



GOVERNANCE

Promoting good governance in development finance institutions

ACCOUNTABILITY

What is Accountability?



ment Bank (ADB) defines and explains its importance in the following paragraphs:

Accountability is imperative to make public officials answerable for government behavior and responsive to the entity from which they derive their authority. This may be achieved differently in different countries or political structures, depending on the history, cultural milieu, and value systems involved. The mechanisms employed may vary from audit covenants, at one level, to broadly elected legislatures or more narrowly conceived consultative committees, at another.

Accountability also means establishing criteria to measure the

One of the most important elements of good governance is accountability; and the Asian Develop-

performance of public officials, as well as oversight mechanisms to ensure that the standards are met. The litmus test is whether private actors in the economy have procedurally simple and swift recourse for redress of unfair actions or incompetence of the executive authority. Lack of accountability tends in time to reduce the state's credibility as an economic partner. It undermines the capacity of governments to sustain the long-term business confidence essential for growth-enhancing private sector investment. Looked at from this angle, accountability can help reduce sovereign risk.

The accountability of public sector institutions is facilitated by evaluation of their economic and financial performance. Economic accountability relates to the effectiveness of policy formulation and implementation, and efficiency in resource use. Financial accountability covers accounting systems for expenditure control, and internal and external audits.

Source: the ADB website at <http://www.adb.org>

CORRUPTION

Preventing Corruption

World Bank Bank research shows that anti-corruption efforts pay off when they focus on preventative measures that reduce opportunities for corruption. These include:

➤ **Reducing the likely benefits from corruption.** Promoting competition in the private sector through lower barriers to entry, regulatory reform where there are natural monopolies and ensuring competition in government procurement through national advertising can help reduce corruption.

➤ **Import liberalization, removing price controls,** industrial and trade li-

censing requirements can cut corruption. When India liberalized industrial licenses in the early 1990s, a large industry aimed at obtaining licenses and the corruption associated with it disappeared.

➤ **Increasing information, transparency and public oversight.** Corruption often occurs because of a lack of information. Governments may lack information on what their agents are doing on the ground, consumers of government services may not be aware of the rules. Clarifying rules and increasing transparency can cut corruption. Involving the beneficiaries in

BOARD COMMITTEE

Creating Governance Committee

The current trend is for boards to reduce the number of standing committees. But at least one new committee is being created more frequently: a Governance Committee or Board Affairs Committee. The Governance Committee replaces the nominating committee or board development committees, but does more than either. The governance committee serves as the "conscience of the board."

The governance committee examines how the board is functioning, how board members communicate, and whether the board is fulfilling its responsibilities and living up to the objectives and aspirations set for itself and the organization. While all board members should understand

"The governance committee serves as the "conscience of the board."

the organization's mission and goals, the governance committee must consider them with an eye on the board's responsibility to guide the organization and what is required of the board to best accomplish that. The governance committee must be able to articulate the board's vision for the board and find the board members who can put it into action.

Source: Betsy Rosenblatt, Communications Officer at the Eugene and Agnes Meyer Foundation in Washington, D.C., and former Editor at BoardSource.

the oversight of government programs also reduces opportunities for corruption.

Source: www.worldbank.org

TRANSPARENCY

Why Transparency Matters?

Transparency is one of the important elements of good governance. The Asian Development Bank (ADB) explains why transparency matters, as follows:

Transparency refers to the availability of information to the general public and clarity about government rules, regulations, and decisions. Thus, it both complements and reinforces predictability. The difficulty with ensuring

transparency is that only the generator of information may know about it, and may limit access to it. Hence, it may be useful to strengthen the citizens' right to information with a degree of legal enforceability. For similar reasons, broadly restrictive laws that permit public officials to deny information to citizens (e.g., an Official Secrets Act) need to provide for independent review of claims that such denial is justified in the greater public interest.

Access to accurate and timely information about the economy and government policies can be vital for economic decision making by the private sector. On grounds of efficiency alone, such data should be freely and readily available to economic agents. While this is true across all areas of the economy, it is especially relevant in the case of those sectors

that are intrinsically information intensive, such as the financial sector in general and capital markets in particular.

Transparency in government decision making and public policy implementation reduces uncertainty and can help inhibit corruption among public officials. To this end, rules and procedures that are simple, straightforward, and easy to apply are

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preferable to those that provide discretionary powers to government officials or that are susceptible to different interpretations. However well-intentioned the latter type of rule might be in theory, its purpose can be vitiated in practice through error or otherwise.

In practice, though, it may sometimes be necessary to place limits on the principle of transparency. In doing so, it may be helpful to distinguish information as a commodity from information as a process. For example, intellectual property rights may need to be protected in order to encourage innovation and invention; but decision making on the establishment of intellectual property and rights thereto (i.e., to whom they are granted and why) should be transparent.

Source: www.adb.org

ETHICS

Characteristics of an Ethical Leader

An ethical leader, one could argue, has a duty to protect and nourish the wellbeing of those who leads, including heart, mind, body and spirit, or put more simply, there is a duty to "Refresh and Sustain Oneself". And finally, the ethical leader is, concerned with creating the good society, which is underpinned by a duty to "Look Beyond Oneself".

Source: *Picturing an Ethical Leader* by Suzanne Ross

CORRUPTION

ADB Definition of Corruption

The Asian Development Bank (ADB) defines corruption as the abuse of public or private office for personal gain. This means any behavior in which people in the public or private sectors improperly and unlawfully enrich themselves or those close to them, or induce others to do so, by misusing their position

"Corruption has its own motivations, and one has to thoroughly study that phenomenon and eliminate the foundations that allow corruption to exist."

--Eduard Shevardnadze

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"Aid can work where there is good governance, and usually fails where governments are unable or unwilling to commit aid to improve the lives of their people."