



GOVERNANCE

Promoting good governance in development finance institutions

GOVERNANCE PRINCIPLES

Elements of good corporate governance

Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization.

Of importance is how directors and management develop a model of governance that aligns the values of the corporate participants and then evaluate this model periodically for its effectiveness. In particular, senior executives should conduct themselves honestly and ethically, especially concerning actual or apparent conflicts of interest, and disclosure in financial reports.

Commonly accepted principles of corporate governance include:

- **Rights and equitable treatment of shareholders:** Organizations should respect the rights of shareholders and help shareholders to exercise those rights. They can help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings.

- **Interests of other stakeholders:** Organizations should recognize that they have legal and other obligations to all legitimate stakeholders.

Please see continuation at the back...

BOARD RETREAT

Where to have a board retreat

A good retreat site can create a relaxed atmosphere that loosens up relationships, helps equalize feelings of status, allows the time for people to think through possibilities, and brings out the best in the group's imaginative, creative thinkers (who may not be at their best in two-hour meetings.) Retreats or special meetings can help boards refocus on the mission

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and vision of the organization, conduct a board self-assessment, and promote personal ties among board members. Working in a different meeting space can provide the relaxing and fun atmosphere that encourages group interaction.

Whether you convene around the board chair's family room or at a rented lake house, make sure to plan your retreat for a location that offers not only appropriate meeting spaces, but also social and recreational opportunities.

Source: www.compasspoint.org

TRUST LEADERSHIP

Seven characteristics of trust-based leaders

Courtesy of Bob Foxworthy, below are seven characteristics of Trust-Based Leaders:

1. They work to build trust with others in all they do.
2. They demonstrate humility and authenticity when interacting with others.
3. They tell the truth to their peers and their followers, even when it is personally painful to

- do so.
4. They are open, honest and direct in their communications.
5. They demonstrate respect to others.
6. They consistently act in an ethical manner.
7. They are courageous visionaries committed to becoming the best that they can be and /or leading their organization to greatness (measurably defined).

Business social responsibility should not be coerced; it is a voluntary decision that the entrepreneurial leadership of every company must make on its own.

--John Mackey

Classification of Corruption

There are six broad classifications of corruption, which are however not mutually exclusive:

Petty Corruption

Practiced on a smaller scale. Defined as the use of public office for private benefit in the course of delivering a public service.

Grand Corruption

The most dangerous and covert type of corruption. Instances where policy making, its design and implementation are compromised by corrupt practices.

Business Corruption

Often not regarded as a crime, rather as a means to accelerate business processes. Proponents claim that the end result is not affected; the mechanisms used to

achieve the result are simply accelerated; In essence, bureaucracy is bypassed and time is utilised.

Political Corruption

Occurs predominantly in developing and less developed countries. Usually associated with the electoral process.

Organised Corruption

Organised corruption is often perpetrated by crime gangs and syndicates and includes white-collar crime and identity theft

Chaotic Corruption

A disorganised system where there is no clarity regarding whom to bribe and how much payment should be offered.

■ **Role and responsibilities of the board:** The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance. It needs to be of sufficient size and have an appropriate level of commitment to fulfill its responsibilities and duties.

■ **Integrity and ethical behaviour:** Organizations should develop a code of conduct for their directors and executives that promotes ethical and responsible decision making.

■ **Disclosure and transparency:** Organizations should clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with a level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting.

Issues involving corporate governance principles include:

- oversight of the preparation of the entity's financial statements
- internal controls and the independence of the entity's auditors
- review of the compensation arrangements for the chief executive officer and other senior executives
- the way in which individuals are nominated for positions on the board
- the resources made available to directors in carrying out their duties oversight and management of risk
- dividend policy

Source: Wikipedia

Types of Sustainability

The Food and Agriculture Organisation (FAO) has identified considerations for technical cooperation that affect three types of sustainability:

● **Institutional sustainability.** Can a strengthened institutional structure continue to deliver the results of technical cooperation to end users? The results may not be sustainable if, for example, the planning authority that depends on the technical cooperation loses access to top management, or is not provided with adequate resources after the technical cooperation ends. Institutional sustainability can also be linked to the concept of social sustainability, which asks how the interventions can be sustained by social structures and institutions;

● **Economic and financial sustainability.** Can the results of technical cooperation continue to yield an economic benefit after the technical cooperation is withdrawn? For example, the benefits

from the introduction of new crops may not be sustained if the constraints to marketing the crops are not resolved. Similarly, economic, as distinct from financial, sustainability may be at risk if the end users continue to depend on heavily subsidized activities and inputs.

● **Ecological sustainability.** Are the benefits to be generated by the technical cooperation likely to lead to a deterioration in the physical environment, thus indirectly contributing to a fall in production, or well-being of the groups targeted and their society?

Some ecologists have emphasised a fourth type of sustainability:

● **Energetic sustainability.** This type of sustainability is often concerned with the production of energy and mineral resources. Some researchers have pointed to trends which document the limits of production.

"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, 2008, ADFIAP. Article contributions can be sent to robertj@adfiap.org