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Governance Risk Mitigation (GRM) for International Agencies

Background

International agencies such as the ADB, the IMF, and the World Bank are frequently involved in the provision of (inter alia) financial aid to countries with developing economies. The principals in such processes are the donor countries who supply the funding for such activity.

Two prime concerns of the agencies – on behalf of their donor principals - are (1) the risk that aid monies are misapplied or misappropriated or otherwise applied imprudently, and (2) that the return on this investment in recipients by agencies on behalf of donors is maximised. “Return” is not, of course, confined to financial returns. A successful implementation of an infrastructural development is equally a return the donor principals seek.

A source of risk recently identified if only in broad terms lies in the governance structures and process used by recipients in receiving and channelling resource. Indeed some agencies - for example the IMF – have expressed a desire to see some conditionality placed on the distribution of resource where more extreme risks of abuse (for example corruption) may be an issue.

Governance Evaluation

A means for mitigating governance risk is to undertake various forms of systematic and consistent evaluation of the nature and likely performance of the governance mechanisms which recipient countries are likely to deploy in the event that they receive donor monies.

Such evaluation should identify and assess the mechanisms used across activities such as government trading enterprises, regulatory boards, oversight agencies, core public sector organisation, fiscal monitoring and other like institutional arrangements.

Arrangements of this type differ from place to place and many of the likely recipients are in various stages of reform. An understanding of likely performance as well recommendations about the best way to monitor progress are therefore important. At the same time agency credibility requires that a systematic and consistent approach be adopted.

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The Boardroom Practice has developed a number of evaluative tools which can be used to make governance risk assessments by donor agencies. These have been tested on local and central government both in New Zealand and in developing economies such as that of Fiji. The tools seek consistent systematic outcomes. The tools also provide for constructive implementation and performance monitoring. In addition, where the

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evaluation identifies institutional weakness inhibiting the successful implementation of the investment, The Boardroom Practice's approach will provide indicative solutions. ©

The Boardroom Practice evaluative tool utilises all applicable forms of governance analysis, mindful of the different cultures in this area, and draws upon New Zealand-tried performance and communications monitoring processes which have demonstrably been adapted for other jurisdictions.

The Boardroom Practice has also developed a robust intellectual framework upon which its evaluative tools sit and which provides the conceptual underpinning for its recommendations.

The output from The Boardroom Practice process would allow selected elements of conditionality to be imposed by agencies so that superior value for money is obtained from donated resource and so that risk can be managed.

Application

The Boardroom Practice is able to work with the donor agencies in selecting and utilising the appropriate components of the evaluative tools. Although the process will be the intellectual property of The Boardroom Practice, the donor agencies will have an agreed utilisation of the tools. The Boardroom Practice expects to be involved in the imparting of the process to relevant agency units.