

Technical Cooperation Document (TC-DOCUMENT)

I. Basic Information of the TC

Country/Region:	Regional
TC Name:	Management and Innovation in State-Owned Enterprises (SOEs) in Korea and Latin American Countries
TC Number:	RG-T2394
Associated Loan/Guarantee Name:	n/a
Associated Loan/Guarantee Name:	n/a
Team Leader/Members:	Jorge Kaufmann (IFD/ICS), Team Leader; Jorge von Horoch (IFD/ICS), Mariano Lafuente (IFD/ICS), Roberto Garcia Lopez (IFD/ICS), María Inés Vasquez (IFD/ICS), Seongbak Wi (IFD/FMM), Gustavo Garcia (IFD/FMM), Alan Giron (IFD/ICS) y Diego Valenzuela (LEG/SGO)
Indicate if: Operational Support, Client Support or Research & Dissemination	Research and Dissemination (R&D)
Date of TC Abstract authorization:	August 13, 2013
Donors providing funding:	Korea Public Capacity Building Fund
Beneficiary :	All Latin American and the Caribbean Countries
Executing Agency and contact name	The Bank, through its IFD/ICS division – Jorge Kaufmann
IDB Funding Requested:	US\$150,000 (non-refundable)
Local counterpart funding:	US\$118,000 in kind from the Ministry of Strategy and Finance of Korea
Disbursement period:	12 months
Executing period:	10 months
Required start date:	September 30, 2013
Types of consultants:	Individual consultants
Prepared by Unit:	Institutional Capacity of the State Division (IFD/ICS)
Unit of Disbursement Responsibility:	IFD/ICS
TC Included in Country Strategy :	n/a
TC included in CPD :	n/a
▪ GCI-9 Sector Priority:	Yes

II. Objectives and Justification of the TC

- 2.1 On December 2012, the Ministry of Strategy and Finance of Korea (MOSF) and the Inter-American Development Bank (IDB) co-hosted two international forums to discuss policies and reforms regarding State-Owned Enterprises (SOEs) management.¹ The first

¹ International Forums: Better Development Results through Public Enterprises. Washington DC, USA, December 6th 2012; and Lima, Peru – December 9th 2012.

forum was held at IDB headquarters in Washington DC, and the second, at the National Center of Strategic Planning of Peru (CEPLAN) in Lima, Peru. As a result, the IDB and the MOSF reached an agreement to establish a framework for continuous cooperation between Latin American countries and Korea in order to enhance the performance of SOEs.

- 2.2 The purpose of this Technical Cooperation is to lay the foundation of a permanent dialogue on Management and Innovation in SOEs, beginning with a conference in Seoul, Korea in November 2013 that brings together Korea and Latin American countries to discuss these important topics. The objective of the conference is to host an exchange of knowledge and experiences on SOEs policies and reform cases among the participants. In this way, both parties can learn from each other's experiences. The conference will feature seminars on SOEs' management and reform processes which will be conducted with the participation of government and SOEs officials from Latin American countries and Korea, as well as two Bank's staff².
- 2.3 Latin American countries have also taken a great interest in the reform of SOEs. One of the most difficult tasks for government officials in charge of SOE's oversight and related policies is finding the appropriate success factors that can enhance SOEs' management performance. Therefore, factors such as "ownership function"³, corporate governance, accountability and transparency in SOEs will be some of the seminar's main agenda topics. Each country will be able to share and to compare its systems with those of other countries.
- 2.4 Meanwhile, the importance of financial risk management, which is being highlighted in the public and private sectors recently, cannot be overstated. The MOSF has recently implemented a mid-term financial management plan in order to identify financial risks for SOEs and secure mid-term fiscal soundness. At the conference, the MOSF will share the current status of its mid-term financial management plan and discuss how to improve financial management methods with Latin American countries.
- 2.5 Additionally, the conference will focus on management and monitoring and evaluation (M&E) systems for SOEs, which guarantees improving the performance by examining organizational and financial issues, and the degree of target achievements of SOEs, respectively. The MOSF will support the reform of SOEs in Latin American countries by sharing its management and M&E systems.
- 2.6 The preliminary conference agenda items are as follows: (i) Institutional aspects: Ownership function and Corporate governance, (ii) Business Performance, Monitoring & Evaluation and Management systems, (iii) Market Regulation and Private Sector participation, (iv) Business Innovation & Overseas Investment, (v) SOEs and their role in the country Development process, (vi) SOE Accountability, Control and Transparency Systems, and (vii) SOE Fiscal Risk & Debt Management.

² See donor's non-objection to finance the cost associated with the participation of two Bank staff. [IDBDOCS-#38079997](#)

³ It is defined as the "organization of the exercise of ownership rights within the state administration". See OECD (2006), "The Organization of the Ownership Function within the State Administration", in *Corporate Governance of State-Owned Enterprises: A Survey of OECD Countries*, OECD Publishing.

III. Description of Activities/components and budget

- 3.1 **Component 1. Promoting dialogue and sharing experiences:** The Technical Cooperation will support activities necessary for the operation of the three-day international conference to be held in Seoul, Korea in November 2013, including the travel of participants from the LAC region, hotel accommodations, per diem, conference rooms, translations, materials, etc.
- 3.2 The seminar is open to all countries of LAC, however, it is expected the participation of 12-16 officials from 7-9 LAC countries, responsible in their ministries of the relation with SOEs, members of public enterprise holding, and similar positions in national and subnational governments. Although it is estimated to be available to participate at the conference representatives of only some of the borrowing countries, all of them will benefit from it through the conference report and the dissemination activities. A similar number of Korean officials will participate in the conference.
- 3.3 The MOSF and the Latin-America and the Caribbean Community of Practice on Managing for Development Results (CoPLAC-MfDR) will organize the conference. As it is known, CoPLAC-MfDR is a forum where a variety of actors from both the public and private sectors are involved in discussions on government performance and accountability through policy dialogue and exchange of good practices. CoPLAC-MfDR has organized technical events on planning, budgeting, and other related areas with the MOSF since 2009.
- 3.4 **Component 2. Knowledge dissemination:** The Technical Cooperation will fund the preparation and issue of a report of the conference that, based on the presentations and the discussions, develops the conclusions of the conference and lay out an agenda to improve SOEs management and performance in Latin-American countries. This document will be prepared on the basis of transcripts of the presentations, and therefore, involve text and power-points editing work, translations and related activities. This publication will be also a tool for government officials from participating countries to share their knowledge and experiences in the region and beyond.
- 3.5 The conference report will be made available in both English and Spanish. In addition to the print edition of the publication, it will be posted in the MOSF, Bank and CoPLAC-MfDR websites.

Indicative Results Matrix

	Indicator	Baseline (year 0)		Year 1	Expected Completion Date	Data source
		Value	Year	Planned		
Outcome						
Availability of information on case studies to improve the management and performance of	Annual hits to the conference report in MOSF, Bank and CoPLAC websites	0	2013	750	March 31, 2015	MOSF, Bank and CoPLAC websites' managers

the SOEs						
Information and/or Knowledge on SOEs policies and reform cases	% of conference participants that evaluate the information and/or knowledge increase as “highly increased”	0%	2003	80%	November 8, 2013	Report of conference (based on survey taken at the end of the conference)
Products						
Seminar organized		0	2013	1	November 5, 2013	Report of conference
LAC officials participated		0	2013	12-16	November 5, 2013	Report of conference
LAC countries participated		0	2013	7-9	November 5, 2013	Report of conference
Conference report prepared and disseminated		0	2013	1	March 31, 2014	Report of conference and websites

IV. Indicative Budget (US\$)

- 4.1 The total cost of the Technical Cooperation is US\$268,000 of which this funding request will finance US\$150,000 and the MOFS \$118,000. The MOSF’s contribution will be in-kind.

Activity/Component	Description	IDB Funding request	Counterpart Funding (MOSF)	Total
1. Promoting dialogue and sharing experiences	Conference	120,000	118,000	238,000
	a) Event Support	11,000	98,000	109,000
	b) Participants cost from LAC countries (*) and IDB.	104,000	20,000	124,000
	c) Other	5,000		5,000
2. Knowledge dissemination	Joint publication	30,000		30,000
Total		150,000	118,000	268,000

(*) Calculated on the basis of 16 LAC participants.

- 4.2 Event support refers to the conference activities such as conference room, meals, visits, and others. Participant costs cover lodging, flight tickets and other participant expenses. It is of interest to point out that the TC covers the costs of the participation of two Bank's staff. They will be responsible for the preparation of presentations made especially for this conference, and therefore, will also be speakers at the conference. They were chosen according to their working area and because they are conducting research in this area. Other conference costs consider preparation of studies and presentations for the conference.
- 4.3 Joint publication includes a print edition of the conference report and proceedings; post the report in MOSF, Bank and CoPLAC-MfDR websites and other dissemination activities. As stated above, the preparation of this conference report involves also text and power-points editing work, translations and related activities.
- 4.4 The activities to be financed under the proposed program will be complemented by CoPLAC-MfDR through the provision of technical support and staff for purposes of preparing and conducting the conference. In this regard, resources of the "Latin America and the Caribbean Community of Practice on Managing for Development Results (CoPLAC-MfDR)- Phase III" program (RG-T2286) financed by the Public Capacity Building Korea Fund for Economic Development could cover the costs associated with: (i) logistical support, including conference venue, interpretation services, audiovisual facilities, printing and distribution of documents, catering; (ii) speaker fees; (iii) consultant services for developing technical content and other specialized services; (iv) travel, lodging and subsistence expenses for speakers, experts, consultants, and participants; and (v) miscellaneous expenses associated with the organization of the conference.
- 4.5 This Technical Cooperation will be executed over a period of ten (10) months and disbursed over a period of twelve (12) months.
- 4.6 The conference will be evaluated by means of a survey designed by the CoPLAC-MfDR and given to the LAC participants to receive feedback and recommendations for future areas of collaboration.

V. Executing agency and execution structure

- 5.1 The Bank, through the Institutional Capacity of the State Division, will execute the Technical Cooperation in close coordination with MOSF. Over the past year IFD/ICS and MOSF have been working together to further their mutual interest in building institutional capacity in the LAC region. The Bank will execute the budget to finance the participation of the LAC participants according to local arrangements made by MOSF.

VI. Project Risks and Issues

- 6.1 The potential risk that could affect the implementation of this operation is a low participation of the LAC invitees in the seminar in Korea. As a mitigation measure, the Bank will encourage participation by extending invitations to the countries well in advance, and by making direct contact with potentially interested governments, explaining the scope and objectives of the conference.

VII. Exceptions to Bank policy

7.1 There are no exceptions to Bank policy.

VIII. Environmental and Social Classification

8.1 There are no foreseen environmental or social risks associated with the execution of this program. According to the Environment and Safeguards Compliance Policy (OP-703), the Technical Cooperation is classified as “C” (see [IDBDOCS-#37937952](#)).

Annex

Annex II - Procurement Plan: ([IDBDOCS-#38051477](#)).


**MANAGEMENT AND INNOVATION IN STATE-OWNED
ENTERPRISES (SOEs) IN KOREA AND LATIN AMERICAN COUNTRIES**

RG-T2394

CERTIFICATION

I hereby certify that this operation was approved for financing under the Public Capacity Building Korea Fund for Economic Development (KPC) through a communication dated August 13, 2013 signed by Minseok Hong, ORP/GCM). Also, I certify that resources from the Public Capacity Building Korea Fund for Economic Development (KPC) are available for up to US\$150,000 in order to finance the activities described and budgeted in this document. in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this document. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk,

ORIGINAL SIGNED



Sonia M. Rivera
Chief
Grants and Co-Financing Management Unit
ORP/GCM

10/01/2013
Date

APPROVAL

OCT 01 2013

Approved: **ORIGINAL SIGNED**

Carlos Santiso
Division Chief
Institutional Capacity of State Division
IFD/ICS

Date