DBP forms multi-sector governance council

Development Bank of the Philippines (DBP) Chairman and President & CEO, Mr. Jose A. Nunez and Mr. Gil A. Buenaventura, respectively, led multi-sector governance council members in an oath taking ceremony at the DBP Development Forum held recently at the Bank headquarters. DBP convened the Forum to engage its management committee and branch heads from all over the country in discussions about good governance practices and the organization’s plans for 2015. In line with its vision to be a “regionally recognized development financial institution serving as a catalyst for a progressive and prosperous Philippines”, the group also discussed different ways that it could provide better service for the development sector. One initiative was to expand the access to loans for local government units, water districts, and electric cooperatives. Whereas most private banks will rate all organizations using a unified scale regardless of sector, DBP developed its own scale, the “Internal Credit Risk Rating System” which prioritizes development sector organizations. The multi-sector governance council, a citizen advisory board on good governance initiatives, is composed of prominent figures in the finance and development world, namely, Mr. Francis Estrada, Institute for Solidarity in Asia Fellow, Mr. Octavio B. Peralta, Secretary General of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Hon. Oscar Moreno, President of the League of City Mayors and Hon. Ferdinand Abesamis, Mayor of Pampanga City. For more information on DBP’s governance program, please visit https://www.devbnkphl.com/.

Making boards work

Most directors don’t understand the company’s strategy and prioritize short-term gain at the expense of creating long-term value. We recommend four essential changes.

1. Selecting the right people. What’s behind the dramatic increase in interventions by activist shareholders? According to Stephen Murray, president and CEO of CCMP Capital Advisors, a major private-equity firm, “The whole activist industry exists because public boards are often seen as inadequately equipped to meet shareholder interests.” In short, companies keep appointing directors who aren’t independent thinkers and whose experience is too general.

2. Spending quality time on strategy. Most governance experts would agree that public-company directors need to put in more days on the job and devote more time to understanding and shaping strategy. While we recommend that board members dedicate at least 35 days a year to the job, the precise number of days a board meets or the mix of field trips isn’t the main issue. What matters most is the quality and depth of the strategic conversations that take place.

3. Engaging with long-term investors. While boards may be guilty of pushing executives to maximize short-term results, please see con’t at the back...

CDB promotes rigorous bank governance, rule of law

China Development Bank (CDB) recently held a working conference on cadre supervision in Beijing where CDB Party Committee Secretary and Chairman, Mr. Hu Huaibang, stressed that all staff members of the Bank should align their thoughts and actions with the spirit of the 4th Plenary Session of the 18th Central Committee to promote rigorous bank governance with the rule of law, tightening up on cadre supervision and striving to achieve new progress in development finance. Bank employees were briefed on the need to fully understand the true spirit of the plenary session: the strategic importance of promoting the rule of law; the connection between CPC leadership and the rule of law and that between rule of law and Constitution-based governance; the scientific foundation of the socialist rule of law with Chinese characteristics and the administrative and policy framework to fully implement the rule of law. Also covered during the meeting were issues regarding management strategies and business development; management and risk control and discipline reinforcement in keeping with the rule of law, thereby pushing forward CDB reform legislation, ensuring operation compliance, standardizing various business development and improving its law implementation and supervisory systems. The Bank reiterates that it will continue to accommodate various needs of the national development strategy, proactively applying the rule-of-law-oriented approach throughout the reform and development programs, actively enhancing the bank’s governance standard as well as its ability to fulfill strategic needs for national development.
Examples of unethical behavior in the workplace

Ethics is based on the recognition of certain human rights. In the workplace, the employer has the right to expect employees to behave according to company policy.

- **Deliberate deception.** Deliberate deception in the workplace includes taking credit for work done by someone else, calling in sick in order to go to the beach, sabotaging the work of another person and, in sales, misrepresenting the product or service to get the sale.
- **Violation of conscience.** Your sales manager calls you into his office and threatens to fire you unless you sell 50 large toasters. You know the large toasters are inferior products and have been selling the small toasters to your customers, instead. To keep your job, you must violate your conscience and recommend that your customers buy the large toasters. Your boss is engaging in unethical behavior by forcing you to do something you know is wrong, and also risking the ire and potential loss of valuable customers to meet a product sales goal. He may be engaging in unethical conduct because top management has forced him by threatening his job, too. Coercion is also the basis for workplace sexual harassment and results in lawsuits. Unethical behavior often causes more unethical behavior.
- **Failure to honor commitments.** Your boss promises you an extra day off if you rush out an important project by a certain date. You work late hours and finish the project before the deadline. Ready for your day off, you mention it to your boss who responds “No, we have too much work to do.” Your boss engaged in unethical behavior that has virtually guaranteed your future distrust and unwillingness to extend yourself to assist in department emergencies.
- **Unlawful conduct.** Padding an expense account with non-business expenses, raiding the supply cabinet to take home pens and notebooks and passing around unregistered or counterfeit software are examples of unlawful conduct in the workplace.
- **Disregard of company policy.** To disregard company policy is unethical because it has the potential to harm the company and other employees.

What are the main characteristics of good governance?

**Good governance is accountable.** Accountability is a fundamental requirement of good governance. Local government has an obligation to report, explain and be answerable for the consequences of decisions it has made on behalf of the community it represents.

**Good governance is transparent.** People should be able to follow and understand the decision-making process. This means that they will be able to clearly see how and why a decision was made – what information, advice and consultation council considered, and which legislative requirements (when relevant) council followed.

**Good governance follows the rule of law.** This means that decisions are consistent with relevant legislation or common law and are within the powers of council.

**Good governance is responsive.** Local government should always try to serve the needs of the entire community while balancing competing interests in a timely, appropriate and responsive manner.

**Good governance is equitable and inclusive.** A community’s wellbeing results from all of its members feeling their interests have been considered by council in the decision-making process. This means that all groups, particularly the most vulnerable, should have opportunities to participate in the process.

**Good governance is effective and efficient.** Local government should implement decisions and follow processes that make the best use of the available people, resources and time to ensure the best possible results for their community.

**Good governance is participatory.** Anyone affected by or interested in a decision should have the opportunity to participate in the process for making that decision. This can happen in several ways – community members may be provided with information, asked for their opinion, given the opportunity to make recommendations or, in some cases, be part of the actual decision-making process.

**Why is good governance important?**

Good governance is important for several reasons. It not only gives the local community confidence in its council, but improves the faith that elected members and officers have in their own local government and its decision-making processes. It also leads to better decisions, helps local government meet its legislative responsibilities and importantly provides an ethical basis for governance.

Good governance is a way of organizing, amplifying, and constraining power.

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Source: http://www.mckinsey.com/. Dominic Barton is McKinsey’s global managing director, based in McKinsey’s London office; and Mark Wiseman is the president and chief executive officer of the Canada Pension Plan Investment

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