

Feature Address delivered by the Honourable Winston Dookeran

At the Corporate Governance Seminar for State Enterprises

July 13, 2011

This is going to be a very exciting day for the managers of the public enterprise system in Trinidad and Tobago. We hope that during the course of today we would have a hands-on exchange between you who are responsible for the day to day responsibilities, and us in the Ministry of Finance, given my responsibility as Corporation Sole on behalf of the people of Trinidad and Tobago.

This seminar is entitled '*Corporate Governance Seminar*' and to some extent it raises this issue of good governance - focusing on good governance in the context of corporate entities. But good governance has a much wider frame in which we must operate. Some have argued that good governance is too high a set of ideals for countries and those we can be satisfied with good enough governance. The truth is, in today's society, good governance is really driven by people's expectations. And it is the people's expectations which we must honour. If there is no demand for good governance, there is hardly likely to have a good supply of governance. And in today's world, in which our society has become more sensitive to the way in which their public affairs are managed, there is an increasing demand for good governance. This indeed places the yardstick in which we must apply the good governance.

Today, there will be discussions on how good governance in the corporate sector of the state enterprise

- could improve the delivery that is required by society,
- that will enhance the capacity to so do
- that will at the same time ensure that there is accountability that you make the right public choices, and
- that you operate with the highest level of efficiency.

Those are the various components of corporate good governance that we will be focusing on during the course of the day, by many who have specialised in these areas. But now you are all specialists in your specific responsibilities.

The Permanent Secretary quickly outlined the role of the Corporation Sole. It is a constitutionally appointed position and requires the Minister of Finance, *whoever him or she may be*, to take full responsibility for the way in which the assets of the state, through the Corporations that have been set up, are effectively managed. As was pointed out there is dual responsibility between the line Minister and the Minister of Finance on these matters.

What are the expectations for the Corporation Sole in the discharge of this constitutionally subscribed duty?

1. The first expectation is that in the final analysis I, through myself, and with your support, **we are accountable to Parliament**. Parliament is the institution through which we account for our performance or outcomes as well as our plans for our future. So the first expectation is accountability to Parliament.

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2. The second expectation has to do with the **adherence to Government policy**. In each area there is prescribed policy framework - much of which is being developed by yourselves. However, in the final analysis there must be a clear policy direction.
3. The third expectation has to do with **measuring performance outcomes**. I use the word outcome deliberately and distinct from the word output. For in today's nomenclature on management, the issue of outcome is what we measure. Outcome is what benefits bring to society.
4. The fourth expectation is that we must all **comply with what we call acceptable public values** in the discharge of our duty.

Those are the expectations that form the demand for good governance, and the responsibility of all of us to discharge in accordance with these broad expectations.

In order to be able to perform the function efficiently and discharging these expectations to our modern society in these modern times, there are a number of functional requirements.

1. The first have to do with the question of using the public office which you hold to create opportunities for adding value to the society, and ensuring that we can stand the test of competitiveness against established benchmarks. Whether those benchmarks are of a local, regional or international nature. That is one of the functions that we must embark upon on a day to day basis. As Chairman of the Board, you are charged with the responsibility to provide the leadership support so that this particular objective can be achieved.
2. The second function is to enhance the shareholder value. I use the word shareholder value deliberately in order to incorporate the public interest as well as the interest of the owners of the shares which essentially is the Government operating on behalf of the people. Enhancing shareholder's value, therefore, is one of the major functions that must be performed.
3. The third one that sometimes we have been loosely adhering to, is now the complete financial accountability of State Enterprises. During the course of today, I am sure you will go into the details of the demand of financial accountability. The Corporation Sole is largely responsible for financial accountability whereas the line Ministers are responsible for the wider operations of the company.

A brief assessment of *the metrics of the State Enterprise Sector* will suggest that it is significant in Trinidad and Tobago. By the State Enterprise sector I include the Special Purposes Committee but exclude the Statutory Bodies on the basis of the data which I will now share with you. If we were to include it, then of course it will show even a pronounced role in the State Sector.

- The total annual revenues of the state sector as defined in the way I have defined it is \$TT48 billion,
- The total profit is in the vicinity of \$TT3 billion,
- The total dividends that are paid to the treasury is in the order of \$TT1.2 billion,
- The total assets is \$TT120 billion,
- The Government of the Trinidad and Tobago's equity is \$TT7 billion,

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- The number of persons employed is 16,000, and
- The total debt of State Enterprises is \$TT13 billion TT.

These metrics which I have outlined merely signal the fact that this is a significant sector. Underlying the size of this sector is the role of the State in economic development, and I will say a few words on that before I end.

What are some of the operations within the principles that would guide us in the discharge of this duty on behalf of the people of Trinidad and Tobago?

- In the first instance there is what we call a **Performance Monitoring Manual**, which I know have been circulated to you with some revisions that we have made within the last few months. To some extent the performance monitoring manual is the framework within which your operating decisions are to be made and must be consistent with. In the context of the manual, there is what we refer to as a Project Management Protocol. The Performance Monitoring Manual represents the framework for the oversight of the state enterprise Sector by Corporation Sole. It is important to note that the manual highlights Standard Procurement Procedures. It also establishes guidelines to facilitate the State with information on expenditure, communication, and reporting on actual performance of the enterprise, as well as its strategic plans and proposals for significant capital expenditure.
- Within this context there is, as I mentioned a few minutes ago, the **Project Management Protocol** which focuses on ensuring the infrastructure projects are effectively managed against benchmarks that have been agreed upon and standards that have been settled by the relevant authority in the Government, to ensure that there is the reduction in cost overruns and to ensure that there is high quality in the product.

To some extent there has been an advance in the scope of accountability envisaged in the manual to embrace investment policy of a more far reaching nature. In that sense we have added a new responsibility to that particular function.

- Of very critical importance and one that has on many occasions have been underrated is the establishment of the role of **the Audit Committee**. The Audit Committee of the Boards is mandated to assist the Boards in a number of very specific measures and because of its importance I will outline them.
 1. monitoring their financial reports and other financial information provided by their Company to any government body or the public;
 2. evaluating the company's system of internal controls regarding finance, accounting, legal, compliance and ethics that management has established
 3. overseeing the company's auditing, accounting and financial reporting processes.

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And it is important that the Audit Committee provide the necessary resource to discharge these functions on an ongoing basis.

- **Public procurement** must not stall the process of decision making but it must adhere to the fundamental principles of transparency in so doing. As you are well aware new public procurement reform legislation is currently before a Joint Select Committee of Parliament. That system will change soon. But in the meantime the current system which has served us well in the context of the times of the past would have to be adhered to with a level of seriousness.

It is against this kind of background that I am sure that you will be discussing all these issues in great detail. But I want to make two new additional points before I close in these introductory remarks.

Role of the State

One has to do with what I refer to as the role of the State. In our public expenditure programme we allocate almost the same amount of expenditure to the State Enterprises for capital expenditure as we do for the Public Sector Investments Programme which is controlled by Central Government. To be precise, in the last budget we allocated \$TT7 billion in the Public Sector Investments Programme and an equivalent amount of \$TT7 billion in the public enterprise system. This underlines the fact that the public sector has a critical role in fostering economic growth, for underlying capital expenditure is the basis upon which economic growth will resume in Trinidad and Tobago. Therefore you have a key responsibility in ensuring that expenditure is done in a manner that triggers economic growth and development. But in so doing the role of the State has come into focus.

In the Budget of 2011 I was very careful to outline that the role of the state must now be a catalytic one, in the sense it must take such decisions and embark upon such programmes that will be a catalyst for development and growth on behalf of the people of Trinidad and Tobago. That is why we had embarked on a policy directive to do what we refer to as public offerings in Trinidad and Tobago. There must be a flexibility to change. That programme of flexibility to change has begun in a small way but will be accelerated during the course of the next fiscal year.

The public offering programme of which I spoke about and which was announced conceptually in the last Budget has **three (3) major objectives**.

1. One is to ensure efficiency in the use of the assets of the state. And you know what is required to do.
2. Secondly to generate an environment for the sharing of ownership of the people in the resources that belongs to the people through the state.
3. And thirdly, the development objective of building the capital market for further capital accumulation in years to come which is required to ensure sustainability of the growth process.

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Conclusion

These are changes that are before us as we embark on this new and exciting journey at this time in this country's economic history. It is based on a new kind of strategic thinking on the part of the Boards. A reassertion of the need to ensure that there is indeed accountability to discharge your duty and an overriding responsibility to build confidence in our future. That is what we are about and that is what to have been accepted by offering yourself to be chairmen and members of Board of the State Enterprises Sector.

In today's world, I want to sincerely thank you for such an offering because there must be within each of you a sense of public duty and it is this sense of duty that would have propelled you in the acceptance of these responsibilities. It is a public duty beyond individual interest because you know that tomorrow would be a better tomorrow and for us and to those who would come thereafter, I thank you for accepting this offer. I thank you for seeing this in the context and in the framework in which I have briefed you today. I look forward to the results and the outcome of this exercise to manifest itself in a new sense of discipline in Trinidad and Tobago's corporate sector and in us discharging our public duty to the people of our country. Thank you.