



GOVERNANCE

Promoting good governance in development finance institutions

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BOARD OF DIRECTORS

Strengthening Governance

Here are some practical ways to strengthen governance:

1. Have auditors and program evaluators report to the board.

Agencies frequently hire two types of independent evaluators: CPA auditors and program evaluators. Such evaluators should make their reports directly to the board and to the staff. Auditors should be selected by and report to the board or the board audit committee.

2. Hire independent management evaluators.

In addition to auditors and program evaluators, boards need unbiased sources of information about management as well.

3. Make governance an explicit part of meetings. Boards should affirm their responsibilities in both support and governance. Board agendas should be clearly marked "Governance Items," and "Supporting Items."

4. Consider board stipends. To give a signal about the importance and seriousness of board work, we should take another look at the corporate practice of payments for board service.

5. Consider a paid secretary to the board. Local government councils and commissions often

have their own staff, separate from the agency staff that reports to the Chief Administrative Officer. Boards of many nonprofits have far-reaching responsibilities, and board officers may not have personal secretaries they can assign to board support. A paid board secretary, perhaps working only a few hours a week, can act as the board's facilitator, reminder, educator.

6. Recruit governors. When recruiting, boards should seek members who are good governors as well as those who are good supporters: people who know clients as well as people who know philanthropists, people familiar with nonprofit management as well as those familiar with business, operational volunteers as well as fundraising volunteers, people who ask critical questions as well people who cheer.

Source: http://www.allianceonline.org/FAQ/board_development/what_are_some_practical.faq

"Boards should affirm their responsibilities in both support and governance."

BOARD OF DIRECTORS

Board Member Job Description

The following description was adapted from materials from BoardSource. Note that materials apply to both for-profit and nonprofit unless otherwise noted.

1. Regularly attends board meetings and important related meetings.
2. Makes serious commitment to participate actively in committee work.
3. Volunteers for and willingly accepts assignments and completes them thoroughly and on time.
4. Stays informed about committee matters, prepares themselves well for meetings, and reviews and comments on minutes and reports.
5. Gets to know other committee members and builds a collegial working relationship that contributes to consensus.
6. Is an active participant in the committee's annual evaluation and planning efforts.
7. Participates in fund raising for the organization (nonprofit only).

Source: <http://www.managementhelp.org/boards/brdjobs.htm>

TRANSPARENCY

Transparency Defined

"Transparency can be defined as a principle that allows those affected by administrative decisions, business transactions or charitable work to know not only the basic facts and

figures but also the mechanisms and processes. It is the duty of civil servants, managers and trustees to act visibly, predictably and understandably."

"Board of directors must regularly attend board meetings and important related meetings."

BOARD CHAIR

Board Chair Job Description

The following description was adapted from materials from BoardSource. Note that materials apply to both for-profit and nonprofit unless otherwise noted.

- Is a member of the Board;
- Serves as the Chief Volunteer of the organization (*nonprofit only*);
- Is a partner with the Chief Executive in achieving the organization's mission;
- Provides leadership to the Board of Directors, who sets policy and to whom the Chief Executive is accountable;
- Chairs meetings of the Board after developing the agenda with the Chief Executive;
- Encourages Board's role in strategic planning;
- Appoints the chairpersons of committees, in consultation with other Board members;

- Serves *ex officio* as a member of committees and attends their meetings when invited;
- Discusses issues confronting the organization with the Chief Executive;
- Helps guide and mediate Board actions with respect to organizational priorities and governance concerns;
- Reviews with the Chief Executive any issues of concern to the Board;
- Monitors financial planning and financial reports;
- Plays a leading role in fundraising activities (*nonprofit only*);
- Formally evaluates the performance of the Chief Executive and informally evaluates the effectiveness of the Board members;
- Evaluates annually the performance of the organization in achieving its mission;
- Performs other responsibilities assigned by the Board.

“Board Chair helps guide and mediate board actions with respect to organizational priorities and governance concerns.”

Source: <http://www.managementhelp.org/boards/brdjobs.htm>

BOARD VICE CHAIR

Vice Chair Job Description

The following description was adapted from materials from BoardSource. Note that materials apply to both for-profit and nonprofit unless otherwise noted.

This position is typically successor to the Chair position. In addition to the responsibilities outlined in the Committee Member job description, this position:

- Is a member of the Board;
- Performs Chair responsibilities when the Chair cannot be available (see Chair Job Description);
- Reports to the Board's Chair;
- Ü Works closely with the Chair and other staff;
- Participates closely with the Chair to develop and implement officer transition plans;
- Performs other responsibilities as assigned by the Board.

Source: <http://www.managementhelp.org/boards/brdjobs.htm>

CORRUPTION

What are the Costs of Corruption?

The cost of corruption is four-fold: political, economic, social, and environmental. On the political front, corruption constitutes a major obstacle to democracy and the rule of law. In a democratic system, offices and institutions lose their legitimacy when they are misused for private advantage. Though this is harmful in the established democracies, it is even more so in newly emerging ones. Accountable political leadership can not develop in a corrupt climate. Economically, corruption leads to the depletion of national wealth. It is often responsible for the funnelling of scarce public resources to uneconomic high-profile projects, such as dams, power plants, pipelines and refineries, at the expense of less spectacular but more necessary infrastructure projects such as schools, hospitals and roads, or the supply of

power and water to rural areas. Furthermore, it hinders the development of fair market structures and distorts competition, thereby deterring investment. Environmental degradation is yet another consequence of corrupt systems. The lack of, or non-enforcement of, environmental regulations and legislation has historically allowed the North to export its polluting industry to the South. At the same time, careless exploitation of natural resources, from timber and minerals to elephants, by both domestic and international agents has led to ravaged natural environments. Environmentally devastating projects are given preference in funding, because they are easy targets for siphoning off public money into private pockets.

“Corruption hurts the poor disproportionately by diverting funds intended for development, undermining a government's ability to provide basic services, feeding inequality and injustice, and discouraging foreign investment and aid”.

-Kofi Annan, United Nations Secretary-General

“Governance” is a quarterly publication of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). It highlights ideas, best practices and trends in good corporate governance. Copyright, 2006, ADFIAP. Article contributions can be sent to robertj@adfiap.org