



Governance: Accountability and Transparency
Waging War Against Poverty
13th October 2011



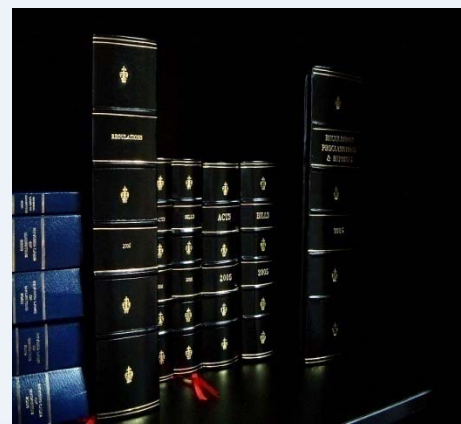
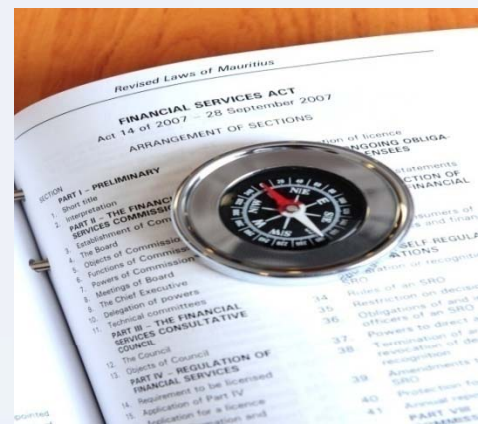
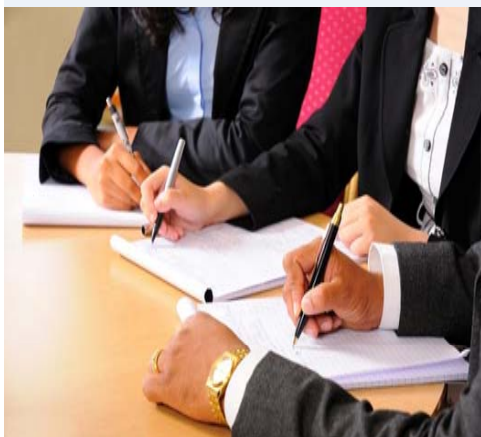
Financial Services Commission
Mauritius



Interface between Wastage, Corruption and Poverty: -The Urgency of Ethical Governance

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13 October 2011





Agenda

- **Introduction**
- **Ethical Governance**
- **Corruption and Governance**
- **Waste, Poverty & Governance**
- **Where we are**
 - **Ethical Governance in the Financial Services sector**
 - **The Global Financial Crisis**
- **The way Forward – Regulator's viewpoint**



Introduction

- **Corporate Governance:**
 - “procedures and processes according to which an organisation is directed and controlled” OECD
 - “Good corporate governance is about 'intellectual honesty' and not just sticking to rules and regulations ...” Mervyn King (Chairman: King Report)
- **Ethics**
 - “what is right and wrong, good and bad, appropriate and inappropriate
 - “The aim of ethics ... is not to be a rule book, or even an uplifting sermon. Rather... [it] ...is to improve our navigational skills, to help us find “the way” (Cohen, 2003: xii)
- **Ethical Governance:**
 - aspiration or ambition, which assumes that the process of governing meets certain standards



Corporate Governance - Ethics Matrix

		CORPORATE GOVERNANCE FRAMEWORK	
		WEAK	STRONG
ETHICAL	WEAK	Focus on Overcoming Systemic Corruption	Focus on Building an Ethical Organization
	STRONG	Focus on Improving Corporate Governance Framework	Focus on Compliance, Disseminating Best Practice Experience

Source: *'The Moral Compass of Companies: Business Ethics and Corporate Governance as Anti-Corruption Tools'* by John D. Sullivan, 2009



Ethical Governance

- Ethical governance is expected to underpin effective and efficient corporate social responsibility within firms.

Corporate Social Responsibility

- Structured way to handle challenges of society
- Commitment of business to contribute to sustainable economic development

Corporate Citizenship

- Clear call for environmental, social and governance responsibility



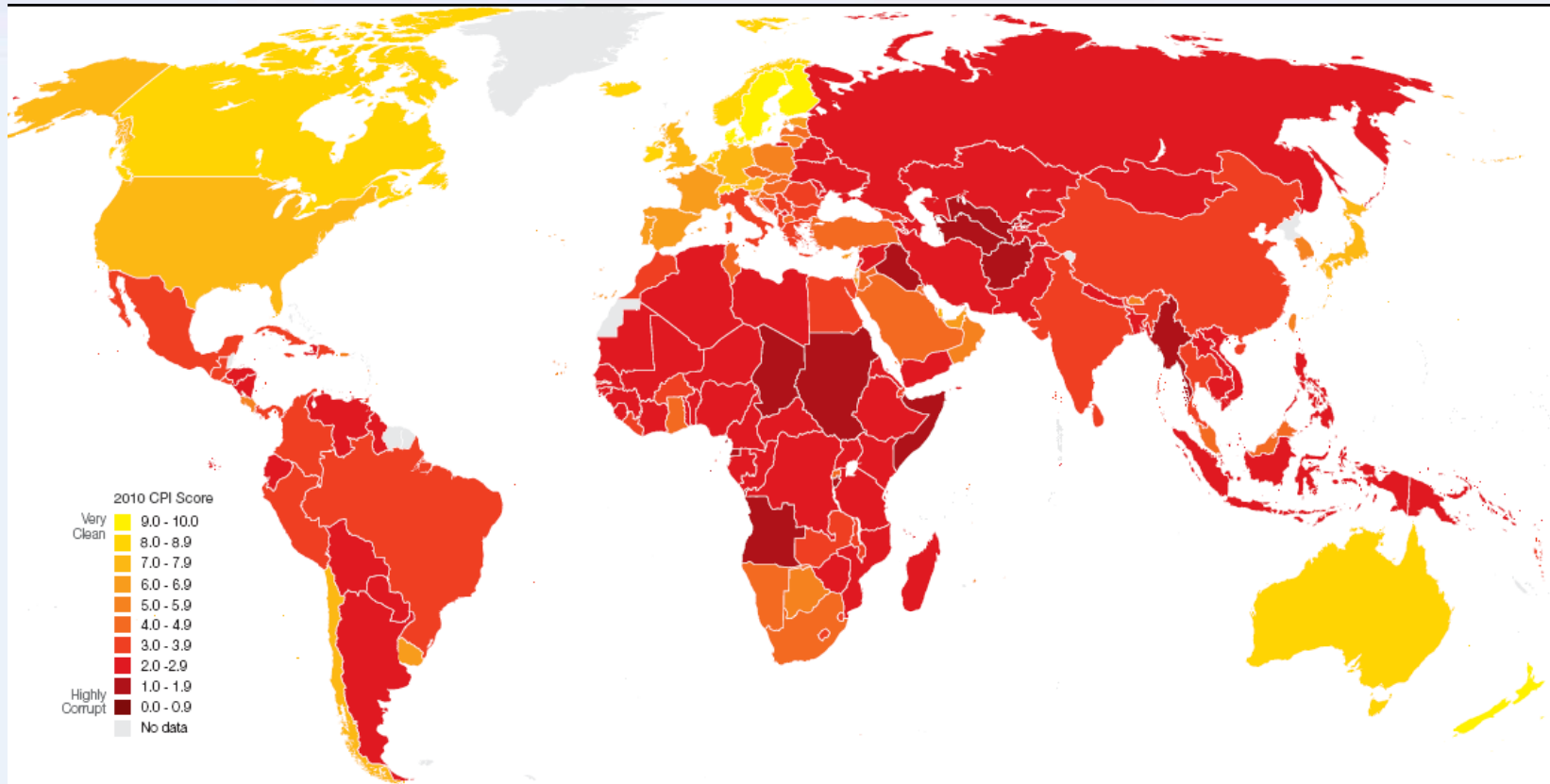
Corruption & Governance





Corruption and Governance

Corruption Perceptions Index 2010 (178 countries)





Corruption Perceptions Index 2010

Corruption?

- The misuse of public office for private gain, including but not limited to:
 - Embezzlement
 - Nepotism
 - Bribery
 - Extortion
 - Influence peddling
 - Fraud

Perception - Least Corrupt

- **Overall Rankings - (out of 178 countries)**
 - 1st Denmark
 - 2nd New Zealand
 - 3rd Singapore
 - 4th Finland
 - 5th Sweden

Perception - Least Corrupt

- **Sub-Saharan Africa rankings (out of 47 Countries)**
 - 1st Botswana (33 out of 178 countries)
 - **2nd Mauritius (39 out of 178 Countries)**
 - 3rd Cape Verde (45 out of 178 Countries)
 - 4th Seychelles (49 out of 178 countries)
 - 5th South Africa (54 out of 178 Countries)



Governance Index 2011

2011 Ibrahim Index of African Governance

- **Rankings - (out of 53 countries)**
 - 1st Mauritius (Score of 80 over 100)
 - 2nd Cape Verde (79.0)
 - 3rd Botswana (76.1)
 - 4th Seychelles (73.5)
 - 5th South Africa (70.6)

2011 Index of Economic Freedom

- Mauritius - 12th out of 183 countries
 - 1st in Africa (76.2)
- Botswana - 40th position
 - 2nd in Africa (68.8)
- Zimbabwe - 178th position just before North Korea and 4 unranked countries)

Promoting Economic Opportunity and Prosperity – The 2011 Index of Economic Freedom (<http://www.heritage.org/ondex/>)



Corruption and Governance

- Poor standards of behaviours and/or corruption
- Corruption degrades governance capacity and weakens institutions and participation;
- Corruption and poverty affect both individuals and business;
- Regulatory environment is not enough to safeguard against corruption;



Corruption and Governance

- Good corporate governance and concrete ethical standards
 - strong allies to fight corporate corruption
- Mainstreaming Ethics into Good Corporate Governance
 - Written code of ethics in place
 - Institutionalise ethical initiatives
 - Set new standards and benchmarks of ethics
 - Active engagement of internal and external stakeholders
- The regulator in a financial system must be ethical in character and action



Waste, Poverty & Governance





Waste, Poverty & Governance

DEFINITION

- No single or common definition
- perceived in different ways for example in terms of :-
 - income scarcity,
 - hunger & malnutrition,
 - poor housing living conditions,
 - no education level,
 - etc...

STATISTICS

- Mauritius does not have a national poverty line

United Nations

Human Development Report (HDR) 2010

- **Mauritius** - 72nd out of 169 countries
 - HDI value of **0.701**
 - ranks 1st among the African countries with the highest HDI value
- **Algeria** - 84th /169 (HDI=0.677)

Mauritius Minimum Wage

- Last changed in 2008
- minimum wage rate for an unskilled worker
 - Rs 562 per week in the EPZ
 - Rs 734 per week outside the EPZ

Trust fund for Social Integration of Vulnerable Groups

- 7000 families earning less than Rs4000 per month

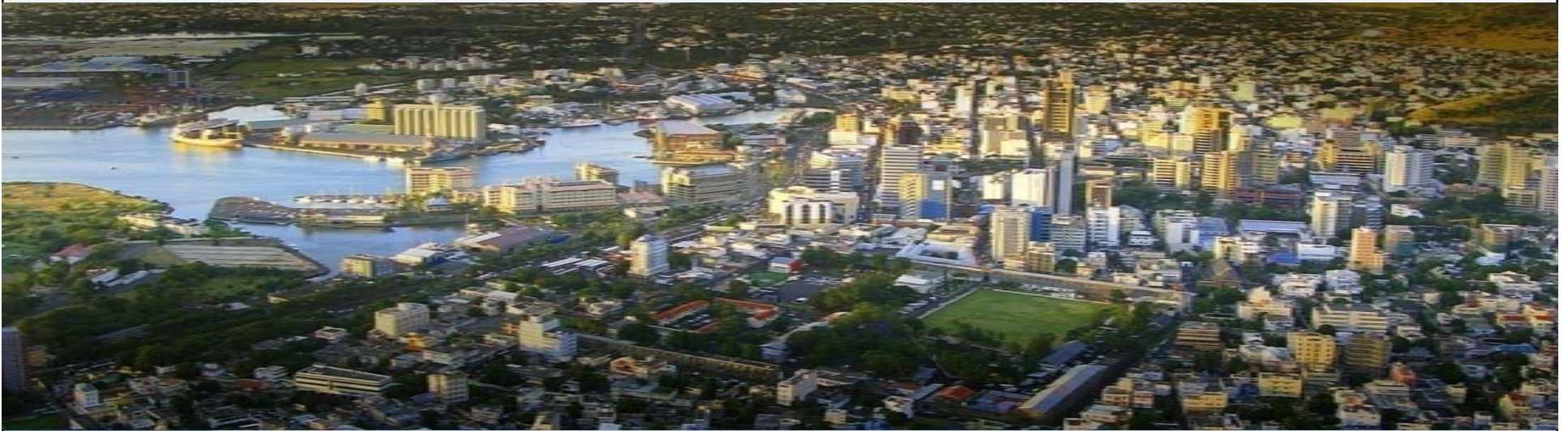


Waste, Poverty & Governance

- Financial Inclusion
 - Critical to achieving inclusive growth
 - Means of poverty alleviation
 - Prerequisite for sustainable growth and development
- Trust essential to financial markets – difficult in poor and corrupt societies
- Poverty invites corruption while corruption deepens poverty



Where we are





Ethical Governance in the Financial Sector

- Honesty and integrity in financial transactions
 - promoting trust and investor confidence
- System integrity
 - Providing fair, complete and accurate information
- Trust and *fiduciary* duty
 - Boards
 - Due diligence
 - Safeguards or checks and balances



Ethical Governance

- **First Generation**
 - Focus on legal issues, structures and individual competences and independence
- **Second Generation**
 - Stakeholder Engagement
 - New models of accountability
- **Third Generation**
 - *Governance for sustainability*
 - Boards need to reflect different stakeholders interests
 - Competences must go beyond technique and industry experience in demonstrating receptivity to new agendas

Source: "Good Governance: Key to Sustainability", International Finance Corporation, Jan-Olaf Willums, October 2010

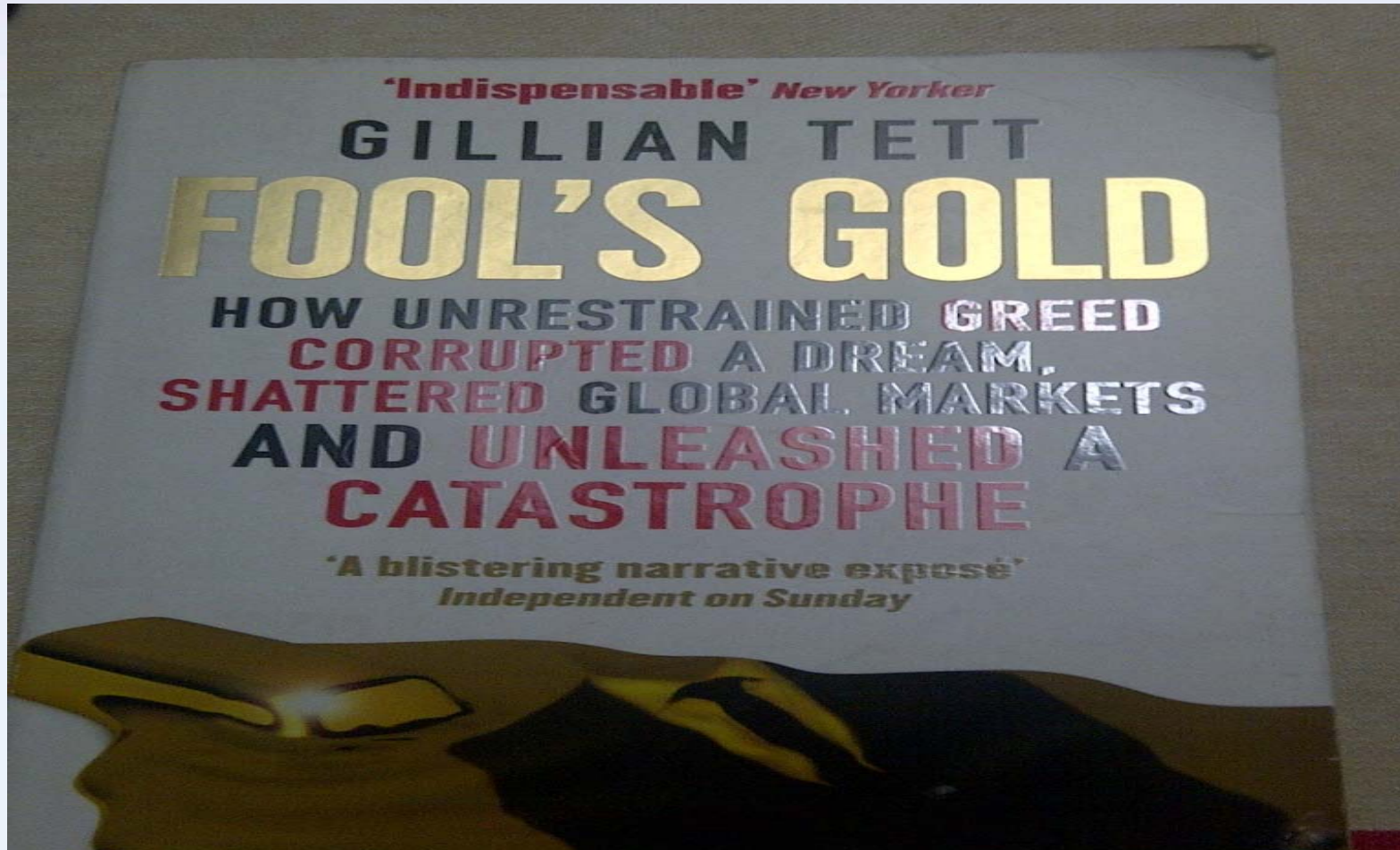


The global financial crisis

- Result of multiple and reinforcing governance failures
- Financial intermediaries abused the powers entrusted to them
- Breakdown of trust caused by poor standard of behaviour

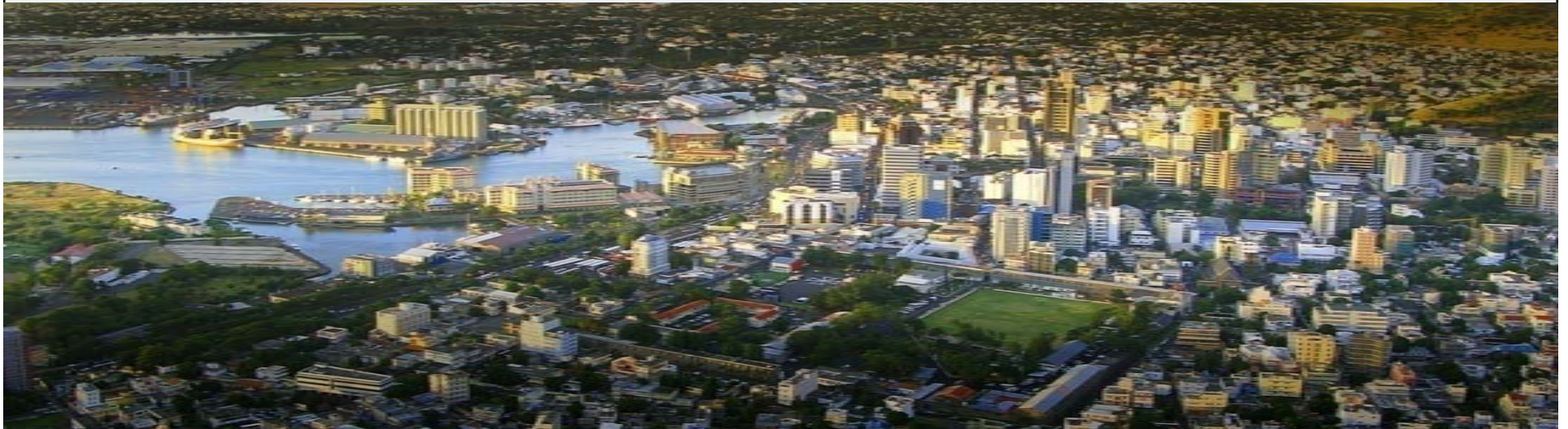


The global financial crisis





The way forward – Regulator’s viewpoint





The Way Forward – Regulator's viewpoint

- Integration of codes of conduct into other policies
- Communication to stakeholders
- Pro-activeness of standards committees to address ethical issues
- Resources to support ethical framework

- Shift from market-driven to socially responsible regulator
- Establishing a set of positive values and behaviours
- Balancing regulatory framework with ethical practices
- Ethics-based corporate culture



Conclusion

Improving good governance is a never ending challenge

“ Corporate Governance by itself should not be regarded as a **panacea or an automatic cure for all corporate ills.**

However, if bolstered by the values and behaviour engendered in genuine ethical organisations with sound governance standards,

corruption becomes the exception rather than the rule.”

(John D. Sullivan, 2009)



THANK YOU
FOR YOUR KIND ATTENTION