

Addressing the 4th Anniversary Function of

Vigilance Study Circle, Bangalore

(By Pradeep Kumar, CVC on 6.2.2012)

Padmashri Dr. S. Subramanian; my colleague Shri Sri Kumar, Vigilance Commissioner; Mr. Raman, CMD, Canara Bank; Mr. Krishnamoorthy; CMDs, CEOs and senior officers of various organisations present here; members of the vigilance fraternity, Ladies & Gentlemen

1. It is my pleasure to participate in the 4th Anniversary celebrations of the Bangalore Chapter of the Vigilance Study Circle. I congratulate the Chapter on its successful completing of four years.

2. While the enforcement agencies and oversight institutions like the Central Vigilance Commission are striving to address the problem of corruption, these efforts cannot be truly effective without the cooperation and active participation of all stake holders, most importantly the citizens of this country. While the problem of corruption is pervasive and the task of fighting it is enormous, the reach of vigilance institution is limited.

3. Vigilance Study Circle therefore serves an important purpose by supplementing the role of the vigilance

institution and extending the anti-corruption efforts to areas and activities beyond the normal reach of the formal institution. As a civil society organisation, it is in a better position to undertake collaborative efforts with all the stake holders and directly engage with the citizens.

4. I am happy to note that the Vigilance Study Circle, Bangalore has set its objectives as :-

- promoting awareness in society,
- empowering and assisting citizens; and
- eliciting the collaboration of organisations.

It also aims to facilitate sharing of knowledge and experience among vigilance functionaries.

5. Spreading awareness about the ill-effects of corruption and knowledge about the ways of fighting it, is the most effective strategy to reduce corruption. Citizens need to be empowered to resist and desist corruption. Awareness leads to empowerment.

6. The fight against corruption also requires that innovative means and strategies are constantly evolved to address the various manifestations of corruption. The Vigilance Study Circle could serve as an important platform for conducting workshops, seminars and research activities in this direction.

7. It also provides a great opportunity for involving academicians, corporate houses, professionals, Civil

Society Organisations and think tanks in the fight against corruption. I hope the Vigilance Study Circle develops into a valuable resource centre in the field of anti-corruption and contributes to the capacity building of personnel involved in vigilance functions.

8. However, the real test lies in the effective implementation of the various programmes that are undertaken to achieve the objectives of the Study Circle.

9. In my view, presently the Indian society is going through a churning. With democracy striking deep roots in the country, economic progress, rising levels of income, globalisation; spread of education; and greater awareness through better communication and information, people now expect better quality of governance. On the other hand the cancer of corruption has corroded every organ of public life. This has resulted in rising anger against corruption and people's level of tolerance for corruption is declining. It cannot be business as usual for the anti-corruption and the vigilance organisations.

10. Nothing can sum up our present predicament better than the observations of the honourable Supreme Court in the 2G case, which was pronounced on 31st January, 2012. I quote the views expressed by honourable Justice A.K.Ganguly:

“Today, corruption in our country not only poses a grave danger to the concept of constitutional

governance, it also threatens the very foundation of Indian democracy and the Rule of Law. The magnitude of corruption in our public life is incompatible with the concept of the socialist, secular democratic republic. It cannot be disputed that where corruption begins all rights end. Corruption devalues human right, chokes development and undermines justice, liberty, equality, fraternity which are the core values in our preambular vision. Therefore, the duty of the Court is that any anti-corruption law has to be interpreted and worked out in such a fashion as to strengthen the fight against corruption.”

11. The judgement is also very significant as it has further empowered the private citizen to fight corruption by upholding the citizens’ constitutional rights to seek prosecution of those who indulge in corruption.

12. People have always reposed faith in the integrity institutions of this country. The Central Vigilance Commission in its quest to fulfil its mandate and the expectations of the people has adopted a strategy of punitive, preventive and participative action. While prompt and proportionate punishment acts as a strong deterrent, preventive measures are more efficient and effective in reducing corruption.

13. Corruption occurs because of gaps in the system and weakness or inadequacy of internal controls in an organisation, which is exploited by the corrupt to their advantage. Therefore, the aim of preventive vigilance

should be to identify the vulnerabilities in the organisation, policies, systems and procedures and recommend corrective measures to reduce the scope for corruption *ab-initio*.

14. Much of public anger and frustration can be attributed to the prevalence of petty form of corruption, especially in the delivery of basic public services. Such corruption has a direct impact on the citizens especially the poor and the weak, as it denies them access to development. It renders the socio-economic development programmes of the Government ineffective. Whenever a bribe is paid we get diminished as citizens and as human beings.

15. Petty corruption can be best addressed through governance reforms like simplification of procedures, ease of access and strong grievance redressal mechanisms. E-governance is effective in reducing the gatekeeper role of public functionaries and making the inter-mediaries powerless. Contrary to popular belief, punitive action by anti-corruption authorities has its limitations in tackling this menace. The instituting of an effective citizen charter and grievance redressal mechanism as proposed by the Government would help in drastically reducing corruption.

16. Right to Information Act has been an important measure in empowering the citizens in exposing corruption, malpractices and arbitrariness in Government decision making and has been an effective aid in our fight against corruption.

17. Public procurement is an activity highly vulnerable to corruption and remains an area of high concern for the Commission. The Central Vigilance Commission has recommended various reforms in public procurement. The Government is in the process of enacting a public procurement law, incorporating global best practices. The Commission has also recommended the enactment of a False Claims Law, which aims to empower the citizens to fight corruption. Through this provision, any citizen can seek punishment and recovery of money from any contractor who charges extra money from the Government and delivers less than the contracted quantity or quality of goods and services. Such law is prevalent in many other countries. The Government is working in this direction.

18. The ratification of the UN Convention Against Corruption by India in May last year has given fresh impetus to reforms in anti-corruption efforts in India. The Convention lays down the minimum basic requirements in terms of institutional and legal framework to be put in place by each country to address corruption. The Convention also aims at improving corporate governance by stipulating various requirements like establishment of codes of conduct, enhanced accounting and auditing standards, more transparent public reporting and disclosure norms in both public as well as the private sector.

19. Besides the proposal to create a strong and effective Lokpal the Government is undertaking several reforms in the anti-corruption regime. Electoral reforms and Judicial Accountability Bill are two very important reforms which are on the anvil.

20. The proposed “Prevention of Bribery of Foreign Public Officials Bill, 2011”, aims at discouraging corrupt practices in international business, by Indian companies.

21. Corruption is a form of human behaviour, which reflects social values. Addressing the root cause of corruption would require inculcating, upholding and promoting ethical values in society. School and family play a very important role in this. The best way to do so is to target the younger generation who need to imbibe the values of integrity as an essential part of their character building. Kendriya Vidyalaya Sangathan along with the Central Vigilance Commission had initiated the concept of “integrity club” in the Central Schools to promote the values of integrity among children.

22. CVC has also recommended to the Government and the Central Board of Secondary Education to introduce teaching of ethics as part of school curriculum as is the practice in several developing countries.

23. Young Indians, whether in industry or in the business schools, must be exposed to business ethics, corporate governance and corporate social responsibility.

The Vigilance Study Circle could therefore undertake various outreach activities in the educational institutions in and around the city.

24. Bengaluru has not only been blessed with a good climate but is also a prominent learning centre with several prestigious institutions based in the city. It also happens to be a corporate hub with prominent public sector, private sector and multi-national corporations headquartered here. Therefore, the topic 'effective corporate governance' which has been chosen for today's panel discussion could not have been more appropriate.

25. The simplest understanding of corporate governance is that - it is the way corporations or commercial organisations are managed. "If management is about running the business, governance is about seeing that it is run properly". Corporate governance is a means of providing assurance to the society that corporations are well-run institutions which not only promote the interest of shareholders but create value for the society at large.

26. Companies based on transparent and efficient systems which provide fair treatment and quality output to all its stake holders are as important to democracy as political institutions. Companies founded on ethics and good governance are the foundation of sound market economies. Good corporate governance creates safeguards against mismanagement and acts as an antidote to corruption.

27. Corruption drains company's resources, erodes competitiveness, deters investors and also affects quality of output. Good corporate governance addresses corruption from both the demand as well as supply side. It improves management and leadership; enables sound business strategy; reduces risks and demonstrates transparency and social accountability.

28. The famous Management Guru - C.K.Prahlad in his book 'Fortune at the Bottom of the Pyramid' described corruption as a market mechanism for gaining privileged access to markets and resources. Good corporate governance aims to replace this system of privileged access with one of equal access based on true competition.

29. It may be seen that the modern concept of corporate governance is not very different from Gandhiji's theory of trusteeship – wherein he envisaged that the owners of business should act as the trustees of society. Modern theories also conceive corporate governance as the action of the owners and management of a company in the interests of its shareholders. Even the concept of corporate social responsibility has its deep roots in Gandhi's theory of trusteeship.

30. The question frequently asked is - What is the most effective means of achieving and enforcing good corporate governance. Various models and frameworks have evolved in the last 15 years, for promoting good corporate

governance. The Sarbanes-Oxley legislation in the USA, the Cadbury Committee recommendations for European companies and the OECD principles of corporate governance are perhaps the best known among these.

31. Indian corporate sector and the regulators have been quick on the heels of international developments, to incorporate some of the best international corporate governance and disclosure practices in India.

32. The existing Clause 49 of the Listing Agreement of SEBI and the proposed new Companies Bill, 2011 cover the fundamentals of effective corporate governance. India compares favourably with most other developing economies as far as the adequacy of corporate governance regulations are concerned.

33. The Company Bill, 2011 tabled in the Parliament envisages significant improvements in corporate governance through improved corporate social responsibility, appointment of independent directors, serious fraud investigations, and investor protection especially of minority shareholders. The new law also proposes more stringent norms and increased penalty.

34. The bigger challenge in India, however, lies in the proper implementation of these rules at the ground level. The correct approach would be to design and sustain a system that imbibes the spirit of corporate governance and not merely the letter of the law.

35. Improved corporate governance, however, does not solely rest on control through increased regulations. After all, good behaviour cannot be legislated. Enforcing corporate governance through a value-based system of self regulation is more sustainable and meaningful. Mervyn King, Chairman of the King Committee on Corporate Governance in South Africa had stated in his famous report and I quote “Good corporate governance is about intellectual honesty and not just sticking to rules and regulations. Capital flowed towards companies that practiced this type of good governance”.

36. I hope the eminent panellists who would be participating in the panel discussion would highlight more on the practical issues relating to corporate governance. I wish a very fruitful and enlightened discussion.

37. At the end, I wish to assure the gathering that the Central Vigilance Commission is deeply committed to combating corruption and in this fight; we are continuously trying to build our capacity, find innovative ways and integrate the expectations of all stakeholders to the governance process. The Commission would continue to play a valuable role in promoting good corporate governance especially in the Indian public sector. I hope the efforts of the Vigilance Study Circle, other civil society organisations, the corporate sector, the media and the citizens at large will supplement our efforts in ensuring ethics in public life in this country.