



**MINISTRY OF FINANCE & THE ECONOMY
GOVERNMENT OF THE REPUBLIC OF TRINIDAD & TOBAGO**

**ADDRESS FOR
SENATOR THE HONOURABLE LARRY HOWAI
MINISTER OF FINANCE & THE ECONOMY**

**AT THE CORPORATE GOVERNANCE SEMINAR:
“Corporate Governance - Promoting Effective State Enterprise
Management”**

hosted by
The Ministry of Finance and the Economy
Investments Division

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CABINET COLLEAGUES

PERMANENT SECRETARIES

CHAIRMEN AND CEOS OF STATE ENTERPRISES

MEMBERS OF STAFF OF THE MINISTRY OF FINANCE AND

THE ECONOMY

DISTINGUISHED GUESTS

MEMBERS OF THE MEDIA

LADIES AND GENTLEMEN

Good morning.

It is with great pleasure that I welcome you to our Corporate Governance Seminar, entitled “Promoting Effective State Enterprise Management”.

Ladies and Gentlemen, in 2012, the sixty entities that comprised the Sector generated after tax profits in excess of TT \$5.0 billion, in varying fields: from energy, financial services, infrastructure development, manufacturing, communication to social services. I expect that in 2013, we would have generated a similar level of profitability.

This sector, apart from the provision of revenue is critically important as it is the avenue through which the Government accelerates the public infrastructure, and investment projects necessary to stimulate the economy and provide much needed services to the public at large.

As expected, with a sector as diverse as this, not all entities are equally profitable and in fact not all have been established with profit as the main objective. Notwithstanding varying mandates, each state enterprise must ensure the efficiency and effectiveness of its use of economic resources in achieving its mandate. This requires the articulation of clear and measurable objectives, in collaboration with the respective line ministry, the conceptualization of insightful strategies for the achievement of these objectives, the implementation of systems to measure achievements on an ongoing basis and the timely reporting of performance.

In this context, it is important that the Directors on the Boards of these State Enterprises understand their roles and responsibilities in directing and reporting on the affairs of the enterprises for which they have been given stewardship.

An important part of the achievement of the objectives of state enterprises, in a manner that would meet the expectations of the public at large, is the establishment of solid governance principles.

The importance of the establishment of good corporate governance principles and practices was emphasized by the global financial crisis of 2008.

We have also had unfortunate experiences locally in the state enterprises as well as the private sector (the CL Financial debacle comes to mind) which serve as examples of what happens when there is a lack of sound risk management and corporate governance practices. I should add that over the years we have tended to assume that there is proper governance in the private sector, and that even if there wasn't, that it is not an issue for the public. The spectacular failures in the global financial system and the ensuing impact on the world economy (not to mention our own CL experience here at home) tells us that the issues of ethics and moral standards are concerns for all of us.

Sir Adrian Cadbury, in the UK Commission Report on Corporate Governance, published in 1992, aptly reminded us that, “Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of resources. The aim is to align as nearly as possible the interests of individuals, corporations and society.”

Good corporate governance and ethical conduct are central to a more stable business environment and the role and contribution of the board of directors (in both the public and private sectors) in establishing ethical standards and good governance is critical.

Of course, as the old adage goes: “Charity begins at home” and so, today, my focus is on my area of responsibility as the Corporation Sole, which is the state enterprise sector.

In this capacity, my role must be focused on adding value to “societal shareholders”, that is, adding value to society and protecting the ‘public interest’.

The UNDP explains that good governance is “... among other things **participatory, transparent and accountable**. It is also effective and equitable. And it **promotes the rule of law.**” These should be our watchwords and in executing our duties in the state enterprise sector, our behaviour should exemplify these principles.

Good governance is participatory, it requires consultation with relevant stakeholders, it reconciles these interests and eventually takes decisions in the best interest of the entity and society. It requires accurate information to be available and accessible. Information should be sufficient and in conformance with relevant standards to allow for understanding, comparison and monitoring. Accountability however, is firmly based on the concept of answerability for the responsibility conferred and is a fundamental aspect of good governance. It means demonstrating honesty, integrity and professionalism through transparency and full accountability to the people and to the Parliament and it should, where necessary, rise above partisan political interest

Ladies and Gentlemen, I must therefore impress upon you the urgent need to encourage your respective organizations to adopt the Trinidad and Tobago Corporate Governance Code which was launched in November 2013. This Code is based upon five principles which once established will no doubt lead to greater transparency and accountability and by extension improve the efficiency and delivery of service to any organization. These five principles are:

1. Establishing a framework for effective governance;
2. Strengthening the composition and performance of Boards and Committees;
3. Reinforcing independence;
4. Fostering accountability, and
5. Strengthening relationships with shareholders.

As the theme suggests, this Seminar is geared towards enhancing the way we manage the assets and resources of the State Enterprise Sector and as Corporation Sole I must impress upon you the need for you to treat the position which you hold with the degree of respect required.

Ladies and Gentlemen, there is a need to continually reinforce public confidence in the positions which you hold.

In my capacity as Corporation Sole, I embrace this opportunity to engage you in discussion on the aforementioned issues outside the framework of a General Meeting of shareholders. As directors and managers, it is incumbent upon you to make this seminar a rewarding one.

It should rekindle within you the passion and enthusiasm you have demonstrated in your agreeing to serve on the various State Boards.

Let me also remind you of Section 99(1) of the Companies Act which demands that, “*Every director and officer of a company shall in exercising his/her powers and discharging his/her duties–*

(a) *Act honestly and in good faith with a view to the best interests of the company; and*

(b) *Exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.”*

The discussions today are expected to concretize the expectations of your office but at the same time, demand that your actions be guided by the conditions of the prevailing macro-economy, the nature of the industry and the adoption by the Board and Management Team of good corporate governance principles and practices.

As members of State Boards you are, an important part of the system of checks and balances instituted to ensure that there is no abuse of power and that decisions are made in the institution's and the nation's best interests.

You are charged with safeguarding the resources of these entities by ensuring value for money is obtained at all times, that the decisions taken are justifiable and that they are capable of withstanding public scrutiny. The responsibility for ensuring that the organization functions effectively and prudently manages assets whilst at the same time adding value and acting in a financially responsible manner, resides with you. The onus is on you to ensure operating strategies, policies and procedures are developed and implemented to ensure that the mandates are achieved.

While the Companies Act makes provisions with respect to directors' power, authority and responsibilities, there are other specific pieces of legislation which treat with the conduct of directors of State entities. These are also enumerated in the State Enterprises Performance Monitoring Manual, a document I urge each director to obtain, read and internalize.

The **Performance Monitoring Manual**, comprehensively outlines the established reporting framework and procedures for operating decisions. As Board members you have a responsibility to adhere to the requirements of this Manual in the execution of your duties. The presentations today will elaborate some more on the key areas of the State Enterprises Performance Monitoring Manual. This

document can also be viewed and downloaded from the Ministry's website for your ease of reference.

Apart from the guidelines provided in the Manual, the Ministry of Finance and the Economy continues to seek new and effective ways of enhancing and simplifying the reporting processes. Through the Investments Division, the Ministry embarked on an initiative to implement an Information Technology Solution for a semi-automated process of monitoring State Agencies. In October 2012, a RFP was issued for the *Design and Implementation of The State Agencies Performance Monitoring Information Software* (SAPMIS). Following a rigorous evaluation process with product demonstrations, scenario testing and external site visits, the Investments Division under the purview of the Ministry expects to commence the

implementation of the SAPMIS solution within the next twelve (12) months.

This solution will bring about significant changes in the operations of all stakeholders. As a consequence, your support is required throughout the process but more importantly, your full co-operation is necessary to facilitate the appropriate ICT readiness assessments.

In addition, in the coming months, the Ministry will be more active and vigilant in the review of business plans, and minutes of Board meetings as well as in ensuring compliance with the measures outlined in the State Enterprise Monitoring Manual. The Ministry's Central Audit Unit will also be requested to closely monitor transactions and contracts given out to ensure compliance with required

procedures and to make the noise associated with the award of contracts a thing of the past.

Ladies and gentlemen, no system of governance can guarantee success, it merely establishes a system to reduce the risk of failure. As the Ministry strives to improve the level of service delivery and simplify reporting, you too must do your part. The onus is on you to deliver on these expectations. Effective functioning of the governance framework requires committed leadership and an ethical environment supported by the tone set by the board and management. Therefore to build the level of public confidence in the sector, we too must strive to lead with respect and integrity, and to report accurately and on a timely basis. As holders of public office, you must remember that you are entrusted with state resources and you are

working for all citizens. You are expected to deliver with efficiency and effectiveness, a high quality product that offers value for money to a demanding citizenry.

Ladies and Gentlemen, I have only scratched the surface of the wide spectrum of issues that will be addressed today.

As the morning progresses I urge you to listen intently to the various subject matter experts and presenters who have committed their time to contribute to our dialogue on promoting good corporate governance and effective management in the State Sector.

I thank you.