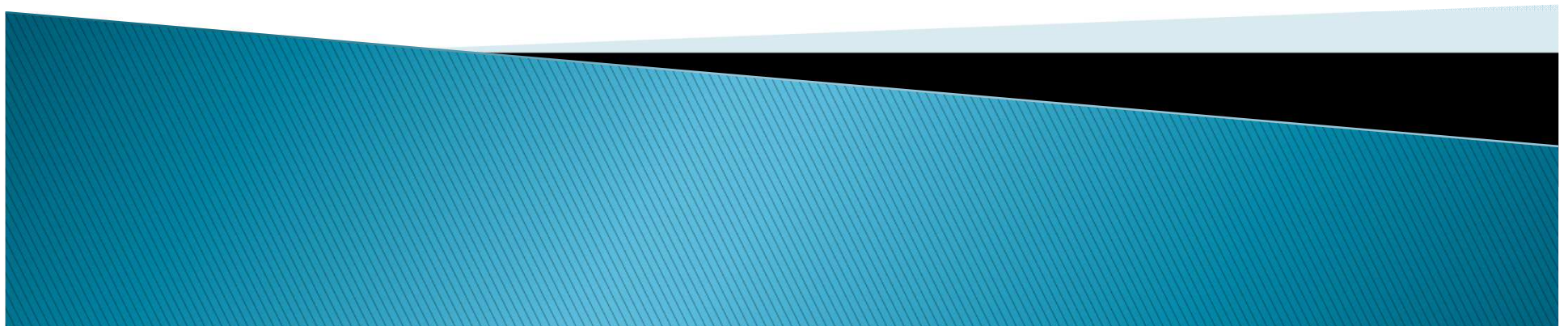


# Public Sector Governance

An Overview and Brief History



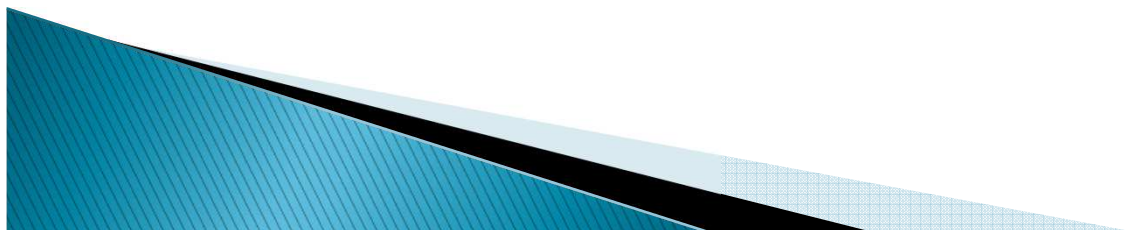
# What is Governance?

- ▶ *“The process of decision-making and the process by which decisions are implemented (or not implemented).”*
- ▶ *“Governance is concerned with how societies, governments and organisations are managed and led. Importantly, this includes how they structure and otherwise order their affairs, make decisions and exercise powers, and manage their relationships and accountabilities.”*



# The actors in governance

Government	Media
NGOs	Lobbyists
Cooperatives	International donors
Research institutes	Multinational corporations
Religious leaders	Organised crime syndicates
Community leaders/local government	
Political parties	
Finance institutions	
military	



# Governance in the Public Sector

- ▶ The public sector plays a major role in society. In most of the jurisdictions in our region, public expenditure forms a significant part of GDP, and public sector entities are substantial employers and major capital market participants.
- ▶ The public sector determines, usually through a political process, the outcomes it wants to achieve, the legal, ethical, and other standards and norms, and the different types of intervention required to achieve these objectives. Potential interventions include enacting legislation or regulations, delivering services, redistributing income through mechanisms such as taxation or social security payments, and the control of assets or entities, such as state owned enterprises.
- ▶ Governments also have a role in promoting fairness, peace and order, and sound international relations.



# GOOD Governance in the Public Sector

- ▶ Good governance in the public sector encourages better informed and longer term decision making as well as the efficient use of resources. It strengthens accountability for the stewardship of those resources.
- ▶ Good governance is characterized by robust scrutiny, which places important pressures on improving public sector performance and tackling corruption. Good governance can improve organizational leadership, management, and oversight, resulting in more effective interventions and, ultimately better outcomes. People's lives are thereby improved.



# Characteristics of the Public Sector

- ▶ To fulfil its wide range of functions, the public sector must satisfy a complex range of political, economic, social, and environmental objectives over the short, medium, and longer term. This subjects it to a different set of external and internal constraints and incentives than those found in the private sector, all of which affects its governance arrangements.
- ▶ Generally, the main objectives of public sector entities is to achieve intended outcomes – enhancing or maintaining the well-being of citizens – rather than generating profits.



# Principles of good governance in the public sector

- ▶ *The fundamental function of good governance in the public sector is to ensure that entities achieve their intended outcomes while acting in the public interest at all times.*





# The Seven Principles of good governance in the public sector:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.



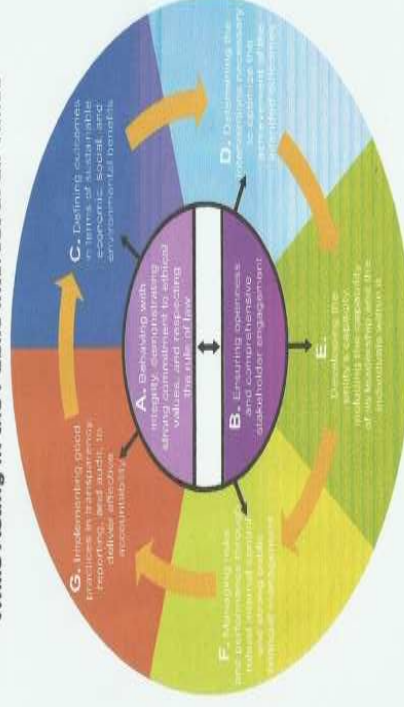


# Achieving the Intended Outcomes while Acting in the Public Interest at All Times

## Principles for Good Governance in the Public Sector

The diagram below illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The core, high-level principles characterizing good governance in the public sector set out above bring together a number of interrelated concepts. Principles C to G are linked to each other via the "plan-do-check-act" cycle.<sup>1</sup>

<sup>1</sup> The "Plan-Do-Check-Act Cycle," also called the Deming Cycle, is an iterative management process organizations typically use for the control and continuous improvement of processes and products. For more information, see the International Organization for Standardization's website [www.iso.org/iso/home.html](http://www.iso.org/iso/home.html)

# Corporate Governance

***“Corporate governance is the system of control and performance monitoring of top management that is maintained by boards of directors and other major stakeholder representative.”***

***“Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals...the aim is to align as nearly as possible the interests of individuals, corporations and society.”***



# The 7 Characteristics of Good CORPORATE Governance

## 1. Discipline:

- ▶ *Corporate discipline is a commitment by a company's senior management to adhere to behaviour that is universally recognised and accepted to be correct and proper.*

## 2. Transparency:

- ▶ *Transparency is the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to that business.*

## 3. Independence

- ▶ *Independence is the extent to which mechanisms have been put in place to minimise or avoid potential conflicts of interest that may exist, such as dominance by a strong chief executive or large shareowner.*



# The 7 Characteristics of Good CORPORATE Governance

## 4. Accountability:

- ▶ *Individuals or groups in a company, who make decisions and take actions on specific issues, need to be accountable for their decisions and actions.*

## 5. Responsibility:

- ▶ *With regard to management, responsibility pertains to behaviour that allows for corrective action and for penalising mismanagement.*

## 6. Fairness

- ▶ *The systems that exist within the company must be balanced in taking into account all those that have an interest in the company and its future. The rights of various groups have to be acknowledged and respected.*



# The 7 Characteristics of Good CORPORATE Governance

## 7. Social Responsibility:

- ▶ *A well-managed company will be aware of, and respond to, social issues, placing a high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory, non-exploitative, and responsible with regard to environmental and human rights issues.*



# The Rise of Corporate and Public Sector Governance

- 1. The transfer of private sector ideas and techniques to the public sector (ranging from different modes of management to the corporatisation of functions and marketization).*
- 2. The flow of assets and various forms of outsourced activity from the public sector (this includes variations of privatisation).*



# Public Sector Reforms

## ► Reform Agenda and Modes of governance

Period	Public Management Reform Agenda	Governance Mode
Pre-reform	Public administration	Machinery of government
1980s	Managerialism	Corporate Management
1990s	New public management	Corporate governance
2000s	Integrated governance	Public governance (state-centric)
2010s	Collaborative governance	Public governance (society-centric)

