

CORRUPTION

What is an integrity pact?

Originally called "Islands of Integrity", the Integrity Pact (IP) is a tool developed during the 1990s by Transparency International (TI) to help governments, business and civil society which are prepared to fight corruption to do so in the field of public contracting.

It consists of a process that includes an agreement between a government or government department (to which we refer here as authority) and all bidders for a public sector contract.

It contains rights and obligations to the effect that neither side will pay, offer, demand or accept bribes, or collude with competitors to obtain the contract, or while carrying it out. Also, that bidders will disclose all commissions and similar expenses paid by them to anybody in connection with the contract; and that sanctions will apply when violations occur. These sanctions range from loss or denial of contract, forfeiture of the bid or performance bond and liability for damages, to blacklisting for future contacts on the side of

the bidders, and criminal or disciplinary action against employees of the government.

The IP allows companies to refrain from bribing in the knowledge that their competitors are bound by the same rules. It allows governments to reduce the high cost of corruption on procurement, privatization and licensing.

The IP has shown itself to be adaptable to many legal settings and flexible in its application. Since its original conception, the TI-developed tool of the Integrity Pact has been now used in more than 14 countries worldwide and has benefited from the feedback of a variety of individuals and organizations.

IP is a tool developed during the 1990s by Transparency International (TI) to help governments, business and civil society which are prepared to fight corruption to do so in the field of public contracting.

MANAGEMENT SYSTEMS

What are Management Systems?

Management systems are the processes, framework, economic models, tools, and governance structures that enable organizations to define, adapt, deploy, and execute strategy. Ultimately, their purpose is to optimize value for all stakeholders by maintaining strategic alignment; that is, a state where people make the decisions and exhibit behaviors that are consistent with the organization's strategy and stated values and benefits.

Organizations typically employ different types of management systems. Financial systems are the most dominant; these include planning, budgeting, forecasting, and reporting. Other systems address strategy, customer, performance, IT, knowledge, quality, and process management. Historically, these "traditional" management systems have never been well integrated. The typical result is fragmented and financially dominated management systems that reinforce functional silos and perpetuate parochial decision-making. Organizations can't deploy strategy into their business processes, and thereby integrate strategy and tactics. They can't execute strategy and exploit synergies across functions and business units. In sum, the current state of management systems undermines any effort to deal with complexity and maintain strategic alignment.

Management systems are the processes, framework, economic models, tools, and governance structures that enable organizations to define, adapt, deploy, and execute strategy.

BOARD OF DIRECTORS

Achieving Good Governance

Good governance is the responsibility of the directors, who have the duty and power to manage the affairs of a corporation. The key for the directors achieving good governance is the exercise of due diligence. In order to exercise due diligence, directors must be familiar with and understand the governing documents of the corporation, its

objects and activities, and its financial position. The directors must also understand the statutes, regulations and policies under which the corporation operates and be familiar with the regulators who have jurisdiction over the corporation.

Source: http://www.axi.ca/tca/jul2003/guestarticle_2.shtml

BOARD MEETINGS

Staff at Board Meetings

Should senior staff (other than the executive director) be present at meetings of the Board?

The key to remember is that the meetings belong to the board, and it is their decision. Also, they have control...and having staff present does not mean they are giving up any control.

If the board is addressing board issues, then staff should be there as a resource, and not to debate Board members. If the board is discussing issues that belong to staff, then having staff present is not the answer. The correct response is for

The key to remember is that the meetings belong to the board, and it is their decision

the Board to stop getting into staff issues.

Staff can be an excellent resource as they bring knowledge and skills related to the matter under consideration... but they need to let the board decide how to use what staff brings...that is the Board's work.

Even for contentious discussions, if the board is confident in its role, then contentious discussions need not require the absence of staff.

Most items could be discussed with staff present, although some items may require the Board to go into committee of the whole or in camera. If the Board has numerous issues that are considered confidential, then they may be dipping into activities that are more appropriately handled by staff.

Source: http://www.axi.ca/tca/jul2003/betterpractices_2.shtml

GOOD GOVERNANCE

Elements of "Good Governance"

Below are elements of good governance, from M. Gill, "Governance Do's and Don'ts - Lessons from Case Studies on Twenty Canadian Non-Profits", Final Report, June 2007

- **Vision** - envisioning the future and developing a corporate mission that will be flexible and responsive to possible future challenges and opportunities
- **Direction** - setting goals for the corporation
- **Resources** - securing resources to achieve the desired results and realize the corporation's vision and goals
- **Monitoring** - periodically reviewing the relationship between the corporation's resources and its vision and direction, ensuring that the organizational vehicle is well-maintained and progressing, within legal limits, towards its destination
- **Accountability** - ensuring efficient use of resources and reporting progress and detours to the corporation's stakeholders

"Governance" in the voluntary sector means "the processes and structures that an organization uses to direct and manage its general operations and program activities"

"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, 2007, ADFIAP. Article contributions can be sent to robertj@adfiap.org

BOARD OF DIRECTORS

Changing Board Structure

Over recent years, one of the primary approaches to improving governance effectiveness was changing board structure. Those changes often focused on reducing the size of the Board, and removing or reducing geographic parameters in board composition. In addition, organizations focused on governance models and the competencies of Board members.

However, these changes have not resulted in better governance for many organizations. Recent research from the ASAE and CSAE Foundations¹ suggests that effective Boards must be both:

- **Legitimate** - stakeholders perceive the board to represent all significant interests and perspectives
- **Credible** - the board is viewed as knowledgeable and fair and that the board process is considered rational.

The research also found that successful boards may have a varied bal-

ance of legitimacy and credibility, but they must have both to be effective.

As boards move away from geographic representation, the need for solid and reliable member research becomes even more important if the board wants to continue to be perceived as legitimately representing all stakeholders and interests.

Ineffective or missing board policies and processes related to how the board works will enable counterproductive behaviour of board members. This leads to poor board performance, loss of credibility with stakeholders and difficulties attracting good board candidates.

Making changes to board structure may be part of the solution to better governance, but only if undertaken in conjunction with improving board representation and processes.

Source: http://www.axi.ca/tca/jul2003/betterpractices_4.shtml