopter Corporation	90	www.vnh.com.vn	✓	✓	×	×	×
Vietnam Natural Resource and Environment Corporation	90	www.vinanren.vn	✓	✓	×	×	✓
Sai Gon Building Corporation	90	www.saigoncons.com.vn	✓	✓	×	×	×
Sai Gon Commerce Corporation	90	www.satra.com.vn	✓	✓	×	×	×
Sai Gon Water Supply Corporation	90	www.sawaco.com.vn	✓	✓	×	×	✓
Sai Gon Property Corporation	90	www.rescovn.com	✓	×	×	×	×
Sai Gon Tourist Corporation	90	www.saigon-tourist.com	✓	✓	×	×	×
Ben Thanh Corporation	90	www.benthanhgroup.com	✓	✓	×	×	×
Sai Gon Culture Corporation	90	www.scpc.com.vn	✓	✓	×	×	✓
Sai Gon Mechanism and Transportation Corporation	90	www.samco.com.vn	✓	✓	×	×	✓
Sai Gon Agricultural Corporation	90	www.sagri.com.vn	✓	✓	×	×	×
Sai Gon Industrial Corporation	90	www.cns.com.vn	✓	✓	×	×	✓
Manufacture & Trading imported & exported printing paper & packing Liksin Corp.	90	www.liksin.com.vn	✓	✓	×	×	✓
Hanoi Housing Development and Investment Corp.	90	www.handico.com.vn	✓	✓	×	×	×

Name	SOE Type (EG/ GC/90)	Website	If website then content (yes or no) by category:				
			Company Overview	Company News/ Strategy	Info. on Financial Performance	Annual report/ Financial Statement/ Auditors report	Major Decisions/ Resolution by Board/ Management
Hanoi Tourist Corporation	90	www.hanoitourist.com.vn	✓	✓	×	×	×
Urban Infrastructure Development Investment Corporation	90	www.udic.com.vn	✓	✓	×	×	×
Hanoi Trade Corporation	90	www.haprogroup.vn	✓	✓	×	×	×
Hanoi Transport & Services Corporation	90	www.transerco.vn	✓	✓	×	×	×
Khanh Viet Corporation	90	www.khatoco.com	✓	✓	×	✓	×
Ha Tinh – Mineral and Trade Corporation	90	www.mitraco.com.vn	✓	✓	×	×	×
Dong Nai Food Industry Corporation	90	×	-	-	-	-	-
Vietnam Multimedia Corporation	90	www.vtc.org.vn	✓	✓	×	×	×
Global Telecommunications Corporation	90	www.gtel.com.vn	✓	×	×	×	×

Note: *Information on financial performance is ticked present if basic and simple information is provided on the website.*

Annex III: South Korea's Experience with SOE Information Disclosure

This section of the report is based on content by Professor J. Park who worked with the Vietnam government as a World Bank consultant in January 2013. Professor J. Park has extensive experience working on SOE reform in Korea in academia and as former Executive Director at the Research Center for SOEs (part of Korean Institute of Public Finance) between 2010 and 2011.

Background on SOEs in South Korea

Most SOEs in were established prior to 1983 and operated to develop the Korean economy. Since there have been widespread reforms and performance has been improved considerably. However, the reforms have taken time and are best explained as being incremental and iterative. Whilst South Korea looked at proceedings in other countries their reforms were based on the Korean context. Privatization was the not the chief reform instrument and instead SOE managers were credibly asked (and in some cases pushed) to perform by government (via promises of reward or punishment by SOE managers). The period of the reforms was complemented by a track record of fiscal discipline. SOE reform had low political costs because SOEs were already being run relatively efficiently (SOEs had not been used to create jobs as in other countries) and government had the capacity to overcome resistance to reforms.

SOEs in South Korea today

A changing composition of the SOE portfolios of government has altered the state's role as an owner. There are currently 295 public institutions, and According to the Public Institution Management Act (2007), they are of three distinct types: (i) SOEs; (ii) quasi-governmental institutions and (iii) other public institutions (see Table A1). To be classified as an SOE requires an entity to have more than 50 employees and generate at least 50 percent of its total revenues itself. Furthermore when an SOE has an own-revenue share of more than 85 percent it is further categorized as a commercial SOE (otherwise it is deemed a semi-commercial SOE).

Ownership and Oversight of SOEs

The ownership function of SOEs has since 2007 been overseen by an Inter-Ministerial Steering Committee (replacing similar oversight bodies). At present the Committee consists of up to 20 members, nominated by the President and chaired by the Minister of Strategy and Finance. Many Vice Ministers from line Ministries sponsoring SOEs are appointed of members to the Committee, but more than half of its members are private sector experts. The Ministry of Strategy and Finance acts as secretariat to the Committee. Despite the committee's oversight role sponsoring line ministries retain the right to nominate CEOs and executive directors (except for the large SOEs with economic importance, whose CEOs are nominated by the President). External directors are appointed by the Steering Committee.

Table A1: Public institutions in South Korea (as of end 2012)

	SOEs		Quasi-Governmental Institution	Other Public Institutions	Total
	Commercial	Semi-Commercial			
Number of organization	14	16	87	178	295
Number of employees	93,789		69,358	90,030	253,177
Size of assets (billion US$)	444.6		184.0	25.7	654.2

Source: *Korea Institute of Public Finance (2013)*

Key reform areas of the last 10-15 years

There have been three key areas of SOE reform in Korea:

i. Legal and regulatory frameworks: have been adjusted by formally classifying groups of SOEs according to operational structure and the nature of their objectives (commercial versus public service).
ii. State acting as an owner. Clear ownership policies have been developed since 2005 through legislation and altered the way that ownership rights are exercised within government toward a greater centralization of the ownership function. Korea has established inter-ministerial Committee for Public Institution Management to better coordinate SOE ownership.
iii. Transparency and disclosure. The rules have been improved in favor of greater disclosure of information by SOEs. This is now the focus of this report.

Transparency and Disclosure of SOEs in Korea

The current framework for SOE information disclosure was finalized in 2007 following the establishment of the Inter-Ministerial Steering Committee (CPIM). The framework is designed to publicly provide information with the aim of improving SOE efficiency. In the past, information relating to the management of SOEs was disclosed in part, or not at all, and disclosure was not standardized across SOEs making it hard to compare management information across SOEs. Also members of the public had to search through individual websites of each institution making comparison between different SOE time consuming.

In 2005 an internet-based open information system for public institutions was created (known by its acronym as the ALIO; see www.alio.go.kr). The system provides information on all public institutions in Korea, including SOEs. SOEs are (and other public institutions) are mandated to disclose operational data according to 34 standardized categories

of financial and non-financial information (initially only 20 items had to be disclosed). Table A2 below sets out what information is provided.

Items for disclosure can be classified as for regular disclosure and for voluntary occasional disclosure.

- Regular disclosure: required at a certain time –the end of a year, biannually or quarterly. (For example the size of workforce, financial information, and salaries of employees including executives).

Table A2: Violation Criteria and Associated Penalty

Categories	Items Disclosed	Categories	Items Disclosed
General status	>General status	*Internal and external evaluation*	>Feedback from the National Assembly
Operation of institution	>Number of employees >Status of executive body >New employment >Annual salary of executives >Average monthly salary of employees >Business expenses of CEO >Welfare expenses >Details of executive business trips overseas >Status regarding labor unions >Rule of employment		>Feedback from the Board of Audit and Inspection >Feedback from the competent ministries >Results of management performance evaluation >Feedback in management performance evaluation >Results of customer satisfaction surveys >Results of auditor's job performance evaluation >Minutes of directors' meeting >Results of internal audit
Management performance and core projects	>Condensed balance sheet >Condensed income statement >Revenue and expenditure >Core projects >Details of investment execution >Capital and shareholders >Short and long term borrowings >Investment and contribution >Annual endowments and grants >Management overhead costs	*Public Notice*	>Examples of management innovation >Employment information >Bidding information >Research report >Other information

- Occasional disclosure: required on an ad hoc basis, but required within 14 days of the change (For example findings by outside organizations, board meeting records, information on new employment and bidding).

The framework can adapt to changes and to requests for new or different information from the National Assembly. When necessary the required information can be revised. The Ministry of Strategy and Finance however must establish the requirements prior to the beginning of the financial year, after deliberation and resolution by the CPIM.

All public institutions, including SOEs, must disclose management information as per the Public Institution Management Act. The Act requires standardized disclosure on the ALIO website with penalties if information is not disclosed. To ensure accuracy of the materials disclosed the Ministry of Strategy and Finance checks and confirms the information and has the authority to penalize unfaithful disclosure started in 2009. The penalty system involved issuance of penalty points as illustrated in Table A3. Table A4 shows the consequences of accumulation of policy points and the system incentives good performance by SOEs as CEOs and employees' remuneration can vary as a result

The information disclosure system in South Korea has so far contributed to achieving a goal of improved transparency and accountability. That withstanding there is still work to do to improve. It's argued that

Table A3: Violation Criteria and Associated Penalty

Type of Unfaithful Disclosure	Content of violation	Penalty
Non-conformance with disclosure rules	>Penalty is imposed on each item not disclosed >Late disclosure more than 6 months >Late more than 1 month >Late after 1 week from deadline >Late within 1 week	> 5 points > 4 points > 3 points > 2 points > 1 point
False disclosure	>False disclosure discovered by the external agency (parliament, Board of Audit, government ministries etc. >Penalty is imposed on each item	> 5 points
Disclosure correction	>When an institution discloses management information that is not true, due to inadvertent errors, etc. and subsequently rectifies the error, penalty is imposed on each instance of correction	>1 to 5 points

the system should make the naming and shaming approach stronger and indexation of performance would help the public compare the companies in similar industries.

Key Reform Principles

i. SOE reform in Korea took over three decades to get to its current state and are best explained as being incremental and iterative.
ii. Whilst South Korea looked at proceedings in other countries their reforms were based on the Korean context.
iii. The South Korean experience is characterized by 'learning by doing'. The nature of required information, the period of disclosure and penalty system have been assessed and improved over time.
iv. Privatization was the not the chief reform instrument and instead SOE managers were credibly asked (and in some cases pushed) to perform by government (via promises of reward or punishment by SOE managers).
v. The period of the SOE reforms was complemented by a track record of fiscal discipline.
vi. SOE reform had low political costs because SOEs were already being run relatively efficiently (SOEs had not been used to create jobs as in other countries) and government had the capacity to overcome resistance to reforms.

Table A4: Criteria and Details of Ex post Measures

Criteria	Details
>*More than 10 points*	>Institution warning
>*More than 20 points or two consecutive years institution warning*	>Designate the institution as an unfaithful institution and impose >Appropriate measure against the personnel involved >Negative reflect to the management performance evaluation