

Rundheersing Bheenick: Bank of Mauritius – 40th anniversary year highlights and outlook

Speech by Professor Rundheersing Bheenick, Governor of the Bank of Mauritius, at the dinner to mark the conclusion of the 40th Anniversary celebrations of the Bank of Mauritius, Port Louis, 6 December 2007.

* * *

“Our revels now are ended...”

The Vice-president and our guest of honour; former Vice-presidents; Former Deputy Prime Ministers; Ministers; Former Ministers; Excellencies members of the Diplomatic Corps; Honourable Governor of the Bank of Ghana Dr Paul Acquah, our special guest this evening; Members of the Board of the Bank of Mauritius, Chairman of the Mauritius Bankers’ Association; Chairman of the Joint Economic Council; Deputy Speaker; Honourable Members of Parliament; Mayors and Chairmen of District Councils, Members of the Press, Distinguished Ladies and Gentlemen:

The first necessity for good speaking is a goodly audience: and I must say we certainly have that tonight! I am delighted that we have with us on this occasion our special guest Dr Paul Acquah Governor of the Bank of Ghana.

We are here for the finale of the celebrations of the 40th anniversary year of the Bank of Mauritius. I should add our congratulations to the Mauritius Bankers’ Association, who are with us in strength tonight, also in their 40th year. At our opening banquet, we dwelt on the milestones we have passed since those heady days of Independence and the opening of this Bank, as part of the process of shedding the mantle of Colonial times.

Tonight I will focus on the fresh developments of this 40th year itself, with just a glance into the crystal ball of years ahead. There are quite some tasks that confront us to secure a sure sustainability for banking into the future. We hover still in a shadow of the looming clouds, of recent months, from the global credit crisis unfolding from the US sub-prime debacle. Dr Reddy our good friend from the Reserve Bank of India has emphasised the uncertainties in the unstable state of banking. These are nothing less than a climate change for us. They are the inescapable shifting of the tectonic plates of global trade. We shall be seeing the west, and even the “green back” as a global currency, recede, and the Asian giants move in.

For the present, let me say, 2007 has been not just a year of celebration, but a year of real progress and development in banking in this country. In reviewing this year of real progress, so far, I shall touch on:

- The formal institutional developments,
- The internal light re-engineering or restructuring,
- Our new relationships with stakeholders, and
- Some of the events in our pageant of 40th anniversary year celebrations.

Institutional developments

Allow me to list a few of the critical institutional reforms that have already changed the pattern of our work together. For the first time in our history, we have a Monetary Policy Committee, which, with its new independence, will ensure a more adaptive capacity for determining the best monetary interests for the country. We have had the Amendment to the Banking Act, which gives the MPC decisive powers. We have instituted a new departure in communications policy that ensures that, you know as much as we do, about both the

decisions and the analysis. Yesterday, in our fifth meeting, we came to an historic decision on interest rates, by unanimous vote: BUSINESS AS USUAL; no change!

For those new to these matters, I must confirm that it is not a requirement that the members of the MPC are signed up adherents to Monetarist theory. We have a more liberal perspective here; rather taking the view that Monetarism, like Marxism, has suffered the only fate for a theory worse than death; it was, for a time, put into practice. History teaches us that men and nations behave wisely once they have exhausted all other alternatives. What worries me, and I guess most other bankers, is that when great men get drunk with theory, it is the little men who wake up with the headache.

We now have a new formal accord on our complementary functions with the Financial Services Commission the FSC. This will I believe set a new tone for harmonious co-operation between the several actors in promoting safe more efficient and stable leadership and management in the sector. This accord is the start of a journey we are making, together. It is not a final destination we have already attained.

We are passing through a tense period globally in the supervision of banking and credit. There are compelling reasons to take stock now. So we have made an important step in establishing this new accord on our relative roles in supervision of the ownership structure, corporate governance and risk management. It is this latter field that has been in the sharp focus of worldwide concern, starting with the so-called sub-prime market in the US. This has not been a local storm in a tea-cup, but a tsunami rapidly engulfing not just the core activities of a few institutions in one region. It is surging across the oceans. It is submerging the interlinked archipelago of loosely affiliated entities, subject to varying degrees of regulation. Some of the regulatory links are so obscure and vulnerable to the sea level rise they have been quickly overwhelmed. Central banks, and even governments, have had to mount rescue operations, at unusually sympathetic rates, at great financial cost and at even greater moral hazard.

I trust that this new accord with the FSC will help us here to tighten our controls and limit the risk arising from such supervisory gaps. The accord with the FSC is based on international best practice, commended by international bodies and the Basel Committee on Banking Supervision. This joint BOM/FSC committee will ensure continuity of monitoring and partnership. Yet uncertainty of the underlying risks remains. However confident we are in our institutional strengths, we must beware of that notion of progress which mistakes comfort for invulnerability. We must be rethinking the instruments of monetary policy. This is essential as we move, slowly but surely forward, into the higher realms of financial globalisation and the process of regional economic, financial and monetary union.

As we move into closer union in Africa, we shall continue to work with all our international partners, western and eastern. Although I suppose we have to admit the Europeans remain our best of friends, in terms of markets for our exports products and services.

Now for a little light re-engineering

Now let me pass on to our little light engineering, here at the Bank. We are not only moving into our new building, but at the same time undertaking some modest reform of our internal organisational structure and processes.

In the past in Mauritius we have come to rely on a time lag of some years between the perception that something ought to be done, and any serious attempt to do it. We have dared to reduce this lag to months, even weeks in some cases. I am glad to say that all the staff have collaborated well. We have encountered little of the paradox of reform where the office becomes a hotbed of cold feet. In all this we have been greatly assisted by a fine Malaysian expert review team, who have brought both fresh ideas and a new stimulus to the continual process of adaptation to our changing market in banking and to the changing needs and

perspectives of government. We now have a flatter structure, sloughing off some of that cellulite, producing a faster more relevant response to the needs of our times and customers.

We are seeing meetings more as means of resolving issues rather than just continually restating them. We look to very positive results from our new Communications Division, with a fresh vision drawn from the wider realms of the media and communications practice. Our mission is to transform the Bank of Mauritius into the People's Bank.

We have a new Corporate Services Division with a knowledge-management function as its core discipline. One new focus will be on applied teaching and research with the University, to foster our sustained adaptation in the face of the global financial, commercial and economic climate change. We have marked this with a series of five open lectures on banking, applied economics and monetary policy, which should become a staple part of our diet in years to come.

Our new relationships with stakeholders

Let me now pass to our improving relationship with our stakeholders, many of whom, I am delighted to see here tonight. I am also pleased to say how constructive the new Banking Committee meeting is emerging. It is a new breeze in our more open relationship with our stakeholders. We have had a series of refreshing meetings. These meetings have developed into a series of consultations with private sector stakeholders. Through them you are airing your prevailing concerns and we are learning how better to gauge your perceptions on key issues, and the ways in which a central Bank can best respond.

We have touched on such trends in the main macroeconomic indicators, labour market developments, access to finance and the nature and impact of the main constraints that you face in getting on with business. These consultations have involved the chambers of commerce, merchants, export associations, the tourist industry, shop owners, consumers' representatives, maritime agents, insurers and those in the agriculture and in the transport sectors amongst others.

Issues raised at these meetings have ranged widely from globalisation, banking practices, bank charges, security of on-line transactions, cyber-crime, varied levels of competitiveness, transparency of exchange rates, effectiveness of the sme partnership fund, widening the participation in the sme's chamber, communications and the heavy technical content of our traditional Bulletin and other reports, the role of the new Communications Director and how best to tap into the intelligence, vigour, resilience and leverage of the private sector.

We have been exploring benchmarks for performance, efficiency and, may I add, inefficiency, the profitability of banks at the expense of customers, variation in bank charges, re-investment rates in companies, development of Mauritius as a duty free island, and the time taken to process cheques.

These are not meetings for taking votes. They are more important than that. For they give airtime to the softest voices. I have always had a sneaking feeling, you know, that in the long run, we discover that the minorities with the softest voices are almost always right. This open approach to our consultative meetings has been extended to our over-the-counter banking; more open than ever this year. This is a trend sweeping though the banking sector in general.

40th year celebrations

Now let me briefly take you through the highlights of our anniversary year. This has served as a celebration of the wisdom and courage of our founders, a rite of passage into a new era in banking, and a preparation for the difficult journey ahead. I have been immensely grateful

to the staff past and present who have put so much of themselves into each of these unfolding events.

We began with a gala dinner with the great and the good, at which we received expressions of most generous support from the Prime Minister, from the Deputy Prime Minister and Minister of Finance, and from our colleagues and friends in the banking and business community, many of whom are also with us tonight. I was particularly delighted that De La Rue's were represented here. That is a link to this country that goes back over 150 years.

Our new building has been formally opened and we are gradually becoming accustomed to its special architectural features and added security measures.

Staff and their families greatly appreciated the inter-faith ceremony and blessings for their work, from the leaders of many religious communities, who graced that occasion with prayers and hymns of praise.

Amongst other celebratory events this year, were:

- The interclub youth athletics tournament,
- A health week,
- The launching the new Rs20 coin,
- The issue of a Commemorative Rs 200 coin,
- The design competition for the new bank notes,
- The Charity night for Epilepsy and Alzheimer Associations, and
- The opening of the ecological bamboo garden.

Revisiting the future

Finally, as we close our anniversary celebrations, we must look into the future and work towards the accomplishment of a new era for banking. Another forty years takes us beyond 2020; into Vision 20-20 +. The prime requirements for us will be to nurture a strong adaptive capacity, and a healthy appetite for problem solving.

Seven years ago the technical version of the 20-20 vision document, *Into the 3rd Millennium*,¹ referred to the past decades, as a story of unmitigated success. Then we put in a note of caution:

“But peel away the layers of this remarkable success and there are immense challenges ahead to be overcome if growth is to be achieved and sustained...”

How right we were to sound the early warning! Sustainable development is not easy; it really is post-graduate philosophy, politics and economics, especially for a small island developing state.

I have been a lifelong socialist with a strong affinity to the Gini-coefficient. A long way back socialists thought that making a profit was a vice: whereas the real vice, in the pursuit of sustainable development, is making a loss, especially a loss of capital and of natural resources.

In 1989 The World Bank referred to Mauritius as a *“miracle of development”*: the worry now is that the genie has retired back into the bottle, and in the meantime we seem to have forgotten the trick of rubbing.

¹ Ministry of Economic Planning and Development (2000) *Into the 3rd Millennium*, Government of Mauritius.

I am encouraged therefore to see that youth is on our side. For I observe that the number of Mauritian students registered in Tertiary education has increased from the year 2005 to 2006 by 15%. with a gross enrolment rate of nearly 20%. To keep pace with our competitors the target for the enrolment rate is to exceed 30%. That is the benchmark already achieved by our competitor countries.

The overall increase in students in the finance sector in the year was 14%, which broadly matched the general increase of 15% in total tertiary students. But in banking the increase in registered students in the year was 32%, double the general trend. I hope they all have their sights on our jobs. We must ensure the banking doors are open wide to the best of them. We together as a sector must eagerly respond to their commitment. We must see more and more careers open to merit. High performance must bring financial rewards and accelerated advancement. We need to cherish the vigour and ideas of each new generation. We must no longer overwhelm the vitality of youth with stifling traditional procedure-based management. A key to our very sustained survival in the next four decades is working with the lighter feet of youth. Rapid response is not only relevant to survival from marine tsunamis.

I have to say I am impressed by the changing culture of our banking world today. I sense a new eagerness to explore the future with new vigour, armed with fresh ideas.

The curtain

As we draw the curtain on our anniversary pageants, I am reminded of that Shakespearian scene, with Prospero, on the desert island in his exile, entertained by ethereal figures from legends past, Juno and the goddesses, in bright illuminated revelling.

“Our revels now are ended,”

he declares,

*“These our actors were all spirits...
We are such stuff as dreams are made on and our little life
Is ended with a sleep.”*

The Tempest past, his exile from the affairs of state is over. Now reality resumes. And so it is for us. But are we equipped, skilled and wise enough to grasp this opportunity and accept the challenge of the future?

Together we must grasp the realities afresh. This is the 40th year of our celebrations in Banking; next year it is the nation itself that will be looking back on its record since Independence. With renewed vigour we must recommit ourselves to further progress in all sectors.

We must value and enhance the outstanding but fragile natural beauty of this land, as our ultimate source of wealth. We must explore and more effectively play our role in the wider regions, to which we adhere, in the years to come.

Only then can we turn to those, who have with so much courage, laid the foundations of banking here in the last forty years, and say to them, we have worthily followed your lead.

Thank you.