

SOE GOVERNANCE: INTERNATIONAL TRENDS AND UNIQUENESS OF KERALA EXPERIENCES

By

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This paper explores briefly the policy shifts in the past in respect of State Owned Enterprises (SOEs) at large; the corporate governance framework & the context of SOEs and a review of the assumptions arising from the financial crisis; the broad approach to corporate governance adopted in India particularly relating to the Central Level Public Enterprises (CLPE); the key elements of the approach adopted by the Government of Kerala in the process of State Level Public Enterprises (SLPE) reform and the impressive results thus far; and the potential lessons both at the national and State levels for taking this momentum forward.

1. Background to Policy Shifts Relating to SOEs:

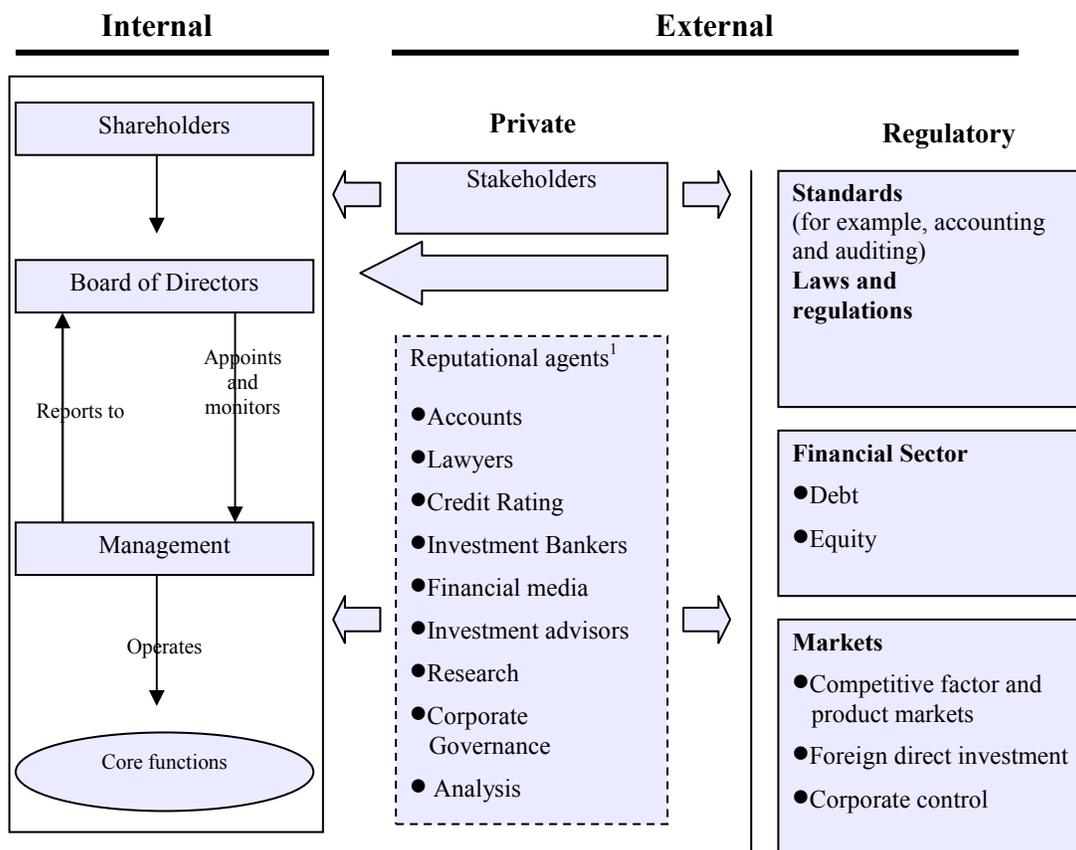
The role of the State in rapid reconstruction, industrialization, generation of employment and development of critical infrastructure was experienced by all during the post World War II period. Consequently, multilateral bodies had supported, enthusiastically, the policy of various countries in creation of SOEs to fulfill critical economic agenda that could lead to development and economic growth. The period up to the 70's was particularly marked by rapid growth, development, and employment generation in Eastern European countries and the erstwhile USSR, which for many became the role model for development. This period was also marked, in general, by the lack of adequate capital markets and significant private wealth to support development. Consequent to the

nascent stage of the markets and late industrialization of some of the developing countries, the onus has been very much on the State to provide finance and other critical resources in a planned manner to meet their key developmental objectives. A majority of SOEs were formed against this backdrop and the overall public policy thus supported active role of the State extending even to potentially commercial and non-strategic areas.

However, there has been a policy shift during the 80's in some of the countries, which had developed a relatively sound financial system that supported rapid progress of the private sector. In these countries, the shift in public policy implied reengineering the government's role, supporting the growth of the private sector and using the capital markets / private finance than development finance for driving economic growth. This policy preference captured the imagination of many countries, which hoped for better results in economic growth and development by embracing a free market enterprise system. Leading economists had already developed and advanced their logic for such an approach in governance along with enough number of ways by which the State can be rolled back or ring-fenced to create the optimal space for the free enterprise / entrepreneurship to grow, compete effectively and generate benefits of higher efficiencies and limitless growth for economies. It is coincidental that there was demonstrable growth, at least for sometime, amongst those countries that adopted this market-oriented economic philosophy and relative decline of the others who suffered from path dependence of the earlier approach.

The 90's were marked by greater internationalization of finance and integration of financial markets leveraging particularly on Information and Communications Technologies (ICT). The financial crises in Asia, Russia and Argentina during 97-98 gave further impetus to critically arraign the structures and policies of governance in these countries to derive lessons to avert similar crises in future. It is around this time that corporate governance became an important aspect to protect systemic risks and financial contagion. Up to the point of the Asian Financial Crisis, corporate governance was merely an important way of ensuring investors confidence to enable stock exchanges to remain robust and continue to grow (as indicated in the original remit of the Cadbury Committee of London Stock Exchange – Cadbury 1992). In the process, the merits of

widely held companies with strong and independent board oversight were recognized, as against the inter-connected pyramid structures and relationship-based policies that have dominated the Asian economies. The system prevailing in such economies was derided as “Crony Capitalism” that needed the cure of good corporate governance standards both within the corporations as well as in the enabling institutional environment. The direct result of this thinking was reflected in evolving international principles for corporate governance at the multi-lateral level. Of these, the Organisation for Economic Cooperation & Development (OECD) principles issued in 1999 & in 2004 (OECD, 1999, 2004) were accepted by the Financial Stability Forum as among the 12 key standards to be encouraged for adoption, and fostered through a series of iterative steps. The OECD appears to have reiterated the framework eminently espoused and articulated in 1997 as depicted below.



(Source: *Corporate Governance Framework*, Nadereh Chamlou, Magdi Iskander,)

In 1997, the OECD, along with others, initiated a multi-donor facility called the Global Corporate Governance Forum (GCGF). The GCGF which is supported by the IFC has done remarkable work particularly among developing countries, transition economies and emerging market economies in raising awareness; building capacity; reviewing and commenting on corporate governance codes and polices; developing skills in institutions such as the media – mainly to promote the quality of corporate governance through technical assistance. It had taken an important initiative among Development Finance Institutions in Africa, which are primarily SOEs. While promoting the OECD Principles in the context of the above framework, it has also been conscious of the fact that one size doesn't fit all, and the need for an inclusive approach without espousing any particular public policy tilts.

2. Review of Macro Assumptions and Policy Approach to CG of SOEs:

It is notable that almost all countries (including the erstwhile Soviet bloc and China) warmed up to the assumptions of market economies - they progressed quickly in ownership structures to facilitate wider public holding, development of capital markets and institutions that could promote market forces to an extent that they would be able to discipline the participants. While the assumptions were not wrong in themselves, the aggressive approach to reduce regulation and oversight and open up avenues for questionable financial innovation, creative accounting, unjustified compensations, collusion among market participants etc., have now led to even greater crises than earlier. There is serious introspection and revisiting of the assumptions in the context of the current global financial crisis with almost all multilateral bodies commissioning studies for analysis and recommendations.

The OECD has also brought out documents examining the lessons for corporate governance from this global financial crisis (for example, OECD, Feb 2009). There have been implications for corporate governance from the report of the United Nations Commission of Experts also (UN, 2009). There is much rethinking on the extent to which market forces can be relied upon to discipline the participants and their agents; the role of the State and regulators in their oversight and governance functions; the kind of

changes required in the multilateral system; the frameworks for a potentially new global reserve system etc. There have been accusations of *laissez faire* in regulation – the International Corporate Governance Network (ICGN – the hub of IFIs with over \$ 14 Trillion under management, ICGN 2008) has expressed the view that the current global financial crisis is mainly the result of regulatory failure while others have indicated serious flaws in the overall corporate governance arrangements in these countries.

The notable result at this point is that neo-liberalism and market fundamentalism have been found to be inadequate in themselves without an appropriate macro-governance and regulatory framework. The search among public policy makers is for an appropriate framework of governance architecture that has the right element of oversight, control, regulation and contingent intervention by the State and regulatory bodies while leaving the optimal space for enterprise to thrive and institutions to develop appropriate checks and balances. In this context, the romantic visions of a fully grown private enterprise without any State owned commercial activity or State ownership of equity, have neither been realized nor are currently in fashion. On the contrary, some fear a prospect of undue conservatism and protectionism.

Till a few years ago, there was reluctance to even acknowledge the existence of the SOE sector, as the ideal was to have such entities privatized sooner than later – due to ideological, efficiency and governance reasons. In particular, the stated view was that it would be impossible to reform the SOEs, which tend to function, any case, very much like family businesses controlling / participating in the management - and far less efficiently due to the “moral hazard” and related problems implicit in such a system.

It was probably for the first time anywhere, that a report was made dealing with the First Principles of Corporate Governance for Public Enterprises in India (SCOPE 1997, Reddy 1998, Reddy 2001). As an introduction giving the rationale for these special attention and Principles, these writings (some of which were carried on the multilateral websites and which were issued as best practice by the Commonwealth Association for Corporate Governance, 2002) were:

1. That in many of the developing countries, SOEs will continue to have a dominant role in economic activity for several years as the markets may have inadequate capacity to absorb wholesale privatization despite all aggressive attempts:
2. That many efforts of reform of the government would first result in corporatisation of governmental activities as SOEs, before any attempt can be made for their disinvestment or privatization; and
3. That there are possibilities of State intervention for acquiring equity or control over private enterprises in the future, in public interest or due to market failures (which indeed has been validated in both in the USA and UK in the context of their current financial crises).
4. That there could be re-alignment of equity structures over a period of time in joint ventures between public and private enterprises whereby the public enterprises may gain control over the management.

The merits of these arguments were reinforced when the OECD, brought forth guidelines for state owned enterprises in 1999, which was further revised in 2005 (OECD, 2005). The approach and recommendations in the India-focused documents as well as the OECD guidelines mainly aim at reforming the overall governance structure for SOEs to enable, inter alia, reengineering the interface between the ministry / oversight agencies and the SOEs; making ownership policy of the State explicit; gaining transparency in reporting and disclosures; reforming the board structures and processes to induce appropriate element of independence etc. The guidelines, which are to be read in conjunction with the OECD Principles and made applicable to the SOE sector have six major chapters viz.

1. Ensuring an effective legal and regulatory framework for SOEs.
2. The State acting as an owner.
3. Equitable treatment of shareholders.
4. Relations with stakeholders.
5. Transparency and disclosure.
6. The responsibilities of the board of SOEs.

Subsequent to the issue of these guidelines, the OECD created an innovative platform in Asia called the Network on Corporate Governance of State Owned Enterprises in Asia. This network brought together various Asian countries to be able to debate each of these chapters in the guidelines; evaluate the levels of conformance and progress towards reform. The Network has brought out a draft Policy Brief on Corporate Governance of SOEs in Asia and a draft framework for monitoring and implementation of the brief in the respective countries. It has been evident from these dialogues and documents that all Asian countries have indeed taken up the reform of their SOE sector. The extent of such reform has been massive in countries like China which included a centralized body (SASAC) for the remnants after the privatization spree. (SASAC is a centralized ownership body close to being a SPV or a holding company as now seen in many countries such as Thailand, Vietnam, Malaysia, Finland, Singapore etc). It is expected that these reforms would continue to spread in the Asian economies in the coming years. The OECD plans a stocktaking exercise in 2012, to demonstrate how much Asian economies have advanced in implementing the regional policy brief and in improving the governance of SOEs.

Subsequent to the OECD Principles and Guidelines and in line with the original approach of the Financial Stability Forum to assess and give feedback on various standards, an initiative was launched titled “Report on Observance of Standards and Codes” (ROSC) relating to corporate governance. This exercise has been carried out in several countries, including for India (ROSC, 2004). The ROSC report reveals the extent of convergence with the international standards in a particular country, the gaps observed and recommendations.

3. Corporate Governance Reform in India:

India joined a host of countries that have recognized the importance of corporate governance fairly early, arising from the Cadbury Committee report and followed by the Asian Financial Crisis. The first initiative was from the private industry – the CII - followed by several reports at the behest of the Department / Ministry of Company Affairs and the SEBI eventually resulting in the introduction of Clause-49 of the

listing agreement by the SEBI and the recent Company Bill. In essence, corporate governance standards were introduced in India in a quasi-regulatory form limited to the listed companies. Thus, as in the case of most countries, the tilt has been to enable the companies to “comply or explain” than to penalize. Further, a liberal transition period was allowed for companies to reform their corporate governance standards.

Of the 244 CPSEs, about 46 are listed of which 41 are actively traded. A significant proportion of both public and private sector listed companies have reportedly fallen short of full compliance despite some years since Clause-49 was issued. This, probably vindicates the feeling that the principle-based approach with “comply or explain” standards may not be effective in developing countries where market mechanisms may be relatively underdeveloped. The ROSC report on India also reveals the gaps in the quality of enforcement of corporate governance by the regulatory system.

Despite several shortcomings in general, there has been an organized approach to meeting the corporate governance standards amongst the CPSEs, which may be considered fairly unique in the region (Reddy, 2009).

The first notable attempt for reform of CLPE probably began in 1991 with the decision of the government to dilute its shareholding for raising resources and encouraging wider public ownership. In the first instance, the offer was made primarily to mutual funds, financial institutions, general public and workers. During this early period of disinvestment, minority shareholding in thirty CPSEs was offered to Indian financial institutions in bundles. The policy was subsequently expanded to include individuals, non-resident Indians and registered Foreign Institutional Investors and later, from 1996 onwards, by raising resources through Global Depository Receipts (GDR). The listing of stock through a process of disinvestments has indirectly influenced board structures, reporting, disclosures and other such key elements of corporate governance.

The government also decided in 1997 to strengthen the CLPEs to become global giants and thus planned to improve the autonomy and delegation of powers to a select group of CLPEs called “Navratnas” and subsequently, another category called “Miniratnas”. The policy enunciated by the Department of Public Enterprises made it obligatory for this select group of companies to restructure the boards to be able to exercise the enhanced autonomy and authority. In the first instance, the CLPEs were required to induct at least four independent directors (termed as “non-official part time directors”) with good stature and background. It further advised that such members of the board should reach at least 1/3rd of the total strength within six months. The selection of such independent directors was required to be done by a high-powered Search Committee comprising of Chairman – Public Enterprises Selection Board, Secretary – Department of Public Enterprises, Secretary of the concerned administrative ministry and one or more eminent persons to be nominated by the Industry Minister. Thus, board restructuring became an important condition for greater autonomy and fostered improved corporate governance. Subsequently, all the listed CLPEs were required to meet Clause-49 of the listing agreement with the stock exchanges as directed by the Securities and Exchange Board of India (SEBI), which has more advanced requirements including higher proportion of independent directors, audit committees, reporting and disclosure standards.

DPE has brought out a comprehensive “Guidelines on Corporate Governance for Central Public Sector Enterprises” in June 2007. A significant aspect of these guidelines is that they are applicable to both listed as well as un-listed CPSEs. There is an explicit commendation in these guidelines as well as in other relevant policy statements for all unlisted companies to progressively move towards meeting these guidelines and get listed on the stock exchanges. The DPE guidelines are mostly in line with the Clause-49 of the listing agreement with stock exchanges issued by the SEBI.

The most notable initiative in promoting corporate governance amongst CLPEs is that of certification and conclaves for Directors initiated and delivered by Standing Conference of Public Enterprise (SCOPE) in association with Academy of Corporate

Governance (ACG, a small think tank and a public trust operating since 2001 & which had, inter alia, collaborated with RIAB and the Commonwealth Secretariat in the latter's 2006 Annual Workshop) under the aegis of the DPE, Government of India. Three Directors' Certification Programmes and Four CEO Conclaves have been delivered since 2005, creating a critical mass of 250 top notch directors and CEOs trained in Corporate Governance. This indeed has been the result of a similar strategy by the Government of Kerala and RIAB in earlier years.

The Government of India's Pay Revision Committee (Second PRC) has elements that have a direct bearing on Corporate Governance reform of CLPEs, albeit indirectly:

- a) Variable pay / performance related pay, which is contingent on the CPSEs constituting a board level "remuneration committee". The notification in this connection states: *"Each CPSE would have Professional Boards with Independent Directors. CPSE to constitute a Remuneration Committee headed by an Independent Director. CPSE will not be eligible for PRP unless the Independent Directors are on its Boards. Remuneration Committee will decide the annual bonus / variable pay pool and policy for its distribution across the executives and Non Unionised Supervisors, within the prescribed limits"* (DPE, November, 2008). This implies board restructuring of CPSEs forthwith, whether publicly listed or not, so as to benefit from the recommendation relating to the variable pay, which is substantial ranging from 40% to 200% of basic pay.

- b) Long term incentives, by promoting employee ownership, which also indirectly supports public listing and easy liquidity of the stock in capital markets. The pay revision committee has also recommended the same and the Office Memorandum of the DPE indicates the formal acceptance of this policy by the government: *"All CPSEs would formulate Employees Stock Option Plan (ESOP) and 10% to 25% of the PRP should be paid as ESOPs. In order to see that Enterprises are able to operate ESOPs scheme, the concerned Administrative Ministry / Department should encourage the*

CPSEs coming under its control to get them listed on the Stock Exchanges”.
(DPE, November, 2008).

Though not directly related to corporate governance norms as such, a major aspect of concern among developing countries has been the transparency, objectivity and efficiency in government procurement activities. The Central Vigilance Commission (CVC), Government of India has taken a major initiative in commending adoption of an Integrity Pact in major government activities that includes the CLPEs. Such Integrity Pacts have already been adopted by over 24 prominent CLPEs and some Ministries such as the Power Ministry are reportedly encouraging the CLPEs under their purview to adopt the same. The Integrity Pact, a Transparency International tool to promote transparency, efficiency and integrity, also envisages appointment of Independent External Monitors to be nominated with the approval of the Central Vigilance Commission.

While the measures for improving the governance standards have been fairly impressive at the national level, even if they fall short of many other countries in Asia, the same cannot be said of the reforms at the State level – the exception probably is Kerala, which appears to have leveraged on corporate governance related mechanisms to engineer a shift in the performance trajectory of the SLPEs.

4. The Kerala Approach to Mainstream CG in SLPEs and Results in Performance:

The international approach to SOEs and the preference for privatization in the context of fiscal pressures, questions on appropriateness of state ownership in particular businesses, accumulated and potential losses etc. had their impact on India. Most of the States had setup specific departments and / or reengineered the scope and objectives of the extant setup in the government to include objectives of strategic sale, privatization and closure. Multilateral bodies supported some of these efforts with technical as well as financial assistance. In many ways, the approach adopted by Kerala has been discernibly different especially with a comprehensive

and inclusive approach adopted through the RIAB. The State pioneered capacity building amongst the SLPEs particularly in strategy and corporate governance with the technical assistance of the UNDP, The Commonwealth Secretariat and The Royal Netherlands Embassy, New Delhi. These efforts undertaken during the mid and late 90's have probably been un-paralleled amongst the States. In the process, Kerala has been the first State to train nearly 150 board members and 125 management professionals to be able to improve the strategy and corporate governance processes and enable them to implement appropriate restructuring at the enterprise level. It is notable that the capacity building process at the board and top management continued irrespective of policy shifts with regard to government's ownership of SLPEs. In recent years, the capacity building has been combined effectively with other initiatives such as performance management and monitoring thus making the reform process more effective and sustainable.

It is also appropriate to note in this context, the uniqueness of the framework adopted by Kerala in determining the restructuring plans for each one of the SLPEs. This approach has been recognized at the level of the Commonwealth as comprehensive compared to the general practices. The framework included:

- “assessment of net revenue or net cost of closure of chronically sick units, after discharging their liabilities, introduction of social safety nets and sale of residual assets,
- analysis of the potential viability of SLPEs in open market conditions, combined with analysis of net cost of restructuring of these potentially viable units, options for funding the restructuring programme within the reform policy framework, and assessment of the feasibility of achieving the projected levels of turnover and expenditure following restructuring;
- comprehensive valuation techniques including share, asset and business valuations;
- analysis of the implications of various options like continuance ‘as is’, immediate closure, restructuring under state ownership, divestment, sale, employees stock options etc.

- assessment of the transitional costs and transition phase management strategies to keep potentially viable units as ‘going concerns’ till all the elements of the reform programme are implemented;
- evaluation of the impact which the reform process can have in promoting the state as an attractive industrial investment destination; and
- outlining a critical path for restructuring each enterprise, while ensuring transparency” (Gillibrand and Padmakumar, 2004).

Due to a combination of efforts, the performance of the SOEs in Kerala has shown a remarkable change in turnover, profitability, strategic alliances, and various other financial and non-financial parameters. For instance, the year 2008-09 registered an increase of 16% in the turnover and 111% in profits over the previous year. A loss of Rs.69.64 crores in 2005-06 was transformed to result in a profit of Rs.169.45 crores in 2008-09. Several companies registered all time record in terms of turnover and profits despite adverse market condition. That these results were not merely due to positive pricing conditions and were mainly due to internal efforts is borne out by the example of KMML. The company had to face a severe competitive disadvantage with the customs duty for imported materials being reduced from 240% to 10%. Despite this the company was able to register several internal efficiencies recording a profit of Rs.70.84 crores from a turnover of Rs.458.71 crores in 2008-09. While many reasons could be responsible for the paradigm shift in the performance of the Kerala SOEs, the following probably stand out as potential leads for consideration of the other policy makers.

- A) Continuous capacity building at the very top relating to corporate governance and strategic capabilities.
- B) Streamlining the appropriate budgeting, performance contracting and close monitoring systems. Kerala had taken a major initiative from 2007-08 onwards in initiating preparation of strategic plans and budgets at the enterprise level with quarterly and monthly targets. There was an implicit contracting of performance with appropriate recognition systems on the basis

of multiple indicators. More importantly, a system of monthly review of performances has been introduced and has been operating for the last three years with the involvement of the Minister, Principal Secretary, Industries, concerned Secretaries and RIAB. RIAB has been undertaking a meticulous follow up and rendering assistance for implementation of the decisions. This process has also been made possible by an innovative initiative by the RIAB through an ICT enabled monitoring system of both performance results as well as specific projects. The tools, the performance criteria and the integration of multiple media in the ICT are probably singular with good potential in future.

- C) Specific efforts to bring in professional management at the top level through an independent process of selection committee which resulted in strengthening the strategic leadership among the CEOs cadres and avoiding any types of extraneous considerations.
- D) A discernable impact of the corporate governance initiatives over the years has been the gradual induction of competent and professional directors in boards, which indeed requires further institutionalization and reform in the coming years.
- E) Most of the boards have instituted 'audit committees' even though there was no requirement to do so under the existing regulations. This and other process improvements have resulted in reducing the arrears in auditing of accounts; more active processes and reporting by the internal auditors who were selected from amongst a panel of renowned chartered accountants. Close co-ordination with the Finance Department and the Accountant General's office is ensured through RIAB.
- F) The strategic approach has improved the operational efficiencies and encouraged appropriate modernization and diversification projects amongst the SOEs - some of these have been provided with a modest budget for rejuvenation and revival apart from facilitation of adequate debt funds.

- G) In the process of adopting a new approach to strengthening the SLPEs and taking up an orderly re-structuring process, the government has indeed expanded its strategic options from the restricted ones of mere closure or privatization. The new strategic moves involved a slew of asset restructuring, mergers, strategic investments and alliances. These moves have resulted in synergies among different SLPEs as also between the SLPEs and the CLPEs. Thus, while KELTEC was taken over by M/s. Brahmos in 2007, there have been strategic investments and tie ups between NTPC and TELK; SAIL and SCL; BHEL and KEL; and Railways and SILK-AUTOKAST. There are currently plans to amalgamate electrical companies and mineral companies as well as transfer of government shares in some SLPEs to other SOEs.
- H) The approach was also marked by appropriate concern for ESG issues (Environment, Safety and Governance) with preference for environment friendly technologies, consideration of sustainability issues, energy management initiatives, commissioning of effluent treatment / recovery / recycling plants, pollution control systems etc. apart from the Corporate Social Responsibility adopted by individual SLPEs. There has been close involvement of the “collectives” in the process of the SLPE reform, which included state level conclaves, dialogue for performance contracts, productivity linked incentive schemes and the like. The role of the collectives has been critical to the entire shift in the performance of the SLPE’s.

5. Going Forward – Further Considerations:

It is apparent that the Kerala government has taken some unique initiatives that converged to evolve a credible approach to reforming the SLPEs by widening the strategic choices and leveraging on corporate governance development and competence. This is a journey that was started since 1996 with the first steps of capacity building amongst the directors and the top management followed by professionalisation of management; some reform of the boards and internal audit functions; strategic budgeting, and monitoring; integrating performance indicators on

the back of ICT tools for effective performance management, monitoring and project tracking; initiating amalgamations, strategic alliances and strategic investments etc. However, the initial results, which are indeed very encouraging, should enable the government to hasten and deepen the process of reform on several other fronts. While the current gaps and areas of further action are obvious, there are a few important lessons that could be drawn and debated for adoption at the national and the State levels. Some of these are listed below, on an illustrative basis, for further debate.

National level:

- I. Would it be beneficial to set up a task force / working group at the very apex level to conduct strategic research, develop database on countrywide SLPE assets, generate options for M&A, strategic alliances and strategic investments among the SOEs? This process would enlarge the currently debilitating and limited options for SLPE Reforms like hurried closures, asset retrenchment and privatization.
- II. Would it be useful to develop a comprehensive “model ownership policy” for the States and Codes of Conduct for interface between ministries and SOEs (drawing upon similar initiatives in other countries and arising from the guidelines and policy briefs generated by the OECD)?
- III. Would it be useful to convene a national summit of industry ministers and SLPEs every year to promote exchange of experiences, experiments and incidentally build capacity in corporate governance and strategic capabilities? (Such a Summit may start in 2010 with Kerala as the host in view of the current initiative).
- IV. Considering the possibilities of strategic investments, public listing and dilution of equity, would it be timely to evolve a national policy for Employee Stock Options for both CLPE’s and SLPE’s? (it may be noted that initiatives were made with facilitation by the author, in 1997-1999 by the National

Petroleum Management Programme, the SCOPE and also one of the CLPEs in conjunction with some collectives. However, the full benefits of Employee Stock Options have not been comprehended sufficiently in policy circles and among the collectives, arising from negative perceptions from an ill-structured equity grants many years ago. Efficiently structured, it can benefit both the enterprises and the employees enormously.)

State level:

- I. Considering the initiatives taken in other regions to consolidate the State's ownership rights and exercise strategic choices in relation to all SOEs dynamically, would it be possible to debate the merits of forming a holding company or an SPV at the State level? (as in China, Thailand, Vietnam, Malaysia, Singapore, Finland etc.).
- II. Is there merit in developing a Model Corporate Governance Charter for adoption by the SLPEs? Such a charter would include the ownership policy of the government, the profiles of competence required on the board, the board profile, board committees, the process of director selection, the board functions, duties and responsibilities etc. Board charters have become an important step in the reform of corporate governance internationally. However, this practice has been distinctly absent in most companies in India.
- III. Would it be possible for RIAB to develop Case Studies of successful turnaround and strategic alliances for wider dissemination including in the proposed National Summit? This may integrate well with the evolving role of RIAB as a "Competitiveness Unit" along with its other activities.
- IV. Would it be of sufficient importance to devote appropriate resources in making the currently pilot stage mechanisms and ICT tools relating to performance monitoring, project tracking and board level knowledge systems into mature products for adoption by other States? (The initiatives by the RIAB in this field are "path breaking and value-for-money" propositions with

good potential for high impact in the country. It may also consider adoption of Integrity Pact and e-procurement systems.

- V. Can Kerala become a pioneer in issuing guidelines for Non-financial disclosures including ESG issues in Annual Reports of the SLPEs?

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