



GOVERNANCE

Promoting good governance in development finance institutions

SUSTAINABILITY

Seven key factors that influence development sustainability

Sustainability is obviously relevant to international development projects. A definition of development sustainability is "the continuation of benefits after major assistance from the donor has been completed" (Australian Agency for International Development 2000). Ensuring that development projects are sustainable can reduce the likelihood of them collapsing after they have just finished; it also reduces the financial cost of development projects and the subsequent social problems, such as dependence of the stakeholders on external donors and their resources. All development assistance, apart from temporary emergency and humanitarian relief efforts, should be designed and implemented with the aim of achieving sustainable benefits. There are seven key factors that influence development sustainability.

- 1. Participation and ownership.** Get the stakeholders (men and women) to genuinely participate in design and implementation. Build on their initiatives and demands. Get them to monitor the project and periodically evaluate it for results.
- 2. Capacity building and training.** Training stakeholders to take over should begin from the start of any project and continue throughout. The right approach should both motivate and

transfer skills to people.

3. Government policies. Development projects should be aligned with local government policies.

4. Financial. In some countries and sectors, financial sustainability is difficult in the medium term. Training in local fundraising is a possibility, as is identifying links with the private sector, charging for use, and encouraging policy reforms.

5. Management and organization. Activities that integrate with or add to local structures may have better prospects for sustainability than those which establish new or parallel structures.

6. Social, gender and culture. The introduction of new ideas, technologies and skills requires an understanding of local decision-making systems, gender divisions and cultural preferences.

7. Technology. All outside equipment must be selected with careful consideration given to the local finance available for maintenance and replacement. Cultural acceptability and the local capacity to maintain equipment and buy spare parts are vital.

Source: [Wikipidea](#)

CSR

Better performing companies do better on CSR

Companies that saw their share price rise by at least 50 percent in the last three years (share price climbers) place a greater importance on social and environmental goals than companies with share prices that have declined by more than 10 percent

(share price losers), according to "Doing good: Business and the sustainability challenge", new research from the Economist Intelligence Unit.

Other key findings from the research include:

ETHICAL BANK

Ethical banking

An ethical bank, also known as *social, alternative, civic or sustainable bank*, is a bank concerned about the social use of its investments and loans. Although there are differences among the main ethical banks, they share a common set of principles, the most prominent being the transparency and the social or environmental aim of the projects they finance. Some of them are specialized in microcredits.

Ethical banks are regulated by the same authorities as traditional banks and have to abide by the same rules. They have to be distinguished from ethical institutions that provide certain banking services but do not meet the legal definition of bank.

"If you don't have integrity, you have nothing. You can't buy it. You can have all the money in the world, but if you are not a moral and ethical person, you really have nothing."

[Henry Kravis](#)

The name of "ethical bank" is somewhat controversial, because it seems to imply that the other banks are not ethical.

However, it is the most extended denomination.

Ethical banks usually work with narrower profit margins than traditional ones, and therefore they tend to have few offices and operate mostly by phone, Internet or mail. An extreme case of this is *Smile* (a branch of Co-operative Bank) : it was the first ethical bank that operates exclusively by Internet, followed by eBay Microplace.

Source: [Wikipedia](#)

- **Forty percent of those in the survey believe additional regulation is necessary to tackle social and environmental**

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challenges. Another 50 percent say that voluntary action is generally more effective, but that additional regulation may be required in some areas. But this openness to new rules is combined with the desire for clearer guidance about what government expects from business. Only 10 percent of executives in the survey say more regulation in this area is likely to harm economic growth.

● **Communication and environment, are top corporate priorities on sustainability.** Given a list of 7 specific objectives relating to sustainability, companies placed the highest priority overall on communicating their firm's sustainability performance to investors and stakeholders (61% selected this as "leading" or "major" priority). Environmental issues took the next three spots overall: improving their environmental footprint through waste reduction and use of recycled materials (57%); improving energy efficiency across global operations (52%); and developing products that address sustainability issues (51%).

● **The supply chain is the weakest link.** Extending sustainability policy to suppliers is the area where companies gave themselves the worst marks: about one-fifth say their companies have performed poorly in setting stronger supplier standards on both environmental and human rights issues. About the same proportion have only implemented supplier controls in the last five years.

● **Sustainability reporting needs more work.** Although companies rate their performance on communication highly, efforts regarding formal reporting are less advanced. Only 22 percent of executives say their firms have formal Triple Bottom Line reporting, although a further 40 percent say they will adopt it within five years.

● **Sustainability does pay.** Most executives (57%) say that the benefits of pursuing sustainable practices outweigh the costs, although eight out of 10 expect any boost to profits to be small. Specifically, sustainable practices can help reduce costs (particularly energy expenditure), open up new markets and improve the company's reputation.

The research is based on a global survey of 1,254 senior business executives, including more than 300 CEOs.

CORPORATE ETHICS

Corporate ethics policies

As part of more comprehensive compliance and ethics programs, many companies have formulated internal policies pertaining to the ethical conduct of employees. These policies can be simple exhortations in broad, highly-generalized language (typically called a corporate ethics statement), or they can be more detailed policies, containing specific behavioral requirements (typically called corporate ethics codes). They are generally meant to identify the company's expectations of workers and to offer guidance on handling some of the more common ethical

problems that might arise in the course of doing business.

To be successful, most ethicists would suggest that an ethics policy should be:

- Explained in writing and orally, with periodic reinforcement.
- Doable...something employees can both understand and perform.
- Monitored by top management, with routine inspections for compliance and improvement.
- Backed up by clearly stated consequences in the case of disobedience
- Remain neutral and nonsexist.

Source: Wikipedia

CORRUPTION

What is foreign corrupt practices act?

The Foreign Corrupt Practices Act (FCPA) marked the early beginnings of compliance programs in the United States. In the mid 1970s, United States Securities and Exchange Commission (SEC) investigations discovered that a significant number of American companies participated in bribery overseas. "Over 400 U.S. Companies admitted to making questionable or illegal payments to foreign government officials, politicians and political parties." (United States Department of Justice 2006) One of the most infamous cases of its time was the admittance by a Lockheed executive, to the Multinational Corporations Subcommittee of the Senate Foreign Relations Committee, that Lockheed had paid bribes in the amount of \$22 million to Japanese's government officials in the course of trying to sell its aircraft. This revelation came on the heels of the U.S. Government providing Lockheed with a \$250 million emergency loan guarantee (Hishikawa 2003).

In an effort to restore faith in American business, in December 1977 the Foreign Corrupt Practices Act was signed into law. This anti-bribery provision makes it "unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to a foreign official for the purpose of obtaining or retaining business for or with, or directing business to, any person." (United States Department of Justice 2006) The law also requires

publicly traded companies "to maintain records that accurately and fairly represent the company's transactions. Additionally, it requires these companies to have an adequate systems of internal accounting controls." (United States Department of Justice 2006)

Following the passage of the FCPA, in 1988, the Congress became concerned that American companies were operating at a disadvantage because their foreign counterparts were, as a matter of practice, paying bribes to foreign officials and deducting those bribes as business expenses on their taxes. (United States Department of Justice 2006) Subsequently, the Executive Branch began negotiations with the Organisation for Economic Co-operation and Development (OECD), a 34-member nation coalition consisting of the United States and 33 other countries, to enact legislation similar to FCPA. In 1997, the OCED signed the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Source: Wikipedia

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