12. Governance and Management

Principles and Norms

DEFINITIONS

12.1 Governance concerns the structures, functions, processes, and organizational traditions that have been put in place within the context of a program’s authorizing environment “to ensure that the [program] is run in such a way that it achieves its objectives in an effective and transparent manner.”63 It is the “framework of accountability to users, stakeholders and the wider community, within which organizations take decisions, and lead and control their functions, to achieve their objectives.”64 Good governance adds value by improving the performance of the program through more efficient management, more strategic and equitable resource allocation and service provision, and other such efficiency improvements that lend themselves to improved development outcomes and impacts. It also ensures the ethical and effective implementation of its core functions.

12.2 Management concerns the day-to-day operation of the program within the context of the strategies, policies, processes, and procedures that have been established by the governing body. Whereas governance is concerned with “doing the right thing,” management is concerned with “doing things right.”65

12.3 The boundary between governance and management is not hard and fast. In particular, both the maturity and the size of the program will influence the dividing line and the degree of separation between the program’s governance and management structures. Less-mature programs may take time to establish formal governance mechanisms. Smaller programs with limited staffing and financial resources may tend to blend responsibilities between those who govern and those who manage, and to call on governing body members to be more involved in specific day-to-day management decisions. The extent of governance should be proportionate to the size of the program in order not to result in an over-governed and under-performing program.

63. Institute of Chartered Secretaries and Administrators International, no date, Principles of Corporate Governance for Charities, p. 2.

64. United Kingdom Audit Commission, October 2003, Corporate Governance: Improvement and Trust in Local Public Services, p. 4.

65. This distinction is attributed to Robert Tricker: “The role of management is to run the enterprise and that of the board is to see that it is being run well and in the right direction.” Robert I. Tricker, 1998, Pocket Director, p. 8.
FUNCTIONS OF GOVERNANCE

12.4 The governing bodies of GRPPs typically exercise six core functions:66

- **Strategic direction.** Exercising effective leadership that optimizes the use of the financial, human, social, and technological resources of the program. Establishing a vision or a mission for the program, reviewing and approving strategic documents, and establishing operational policies and guidelines. Continually monitoring the effectiveness of the program’s governance arrangements and making changes as needed.

- **Management oversight.** Monitoring managerial performance and program implementation, appointing key personnel, approving annual budgets and business plans, and overseeing major capital expenditures. Promoting high performance and efficient processes by establishing an appropriate balance between control by the governing body and entrepreneurship by the management unit. Monitoring compliance with all applicable laws and regulations, and with the regulations and procedures of the host organization, as the case may be.67

- **Stakeholder participation.** Establishing policies for inclusion of stakeholders in programmatic activities. Ensuring adequate consultation, communication, transparency, and disclosure in relation to program stakeholders that are not represented on the governing bodies of the program.

- **Risk management.** Establishing a policy for managing risks and monitoring the implementation of the policy. Ensuring

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66. These core functions, and the criteria for assessing the performance of governing bodies in the standards section below, are adapted from the OECD Principles of Corporate Governance (2004). Although there exist other similar statements of such principles at the national level, the OECD Principles are the only set of corporate governance principles on which there is clear international consensus. Many governance functions for the for-profit private sector, as laid out in the OECD Principles, translate directly into equivalent functions for GRPPs (as well as for other public sector organizations, NGOs, and foundations). The key differences for GRPPs are the absence of tradable shares, the need to establish legitimacy on a basis other than shareholder rights, and the greater need for transparency in the use of public sector resources in achieving public policy goals.

67. In this Sourcebook, the terms “oversight” and “supervision” are used for two distinctly different activities. Oversight refers to the monitoring of the program management unit by the governing body, while supervision refers to the monitoring of individual program activities by the staff (or in some cases contractors) of the program management unit.
that the volume of financial resources is commensurate with
the program’s needs and that the sources of finance are ade-
quately diversified to mitigate financial shocks.

- **Conflict management.** Monitoring and managing the poten-
tial conflicts of interest of members of the governing body and
staff of the management unit. Monitoring and managing con-
flicting interests among program partners and participants,
especially those that arise during the process of program im-
plementation.68

- **Audit and evaluation.** Ensuring the integrity of the program’s
accounting and financial reporting systems, including inde-
pendent audits. Setting evaluation policy, commissioning
evaluations in a timely way, and overseeing management up-
take and implementation of accepted recommendations. En-
suring that evaluations lead to learning and programmatic en-
hancement.

12.5 In the case of programs that are housed in other organizations,
the host organization may be responsible for performing some of
these functions in collaboration or consultation with the governing
body.

**FUNCTIONS OF MANAGEMENT**

12.6 Management functions vary by program size and type, part-
nership arrangement, legal arrangement, etc. While the proceeding
list is not exhaustive, seven general functions of GRPP management
are as follows:

- **Program implementation.** Managing financial and human re-
resources. Reviewing proposals for inclusion in the portfolio of
activities and allocating financial resources among activities.
Supervising the implementation of activities. Contracting with
implementing or executing agencies to implement individual
activities. Ensuring that these agencies are self-monitoring and
reporting their progress in a timely way.

- **Regulatory compliance.** Ensuring compliance with all appli-
cable laws and regulations at the international, national, and
institutional levels, including the regulations and procedures
of the host organization, as the case may be. Being aware of

68. This is particularly important for regional partnership programs that are
explicitly involved in mitigating conflicts among countries in relation to
trade or resource use.
and adhering to these requirements and standards on a day-to-day basis.

- **Reviewing and reporting.** Taking stock of the overall performance of the portfolio in relation to the program’s objectives and strategies. Reporting progress to the governing body, including any adverse effects of the program’s activities. Serving the needs of the governing body by preparing strategies, policy statements, etc.

- **Administrative efficiency.** Maintaining a lean administrative cost structure (while recognizing that administrative costs tend to be higher during the launch period of a GRPP). Proposing ways to maintain high performance while reducing costs to increase operational effectiveness.

- **Stakeholder communication.** Implementing board-approved policies for stakeholder inclusion in programmatic activities. Finding ways to increase the effectiveness of stakeholder participation in all aspects of the program.

- **Learning.** Distilling and discerning lessons from the implementation of activities across the portfolio. Transmitting these lessons to both governing partners and beneficiaries in order to inform policy making and to enhance implementation of activities.

- **Performance assessment.** Reviewing the performance of operational staff on a regular basis, as well as the performance of consultants at the end of their assignments.

### NEED FOR GRPP EVALUATIONS TO ASSESS GOVERNANCE AND MANAGEMENT

12.7 All GRPP evaluations should include an assessment of the legitimacy and effectiveness of the governance of the program, because the formal programmatic partnership represented by these governance structures is the raison d’être of a GRPP. The partners have established the partnership in order to achieve something collectively that the individual partners could not achieve at all, or as efficiently, by acting alone.

12.8 It is neither practical nor appropriate for evaluations to assess all aspects of management. Therefore, the TOR should clearly specify which aspects of management have been selected for assessment. The assessment should focus on those aspects that most directly affect program performance, and avoid the type of “micro-management” or “micro-evaluation” that is outside the purview of both a program’s
governing body and an evaluation team. For instance, an evaluation could undertake a broad assessment of the adequacy of the management of financial and human resources in light of the objectives of the program. It could also review the effectiveness of various key processes such as preparing strategies, allocating financial resources, and reviewing proposals for inclusion in the portfolio. (See also Chapter 13, Resource Mobilization and Financial Management.)

12.9 The evaluation could also assess aspects of the performance of the host organization and/or the program’s partners, where the host organization is performing some governance or management functions on behalf of the program, and where the partners have made specific commitments to the program (such as pledges to provide funding). However, the inclusion of these in the TOR should be cleared with the host organization and the partners, respectively.

12.10 The importance of assessing the governance of the program, as well as some aspects of management, implies the need for a governance expert on the evaluation team. It is also important that evaluators have access to the minutes (at least in summary form) of the governing, executive, and advisory bodies as the case may be, and be allowed to attend the meetings of such bodies as an observer.

Standards and Guidelines

SUGGESTED CRITERIA FOR ASSESSING GOVERNANCE AND MANAGEMENT

12.11 GRPPs employ a diverse array of governance models associated with the history and culture of each program. Therefore, it is not practical to base the assessment of governance and management on a particular governance model. Rather, it is suggested that the assessment should be based on compliance with seven generally accepted principles of good governance: legitimacy, accountability, responsibility, fairness, transparency, efficiency, and probity.

69. The assessment of management needs to avoid the assessment of the individual performance of managers. UNEG Norm 11, para. 11.5, states that “evaluators are not expected to evaluate the personal performance of individuals and must balance an evaluation of management functions with due consideration for this principle.” In addition, UNEG Standard 3.16, para. 38, states that “evaluations should not substitute, or be used for, decision making in individual human resources matters.”

70. If a more detailed assessment of human resource management is included in the TOR, the following questions are particularly relevant to GRPPs: How are international and domestic staff salaried, and is this an efficient structure? If GRPP employees are staff of an international organization, do the associated benefits justify the costs? Is the GRPP pulling essential country counterparts away from domestic priority tasks in the concerned sector?
The assessment of governance and management should also build upon and add to the previous assessments of relevance, effectiveness, and efficiency. For instance, legitimacy is closely related to the relevance of the program, and efficient governance is related to the efficiency or cost-effectiveness of the program. Responsibility and fairness are closely related to participation and inclusion (discussed in Chapter 4), and transparent governance is related to transparency and disclosure (discussed in Chapter 5). The focus in the present chapter, however, is on the structures and processes of governance and management. To what extent are these well articulated and working well to bring about legitimate and effective governance and management of the program?

Legitimacy. This refers to the way in which governmental and managerial authority is exercised in relation to those with a legitimate interest in the program — including shareholders, other stakeholders, implementers, beneficiaries, and the community at large. This is closely related to the relevance of the program (discussed in Chapter 9). The concern here is the extent to which the governance and management structures permit and facilitate the effective participation and voice of the different categories of stakeholders in the major governance and management decisions, taking into account their respective roles and relative importance. Because GRPPs are international public sector programs with a “duty of care” to identify and respond to the needs and demands of developing countries, and because most are involved in channeling development assistance to developing countries, it is particularly important that the voices of developing countries and technical experts can be effectively expressed and heard. For instance, to what extent is the most up-to-date scientific and technical advice being sought to inform policy making and operational effectiveness?

71. As discussed in the overview to this Sourcebook, the term donor is used in the generic sense as referring to those who make financial or in-kind contributions to the program that are reflected in the audited financial statements of the program. Therefore, the term includes not only “official donors” but also developing countries that contribute annual membership dues, seconded staff, or office space, provided that these are formally recognized, as they should be, in the financial statements of the program. Donors can also be beneficiaries. But the term donor does not extend to beneficiary countries or groups that are providing counterpart contributions that are not formally recognized in the financial statements of the program. Shareholders are here defined as the subset of donors that are involved in the governance of the program. Therefore, shareholders do not include individual (particularly anonymous) donors who choose not to be so involved, or who are not entitled to be involved if their contribution does not meet the minimum requirement, say, for membership on the governing body.
12.14 **Accountability.** This concerns the extent to which accountability is defined, accepted, and exercised along the chain of command and control, starting with the annual general meeting of the members or parties at the top and going down to the executive board, the chief executive officer, task team leaders, implementers, and in some cases, to the beneficiaries of the program. For instance, to what extent is the assignment and exercise of responsibilities between governance and management appropriate relative to good practice? There may also be mutual accountability at various steps in the reporting chain. Accountability is enhanced when the roles and responsibilities are clearly articulated in a program charter, memorandum of understanding, or partnership agreement, and when these agreements work out such issues as to whom and for what purposes the members of the governing body are accountable — to the program or to their constituency. Stakeholder participation in the formulation of these agreements and their public disclosure also strengthens the accountability of program governance.

12.15 **Responsibility.** This concerns the extent to which the program accepts and exercises responsibility to stakeholders who are not directly involved in the governance of the program and who are not part of the direct chain of accountability in the implementation of the program. As international public sector organizations, GRPPs should be ahead of the curve when it comes to “corporate social responsibility.” For instance, they should be adhering in their operations to accepted global norms regarding human rights, poverty reduction, environmental sustainability, and gender inclusion. They should be obligated to report responsibly on their adherence to these norms, to adhere to social and environmental safeguards, to disclose potential or realized adverse effects, and to propose mitigation plans.

12.16 **Fairness.** This concerns the extent to which partners and participants, similarly situated, have equal opportunity to influence the program and to receive benefits from the program. To what extent does access to information, consultation, or decisions of the governing body and management favor the interests of some partners and participants over others, at both the governance and management levels? Fairness can be impeded not only by structures and processes, but also by language, technical, and legal barriers.

12.17 **Transparency.** This concerns the extent to which the program’s decision-making, reporting, and evaluation processes are open and freely available to the general public. To what extent does the program have a policy on transparency and disclosure that covers governance and management, decision making, accountabilities, staffing, contracting, dissemination, financial accounting, auditing, and
M&E To what extent do these policies meet or achieve good-practice standards such as publicly disclosing the minutes of all board meetings (at least in summary form)? To what extent are they being applied? (See also Chapter 5, Transparency and Disclosure).

12.18 Efficiency. This is closely related to the efficiency or cost-effectiveness of the program as a whole (discussed in Chapter 11). The concern here is the extent to which the governance and management structures enhance efficiency or cost-effectiveness in the allocation and use of the program’s resources. Theory suggests that traditional shareholder models of governance (in which membership on the governing body is limited to financial and other contributors) may be more efficient but at some cost to legitimacy, while stakeholder models (in which membership also includes non-contributors) may be more legitimate but sometimes at the expense of efficiency, if the number of participants becomes large and the costs of organizing diverse interests to pursue a common goal becomes high relative to the expected benefits. For both types of programs, evaluators need to recognize the tensions that exist between legitimacy and efficiency, and ascertain if one principle is being sacrificed at the expense of the other, since effective governance requires both. In reality, a certain degree of convergence of practice appears to be taking place between programs that had previously followed shareholder and stakeholder models, respectively.

12.19 Probity. This refers to the adherence by all persons in leadership positions to high standards of ethics and professional conduct over and above compliance with the rules and regulations governing the operation of the program. Members of the governing, executive, and advisory bodies, as well as members of the management team, must exercise personal and professional integrity, including the avoidance of conflicts of interest. Evaluators sometimes discover evidence of wrong-doing, fraud, or misconduct. When they do, they should report their findings confidentially to the appropriate investigating authority, and in severe cases, even discontinue the evaluation. (See also paragraph 8.15 on wrong-doing, fraud, and misconduct.)

72. On issues of transparency, the principles for governance and management diverge to some extent. Governance processes need to be open to ensure accountability and responsibility to shareholders and stakeholders. However, certain management processes, particularly the management of human resources, need to be confidential in order to protect the privacy of individuals. Thus, management should have some discretion in determining the appropriate disclosure of information in relation to the day-to-day management of the program. (See also footnote 35 on page 27.)
Suggested Strategy for Assessing Governance and Management

12.20 The assessment of governance and management should begin with an analysis of the role and performance of the program’s governing bodies and their relationship to the host organization, if applicable. This would include:

- A full description of the governing bodies and management units (including executive and advisory bodies), their representation and mandates, and their evolution in relation to the maturing of the program. To what extent are their roles and responsibilities clear, as well as the mechanisms to modify and amend these over time?

- If the program is housed in another (host) organization, a full description of the legal and administrative relationships between the program and the host organization, including the mechanisms in place to resolve disputes between the two parties. To what extent are these clearly articulated? What are the benefits and costs to the program of being located in the host organization?

- The extent to which the assignment of functions and decision making to different bodies — and the host organization — has been appropriate in relation to the goals of efficiency, timeliness, application of needed expertise, representation, and inclusion.

- The performance of each governing body and the program management unit relative to its terms of reference, expected duties, and commitments. This would include the performance of the host organization and partners if and as specified in the evaluation TOR.

SPECIAL CONSIDERATIONS IN ASSESSING GOVERNANCE AND MANAGEMENT

12.21 How governance is practiced and who actually influences the program’s direction is rarely understood from a cursory examination of a program’s charter, organizational charts, and terms of reference documents. History, culture, personalities, the quality of relationships, and path-dependence 73 can all influence practice and effectiveness.

73. Path-dependence is the dependence of institutional choices and economic outcomes on the path of previous choices and outcomes, rather than simply on current conditions. In path-dependent processes, institutions are self-reinforcing, history has an enduring influence, and choices are made on the basis of transitory conditions that persist long after these conditions change. Thus, understanding path-dependent processes — such as the standard typewriter keyboard — requires looking at history, rather than simply at current conditions of technology, preferences, and other factors that influence outcomes.
Evaluators should review the “rules of the game” (implicit and explicit) to ensure that all partners and participants, similarly situated, can participate equitably. For instance, if some members of the governing body are permanent and others are rotating, does decision making effectively reside mainly within the purview of the permanent members?

12.22 Evaluators should assess how effectively the roles and responsibilities of the various partners, participants, and host organizations are articulated at each level. To what extent are these clear, appropriate (in terms of influence over decision making), and being followed? For regional partnership programs in particular, this includes the extent to which the program has clearly delineated the roles and responsibilities for program implementation between the regional and national levels, and then followed through.

12.23 Evaluators should assess the appropriateness of the specific mix of partners at the governance level and participants at the implementation level. Does the program have the right partners and participants to achieve its objectives? Are the respective mandates of the international organization partners sufficiently convergent to effectively address the global/regional challenges in question? Are there any significant actors in the sector at the global/regional levels who are missing from the partnership, and why? Have country-level representation and voice been adequate in relation to the issues being addressed and the objectives of the program? To what extent have the necessary stakeholders been involved?

12.24 Evaluators should assess to what extent the program is seeking the most up-to-date scientific and technical advice from the point of view of policy making and operational effectiveness. For this explicit purpose, many GRPPs have established scientific and technical advisory bodies in order to seek advice from experts who are not entitled to representation on the formal governing body. Such advisory bodies can enhance the program’s professional reputation and help weigh the risks of alternative strategies. Evaluators need to assess the performance of these bodies, where they exist, in achieving their mandates and in contributing to the legitimacy and effectiveness of the program.

12.25 An assessment of the “partnership mix” should also comment on the participation (or lack thereof) of NGOs and the commercial private sector. Since GRPPs are international public sector initiatives

74. This is a particularly important question for regional partnership programs. For both global and regional programs, the way in which the individual efforts add up to the collective outcome for the program — whether “best shot,” “summation,” or “weakest link” — can also help determine who needs to be involved in order for the program to achieve its objectives. (See paragraph 9.17.)
that are aiming to promote a public interest in a particular area of development, partnerships with the commercial private sector and NGOs may pose legitimacy issues at the governance level and conflict of interest or favoritism issues at both the governance and implementation levels. Evaluators should assess whether the program has established and is effectively applying a policy that addresses such concerns. Do the benefits from such partnerships outweigh the reputational and other risks to the program?

**Programs Located in Host Organizations**

12.26 The majority of GRPP secretariats are located in existing international organizations or bilateral agencies, and the managers of such programs typically report both to the program’s governing body and to their managers within the host organization — a classic “two-masters” problem. Evaluators should ascertain to what extent this arrangement is adversely affecting the governance and management of the program, since there has frequently been a lack of precision concerning for what functions the program manager is accountable to each “master,” and how conflicts between the two are to be resolved.75

12.27 The host organization often exercises a major influence over the strategic direction of the program as well as bearing a disproportionate share of responsibility for oversight, consultation, risk management, and evaluation. If so, evaluators should ascertain if such a dominant role of the host organization in the governance and management of the program is leading to organizational capture and adversely affecting the program’s performance (or other criteria such as transparency and fairness).76 For instance, is this reducing the incentives of other partners to participate effectively in the program, or reducing the ability of the host organization to look at the weaknesses of the program objectively?

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75. Who determines the performance of the program manager is a particularly complex issue. In some case, managers’ performance evaluations are completed as if they were employees of the host organization. In other cases, feedback is obtained from members of the governing body. See also Michael Davis and Andrew Stark, eds., 2001, Conflict of Interest in the Professions, for more on the “two-masters” problem.

76. Organizational capture means that the host organization takes over and runs the program as if it were one of its own. Therefore, the respective roles and responsibilities of the host organization and the program need to be clearly specified and understood. And the relationship between the host organization and the GRPP must be properly managed in order to ensure appropriate accountability all the way down to the country level, where the lead country representative of the host organization may be to some extent accountable for what the program is doing at that level.