ETHICS IN GOVERNANCE

TOPICS
- Public/Civil Service Values & Ethics in Public Administration
- Ethical Framework
- Probity in Governance Challenges of Corruption
- Case Study

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Ethics in Public Administration

- Public administration is a part of our daily life and to a large extent governs it. Ethics is one of the vital components that allow vibrant democracy to thrive in any country so ethics in government is critical to realizing the promises of democracy.

- In a democracy, government has an obligation to treat everyone equally and to provide the greatest good to most of citizens. The effective operation of democratic government requires that public officials and employees be independent, impartial, and responsible to the people. Government decisions and policies should be made within the proper structure of government; public office shall not be used for personal gain; and the public has to have confidence in the integrity of its government. When ethical wrongdoings and scandals occur in government, they pose a threat to the democratic principles of the rule of law, equity, and individual rights.

- Therefore, we can say that ethics in public administration is the practise of doing good while performing civil duties. It refers to taking a course of action in compliance with rule or code of conduct established for such an administrative work along with moral judgements which are based on discretion. Their actions must be manifested based on human values like honesty, integrity, diligence, economy, respect for both law and people along with effectiveness, responsiveness and accountability.

- Ethics provide accountability between the public and the administration thus adhering to a code of ethics ensures that the public receives what it needs in a fair manner. It also gives the administration guidelines for integrity in their operations.

- Public servants operate in a changing environment. They are presently subject to greater public scrutiny and increased demands from citizens; they also face stricter limits on resources. They have to assume new functions and responsibilities as a result of: devolution and greater managerial discretion; increased commercialization of the public sector; a changing public/private sector interface and changing accountability arrangements.

- In short they have to adopt new ways of carrying out the business of government. While public management reforms have realized important returns in terms of efficiency and effectiveness, some of the adjustments may have had unintended impact on ethics and standards of conduct.

- Governments and international agencies draw their attention to developing and maintaining high standards and values, ethics and conduct in public administration as a mean of combating corruption. This is done through the development of ethics infrastructure.
The term **ethics infrastructure** refers to a range of tools and processes for regulating against undesirable behavior and/or providing incentives to encourage good conduct of public officials. There are eight key components of an ethics infrastructure such as:

- Political commitment,
- Effective legal framework,
- Efficient accountability mechanisms,
- Workable codes of conduct,
- Professional socialization mechanisms (including training),
- Supportive public service conditions,
- Existence of central ethics coordinating body,
- An active civil society able to act as a watchdog over the actions of officials.

Code of ethics play a guiding role in the ethics infrastructure, but they also take on a controlling function since they establish and publicize boundaries of behavior and set standards for public servants.

Ethics reforms and anti-corruption strategies would not be useful if they left in place the restrictive laws and cumbersome processes that produced incentive for bribery and other unethical practices in the first place.

The decision-making process in government is often so lengthy and complicated that it is difficult to single out those public servants who should be held responsible for specific recommendations and decisions. Another obstacle on the road to accountability is the wide range of authorities to which public servants are deemed to be accountable.

The role of civil society institutions in ethical infrastructure of public life is very often compared with position of the watchdogs on the behavior of public officials. Their effectiveness is determined by the level of public criticism of government tolerated in the particular society and the position of free and independent media as an important factor of exposing corruption and other unethical actions.

Government oversight and external mechanisms for accountability are not adequate for combating corruption and other unethical behavior unless they are supplemented by strong civic institutions, which are able to question government decisions and official actions to ensure that they abide by the rule of law and ethical standards in the public service.

Most modern Civil Service Ethics laws, and Codes of Ethics for civil servants and public officials, endorse the following minimum set of principles:

### Principles for Ethical Conduct

Civil servants and public officials are expected to maintain and strengthen the public's trust and confidence in government, by demonstrating the highest standards of professional competence, efficiency and effectiveness, upholding the Constitution and the laws, and seeking to advance the public good at all times.

#### Transparency

- Civil servants and public officials are expected to use powers and resources for public good, under government policy. They should be accountable for the decisions they make, and prepared to justify their actions. The transparent or open processes would help to achieve the accountability.

#### Integrity

- Civil servants and public officials are expected to make decisions and act solely in the public interest, without consideration of their private interests. Public employment being a public trust, the improper use of a public service position for private advantage is regarded as a serious breach of duty.
Legitimacy

- Civil servants and public officials are required to administer the laws, and to exercise administrative power on behalf of the Government, or the Parliament, or other such authority. That power and authority should be exercised legitimately, impartially and without fear or favor, for its proper public purpose as determined by the Parliament or their employer.

Fairness

- Civil servants and public officials should make decisions and act in a fair and equitable manner, without bias or prejudice, taking into account only the merits of the matter, and respecting the rights of affected citizens.

Responsiveness

- As agents and employees of the elected Government, Civil servants and public officials are required to serve the legitimate interests and needs of the Government, other civil servants, and all citizens, in a timely manner, with care, respect and courtesy.

Efficiency and Effectiveness

- Civil servants and public officials are required to obtain best value for public assets deployed in or through public management, and to avoid waste and extravagance in expenditure and the use of public assets.

Why ethics in public office is necessary and important?

Ethics in public office has its own importance due to following reasons:

Limitation of laws in Good Governance

- The rule-of-law has been held forth as one of the main features of what has been conceptualized as good governance. However, Aristotle already observed that written laws cannot be applied precisely in every situation, since the legislators being unable to define for all cases. In many public policy areas, it is impossible to create laws, understood as universally applicable rules.
- For example, decisions by the police in a city about when a demonstration should be given permission and when it should not because it would create serious social unrest and maybe violence. Decisions by the social insurance authorities that concerns the right to early retirement pension due to medical inability to carry out paid work. Decisions by the doctors in public hospitals when a woman who so demands should deliver their baby through a cesarean operation. The public prosecutor making decisions about whether to prosecute a young first time defender or not. In cases like these, and many others, the professionals and civil servants that have the direct responsibility for implementing the policies will have to be given ample discretionary room for making the concrete decisions. The reason is that each case is in some ways unique and that it is impossible to state in a law all the circumstances and specificities that has to be taken into account before a decision is made. It is not possible to write all future situations in a law. A law can only provide framework. Hence ethics comes to rescue in decision-making processes.

The Role of Expertise

- Civil servants do not only make local discretionary decisions that can be of the outmost importance for the individual citizen. At higher echelons in the state, they also provide elected politicians with analyses and advice in the preparation of laws and policies. It may certainly be the case that such advice and knowledge are based on summaries of established expert knowledge and research that the high-level civil servants simply provide to the elected politician.

Given the discretionary power civil servants and professional corpses working in the public sector have due to the limitation of steering by precise laws, their ability to make decisions according to a set of ethics becomes very important both for the individual citizen but also for the overall legitimacy of the political system.
For the elected politician, it is paramount that this advice is presented in an impartial and non-biased way and that the civil servants operate under an ethical code that prevents screening out things because of private ideological reasons. However, in many cases one can take for granted that such expert knowledge does not exist or that it does not give a clear-cut guidance for policy formulation. In cases like this, bureaucratic ethics also become important because politicians need to get honest information about alternatives and uncertainty.

**Limitation of Incentive-based Model in Public Administration**

- This has become central in the governing models of the public sector in many countries under the rubric of “New Public Management”.
- The central idea has been to import models from the private and non-profit sector to the public administration to make the latter more effective and oriented to serve its “customers”.
- Incentive-based “principal-agent” model are very likely to fail if they are not also complemented by strong professional norms and ethical standards. One could say that the more NPM models are used, the stronger the need for ethical standards will be.

**Public Ethics and Human Nature Relationship**

- This has been presented by Francis Fukuyama. Fukuyama argues that if we for whatever reason come into a position of power in public life, our “natural inclination” is to use this power to promote our self-interest, our family, kin and clan – and one could add religious faction, business interest, or political party.
- Fukuyama emphasizes the strong inclinations people in power have for nepotism.
- A concrete example follows: a public school announces a position as teacher in mathematics and there are two applicants. A is the most qualified, but B is also qualified but a lower level than A. However, B happens to be the nephew of the School Principal who knows that B is in desperate need of a job. Historically and also in most contemporary countries in the world, a fair guess is that B stands a better chance of getting the job than A.
- Fukuyama’s conclusion, and we tend to agree, is that the understanding that norms like impartiality and selfless promotion of the common good in the exercise of public power should take precedence in a case like this is thus something that must be learned through some form of education in the public ethos.

**Developing administrative practices which promote ethical values and integrity through the following:**

- Effective laws which require civil servants to give reasons for their official decisions, (for example: a Right to Information Law)
- Management approaches which encourage all public officials and civil servants to deal positively with corruption and unethical practice when they encounter it.
- Whistleblower’ protection law to protect appropriate ‘public interest disclosures’ of wrongdoing by officials.
- Ethics audits to identify risks to the integrity of the most important processes (for example financial management, tendering, recruitment and promotion, dismissal and discipline)
- New Human Resource Management strategies (which link, for example, ethical performance with entry and advancement, and ethical ‘under-performance’ with disciplinary processes), merit based promotion and recruitment, antidiscrimination protections
- Training and development in the content and rationale of Ethics Codes, the application of ethical management principles, the proper use of official power, and the requirements of professional responsibility
- Effective external and internal complaint and redress procedures.
To form a Law Against ‘Maladministration’

- Maladministration can be referred to as making of an official decision in a manner which is contrary to law, arbitrary, unreasonable, without proper justification, lacking in procedural fairness, or made without due consideration of the merits of the matter, or made corruptly. In one respect at least, Maladministration may be no more than simple incompetence.

- The other aspects of Maladministration, however, shade into ‘Abuse of Office’ - misusing public office for private gain - which is the standard definition of Corruption. In either case, Maladministration by a public official is thus inherently unethical and thereby making ethical standard’s a crucial part in public offices.

Ethical Concerns and Dilemmas in Government

Ethical dilemmas

- These are the situations in which there is a choice to be made between two options - neither of which resolves the situation in an ethically acceptable fashion.

- In such cases, societal and personal ethical guidelines can provide no satisfactory outcome for the chooser. It is not about the legality of the act but the purpose and spirit of the act.

- Ethical dilemmas can arise from equally attractive options that could be justified as being ‘right’ in particular situations.

- Within complex contexts and circumstances it may not be so easy to discern what the ‘right’ option might be and what the ‘wrong’ option might be or whether the action is legal or illegal.

Type of Ethical dilemmas

Ethical dilemma can be categories in three broad categories:

- Personal cost ethical dilemmas crises from situations in which compliance with ethical conduct results in a significant personal cost to the decision maker in an difficult situation.

- Right-Verses-Right ethical dilemmas, crises from situations of two or more conflicting sets of bona fide ethical values.

- Conjoint ethical dilemmas, crises when a careful decision-maker is exposed to a combination of the above indicated ethical dilemmas in searching for the ‘Right thing to do’.

Case Scenarios

- Scenario 1: As a Manager, you are hiring an employee whose duties are important to the company’s success. The best qualified applicant is a female who appears to be pregnant. Would you hire this best qualified or pass to the next person who isn’t pregnant? (Though, it is illegal to not hire because of pregnancy, but, there is no way to prove that’s why you hired the other person.)

- Scenario 2: You are a real estate agent. A lady from out of town calls you to list her deceased parent’s home for sale. She is not sure what it is worth, but says she will be happy to get Rupees 50 lakh for the home. You look at the home and feel it is worth at least Rs.75 lakh and realize it would be perfect for your brother. What do you do?

Thus in both scenario one can not justify what is ‘right and wrong’ thereby making a clear case of ethical Dilemmas.

Ethical dilemmas in Government

- An ethical dilemma arises from a situation that necessitates a choice between competing sets of principles. Thus an ethical dilemma can be described as a circumstance that requires a choice between competing sets of principles in a given, usually undesirable or perplexing, situation. Conflicts of interest are possibly the most obvious example that could place public sector leaders in an ethical dilemma.
Ethics in Governance

Ethical Dilemmas Faced by Public Servants

- Some of the most common ethical dilemmas with which public servants are confronted, revolve around aspects such as:
  - Administrative discretion
  - Corruption
  - Nepotism
  - Administrative secrecy
  - Information leaks
  - Public accountability
  - Policy dilemmas

Administrative discretion

- Public officials are not merely executors of public policy. They make decisions pertaining to the lives of people, for example, about taxes, survival and the dismissal of people. In doing so they exercise discretion. When faced with alternatives the choice of the public official poses an ethical problem: the choice may be acceptable to only a small section of society.

- The problem is that the selection of one path of action from among several alternatives is often made on the basis of personal preference, political or other affiliations, or even personal aggrandizement, thereby disregarding known facts and thus the possibility of rational decision making. It could well be that all the prescribed rules, regulations and procedures are adhered to but that the discretionary choice may be viewed as unethical or even corrupt.

Corruption

- The corruption of public officials by private interests is usually very subtle, for example, favors by the public to the official under obligation and he gradually substitutes his public loyalties to those doing him favors. The ethical dilemma that faces the public servant with regard to corrupt practices as result of private interests primarily concerns his reaction to the situation.

- If a corrupt practice or an attempt to corruption is discovered, it is quite possible that the official’s personal loyalties or party political affiliations may be in conflict with his official duties. Should he sacrifice the public interest or try to end the corrupt practice by direct personal confrontation, or should he blow the whistle on the practitioner of corrupt practice?

Administrative Secrecy

- An area which lends itself to the creation of situations and actions which could prove to become major ethical dilemmas is the secret conduct of public business. This is especially so because secrecy can provide an opportunity to cover up unethical conduct. Secrecy is an ally of corruption and corruption is always practiced in secrecy.

- It is generally accepted that in a democracy the people have a right to know what the government intends to do and it would be in the interest of the public for the administration of public affairs to be conducted openly.

Nepotism

- The practice of nepotism (the appointment of relations and/ or friends to public positions, thereby ignoring the merit principle), may lead to the downgrading of the quality of the public service. This disrupts the esprit de corps and trust and resulting in corrupt administration, owing to the ability of a select few to impair control measures on account of their personal relationship with the policy-maker, and by reason of their not being easily dismissed or replaced by others.

- In other words, those who are appointed with the view that they will conform to the standards and views of their appointing authority could prove to be problematic. The preferential treatment of one individual over another, without taking into account the relative merit of the respective individuals, represents nothing but victimization of an individual or individuals.
Information leaks

> Official information is often of such a sensitive nature (for example, pending tax increases, rezoning land, retrenchment of staff) that disclosure of the information can lead to chaos, corrupt practices or, for some individuals, improper monetary gains. Leaking official information at a date prior to the public announcement thereof is a violation of procedural prescriptions and can be an ethical dilemma.

Public Accountability

> Since public officials are the implementers of public policies, they ought to be accountable for their official actions to their superiors, the courts and the public. It is nevertheless, possible for them to hide behind prescribed procedures, the cloak of professionalism and even political office-bearers.

Policy dilemmas

> Policy makers are often confronted by conflicting responsibilities. They have specific loyalties to their superiors, but also to society. They have freedom to act on behalf and in the interest of others, but they must also answer to others - their superiors and society - for their actions. The official’s obligation to respect the political process may conflict with his view on how the objects of policy making are treated. In other words, the dilemma of the public official is the clash between his view of the public interest and the requirements of law.

Case Study

Shikhar is a senior public servant who has worked in two State public service departments over a twenty-year period. Prior to this he was employed as a chartered accountant. In the course of performing his duties, involving primarily monetary and budgeting issues, Shikhar becomes aware that public revenue is being used inappropriately. While he is not directly responsible for this aspect of the budget, he raised his concerns about the channelizing of funds from one part of the budget to another to Radheshyam, the Head of Division.

Shikhar learns that not only is Radheshyam aware of this practice, but also that he condones it. Not long after, Shikhar is summoned to talk to Radheshyam and to the Director-General about the issue. In preparation for this meeting Shikhar prepares a short paper that identifies his understanding of the key issues and presents this to Radheshyam and the Director-General.

Due to the politically sensitive nature of the issue, Shikhar is told that the matter is not within his jurisdiction and therefore he should ‘keep his nose out of it’. This advice is based on the fact that the incumbent government will questions about how it puts its budget together but that it also faces electoral defeat if the matter were to be made ‘public’.

Shikhar and his two supervisors are acutely aware of the tensions between the department, the minister and the government. This unease manifests itself around the advice the department provides the minister with, and the advice that the minister and the government want to hear in particular: After much soul searching, Shikhar decides to obey his supervisors by leaving the matter alone.

Commentary on the above case study:

> It could be argued that the situation Shikhar finds himself is might be described as one of multiple and conflicting values or accountabilities. There appears to be tensions among sets of competing values. Possible conflicts include: (1) obeying supervisors’ directives versus following his own personal values; (2) choosing to serve the best interests of the community versus the need to be responsive to the government of the day; and (3) following his professional ethics versus his desire to maintain his career. In this illustration, there is little doubt that Shikhar was caught in a highly complex dynamic milieu of forces.
The case reinforces the point that public servants do not work within a political vacuum; the context is highly politicized. This issue is now taken further. Under a Westminster-type system of government an employee’s views are not supposed to ‘take precedence over government policy’. Yet if the employee considers an instruction to be unreasonable or unlawful, there is an expectation that he or she should refuse to comply with it. This interpretation picks up on the notion of public servants being motivated by a duty to serve the wider public interest.

Public officials are expected to act in ‘the public interest’. Public officials also control, in various ways, the use of financial and other valuable resources provided by the community. The use, and misuse, of those resources raise important questions of professional ethics for administrators. It is similarly expected that those public officials who control the financial and other resources provided by the community have an ethical obligation to ensure that those resources are used efficiently and appropriately.

In the case provided, it is anticipated that Shikhar would have been aware of the issues identified above when he weighed up the options and reached his decision. In making his final decision Shikhar seemed to be guided by the principle of what would create the least cost to the majority of the people. In choosing not to act, he considered very carefully the implications and future repercussions of the decision on himself personally, the government and his immediate supervisors.

If he had ignored the advice from his supervisors and taken the issue to the minister, Shikhar may have risked not only his current position but his career as a public servant as well. This consequence could have weighed heavily upon him. Concern over losing one’s position and jeopardizing one’s future career prospects through making mistakes or failing to take the advice of supervisors was a theme that emerged from a qualitative study of thirty new managers’ experiences of ethical dilemmas within organizations.

An important conclusion reached was that because people are so concerned about their careers, this can have the effect of ‘creating strong pressures to choose the easier wrong rather than the tougher right in a difficult situation’. Similarly, in a public sector characterized by intensified politicization and pressure, it appears that there is a greater chance of public servants choosing to give advice to ministers that they know will please them out of fear. By extension, a public servant could refuse to give certain advice to ministers because that advice may displease them. This latter situation seems to be applicable in Shikhar’s situation. Shikhar’s case suggests that the politicization of advice - which might be considered to be the most insidious form of politicization - can be related to the appropriate and ethical conduct of public servants and ministers.

In an impartial public service Shikhar would not have feared addressing the issue of misappropriated funds openly with the minister. Providing such advice was the ‘right’ action to take. It seems that the rhetoric of a politically neutral and impartial public service is at odds with the reality.

The dilemma faced by Shikhar seemed to fit the ‘right versus wrong category. Further, it appears that the possible dire set of consequences of the dilemma prevented him from being able to take the ‘right’ action. In fact, it would be a brave individual who would speak out against unethical practices operating within an organizational culture such as the one in which Shikhar worked. Not only was the organizational culture not conducive to ethical behaviour and practices, but also Shikhar’s supervisors lacked the type of leadership that describes as essential for promoting, supporting and building an ethical public service.

The case viewed reinforces what may be considered the public’s expectation that its leaders (not only senior public servants but also ministers) have an important role to play in modeling ethical behaviour. It seems that little change will be effected if senior public servants and ministers do not abide by ethical codes of conduct and/or set an example of ethical practice.

If ethics is about relationships then it seems that much relationship building based on trust, honesty and integrity is required between public servants and their colleagues as well as between public servants and the ministers they serve. Without genuine relationships and a purposeful commitment to creating ethical workplaces, nothing will change.
To manage the ethical risk involved in discretionary decisions, and to strengthen the organizational integrity, public organizations put in place internal controls as well as performance and accountability frameworks.

In parallel, public organizations adopt procedures aimed at strengthening employee motivation and promoting rule-based and principled decision-making. Alongside these, legal norms and regulations external to the organization require adherence to certain standards. Finally, a variety of internal and external bodies promote public integrity and compliance through means of investigation, auditing, training, and other functions.

The system of laws, regulations, policies, practices, officials, bodies and units that promote ethical decision making, prevent corruption and advance the public good is generally referred to as an integrity management system. Such systems might not always be called ‘integrity management systems’ but the concept is useful for present purposes as it acknowledges that promoting integrity and ethics in the public sector requires a systemic approach.

**Ethical Concerns and Dilemmas in Private Institutions**

- Ethics concerns with the idea of `right and wrong’ when the choice to be made has significant impact on others. It is about the norms and principles that “provide the basic guidelines for determining how conflicts in human interests are to be settled and for optimizing mutual benefit of people living together in groups. Ethics are a set of principles, often defined as a code that acts as a guide to conduct. The set of principles provides a framework for acting. The moral nature of these principles refers to what is judged as right, just, or good (conduct). The norms are universal because they are necessary either for a society to function or for business transactions to take place.

- A company’s reputation is one of its most important assets and Reputation is a result of continuous ethical action and of an ethical corporate culture.

- Establishing the Code of Conduct has been considered as one of the several useful instruments for an inclusive strategy and holistic policy to fight corruption and mitigate dilemmas in the Private Institutions. The code sets up the ethical and behavioral rules for the company, which can be summarized as:

  - **Honesty, Integrity and Fair Play:** This Code of Conduct sets out the basic standard of conduct expected of all staff and the Company’s policy on matters like acceptance of advantages and conflict of interest of staff in connection with their official duties. This Code also applies to temporary and part-time staff employed by the private sector.

  - **Equal Opportunity for All Employees:** The private sector entity should be an equal employment opportunity provider. Employment opportunities are available regardless of race, color, sex, religion, national origin, age, disability or other legally protected status. This Principle applies to all aspects of the employment relationship, including recruiting, hiring, training, work assignment, promotion, transfer, termination, and wage and salary administration.

  - **Safety, and Health Practices:** commitment towards an injury-free and illness-free workplace that is operated in an environmentally sound manner in compliance with all relevant laws and regulations that protect worker safety and the environment. Employees should perform work in a safe manner.

  - **Fair Competition:** prohibit any anticompetitive practices which could effect in bounding, restraining or distorting competition, as well as any practices of an unfair competition.

  - **Governance and anti-corruption:** zero tolerance for corruption. prohibition of payment, offers of payment as well as anything of value directly or indirectly with the purpose of influencing or obtaining undue business or personal advantage.
**Financial Reporting**: All transactions must be duly recorded so as to permit preparation of clear financial statements in conformity with generally accepted accounting principles. No false or misleading entries may be made in the books and records of the Company for any reason, and no employee may engage in any arrangement that results in such a prohibited act.

**Government Contracts and Services**: To comply with all applicable laws and regulations relating to government (public procurement) contracts and services and to ensuring that its reports, certifications and declarations to government officials are accurate and complete and that any deviations from contract requirements are properly approved.

**Conflict of Interest**: A conflict of interest situation arises when the “private interests” of the staff compete or conflict with the interests of the Company. “Private interests” means both financial and personal interests of the staff or those of their connections including: family members and other close affiliates; personal friends; the clubs and societies to which they belong; and any person to whom they owe a favor or are obligated in any way.

Staff should avoid using their official position or any information made available to them in the course of their duties to benefit themselves, their affiliates or any other persons with whom they have personal or social ties. They should avoid putting themselves in a position that may lead to an actual or perceived conflict of interest with the Company.

Failure to avoid or declare any conflict of interest may give rise to criticism of favoritism, abuse of authority or even allegations of corruption. In particular, staff involved in the procurement process should declare conflict of interest if they have beneficial interest in any company which is being considered for selection as the Company supplier of goods or services.

**Misuse of Official Position**: Staff who misuses their official position for personal gains or to favor their relatives or friends are liable to disciplinary action or even prosecution. Examples of misuse include a staff member responsible for the selection of suppliers giving undue favor or leaking information to his/her relative’s company with a view to giving away an undue advantage.

**Handling of Classified or Proprietary Information**: Staff is not allowed to disclose any classified or exclusive information to anybody without authorization. Staff who have access to or are in control of such information should at all times provide adequate safeguards to prevent its abuse or misuse. Examples of misuse include disclosure of information in return for monetary rewards, or use of information for personal interest. It should also be noted that unauthorized disclosure of any personal data may result in a breach of the applicable legislation on privacy.

**Reporting**: Employees have a responsibility to promptly report to the Company any violation of the Code. The Company shall put in place an appropriate mechanism (i.e. complaints/suggestion boxes, telephone, emails, etc.) as to allow employees to address communications to the ethics officer with the highest degree of trust and confidentiality.

**Changing notions**

- These days, there are many types of organizations that defy the label of a strictly ‘public’ or ‘private’ organization. Hence, it is necessary to establish a more dynamic and multidimensional approach to distinguishing public and private organizations, accounting for the many different types of organizational configuration. In this study, the terms ‘public’ and ‘private’ are taken as the opposite ends of a continuum indicating the degree of ‘publicness’ of an organization.

- The position of an organization on this public–private continuum follows from three dimensions: (1) the extent to which organizations are constrained by political control, (2) how organizations are funded and financed, and (3) the extent to which organizations perform public or private tasks in order to reach public or private goals. The terms ‘public’, ‘private’ and ‘hybrid’ organization then denote typical positions on the public–private continuum.
The following set of core values of organizations can be distinguished as given below:

- **Accountability**: be answerable, be willing to justify action
- **Collegiality**: act loyally, show solidarity with one’s colleagues
- **Competitiveness**: act as good as or better than comparable others
- **Consistency**: act congruous, united and consistent
- **Cooperativeness**: act together, to achieve mutual benefit
- **Courage**: act with determination, willing to take risks
- **Dedication**: perform one’s task with diligence, dedication and care
- **Effectiveness**: act to produce the desired or intended result
- **Efficiency**: act to produce results with minimum wasted effort/expense
- **Expertise**: act with competence, skill, knowledge
- **Honesty**: act truthfully, faithfully and keep one’s promises
- **Impartiality**: act unbiased, unpredisposed by group interests, independent
- **Innovativeness**: act with imagination, introduce new policies or products
- **Lawfulness**: act in accordance with existing laws, rules, regulations
- **Obedience**: act in agreement with instructions and policies of the organization
- **Profitability**: act to maximize organizational gain/benefits
- **Responsiveness**: act in accordance with the wishes of the public
- **Self-fulfillment**: act to maximize personal goals, well-being
- **Selflessness**: act unbiased, unpredisposed by self interest
- **Service orientation**: act respectfully and helpfully towards customer/citizen
- **Social equity**: act because of the common good, to achieve social justice
- **Sustainability**: act to prevent harm to the environment
- **Transparency**: act openly and transparently, without secrecy
- **Integrity**: accordance with the relevant moral values and norms and rules
- **Individual integrity**: individual’s behaviour is in accordance with the relevant moral values and norms and rules
- **Organizational integrity**: organizational behaviour is in accordance with the moral values and norms and the rules accepted by the organization’s members and its stakeholders
- **Ethics**: the collection of moral values and norms, standards and principles which provides a framework for acting.
- **Moral**: refers to what is judged as right, just, or good values are ‘judgments of worth’, moral principles or standards which should have a certain weight in the choice of action norms state what is morally correct behaviour in a certain situation
- **Deviance**: significant violation against the values, norms and rules

Core values for both the public and the private sector seem to be efficiency, expertise, honesty, dedication and lawfulness. Values which seem to be important for business while they are not at the core of public sector ethics are profitability, competitiveness, innovativeness, service orientation, collegiality, self-fulfillment and sustainability. Social equity, transparency, responsiveness, accountability, impartiality and selflessness (act unbiased by self interest) are fundamental values for public servants and politicians, but management and employees in the business sector do not have to take them into account (to the same extent). Values of which the importance is less clear are consistency, courage, cooperativeness and obedience.
Dealing with Ethical dilemmas

- Ethics can be understood as ‘what we ought to do’. Thus it requires judgment and reasoning in decision making that raise questions regarding what is right, wrong, good or bad conduct, fair or just. Yet another way of viewing ethics is to see it as a ‘set of rules, principles or ways of thinking that guide, or claim authority to guide, the actions of a particular group’. ‘Guide’ is the operative word here as there is no universal recipe for resolving ethical dilemmas.

- Ethical dilemmas are likely to confront public sector managers as they endeavour to choose options amongst competing sets of principles, values and beliefs. They can arise from equally attractive options that could be justified as being ‘right’ in particular situations.

Organizational variables which impact effective dilemma resolution:

- Ethical differences may occur across industries because of variations in professional or industry-wide standards and licensing requirements, or because of systematic differences in organizational factors across the industries.

- An example of the latter are the differences in organizational goals likely to differentiate for-profit and not-for-profit organizations.

- The short-term profit goals of many businesses would obviously not apply to organizations in the public sector. In the private sector, however, managers often resolve conflicts in favor of profits over ethics.

- A tendency for public-sector organizations to rely more heavily on formalization than private sector organizations may extend to stronger rules-oriented ethical climates.

- Public institutions are expected to place more emphasis on rule compliance than private organizations because of difficulty in measuring social goal contribution and accomplishment.

Ethical dilemma resolution - the decision making approach:

- **Model 1**: In the model, the individual appears as the first component. He or she brings to the situation values formed over many years of experience. These values are mediated by other forces inside the organization such as organizational goals, the organization’s climate and stakeholders (all of which constitute the organizational culture). These, then, impact upon the problem, which has the effect of motivating the decision maker to search for solutions. These solutions are evaluated against a set of decision dimensions (including economic, political, technological, social and ethical issues).

  Selection of the decision will have an internal and external impact on the organization. Thus, the consequences of a decision may impact upon the organization’s culture (internal impact) or impact upon decision options in the future (external).

- **Model 2**: There is another model given by Preston and Sampford. This model consists of a series of steps starting with:

  - Assessing the situation (which requires drawing upon one’s values); assessing the specific agency requirements (which includes referring to the agency’s code of conduct and or policy and procedures);
  - Considering dispositional factors (including questions such as ‘how does the issue relate to the kind of official I want to be?’);
  - A comprehensive assessment of the alternatives (i.e. weighing up gains with losses: ensuring the decision is not breaking the law);
  - Making a judgment; and finally,
  - Documenting the decision and being able to justify it.

  This final step is seen as critical because it reinforces the point that decision makers are publicly accountable for their choices.
The Preston and Sampford (2002) model identifies the key role of values held by the individual; the influence of the organization and organizational climate; a set of alternatives; and the need for a judgment to be made.

Some key definitions:

- **Professional ethics** refers to the standards, or norms, values and principles members of a person’s trade or profession hold. These standards may be formal or informal, or written or unwritten.
- Legal issues and policies mean legislation impacting on public institutions such as antidiscrimination legislation requirements as well as rulings made by courts, especially when they set a precedent. Also included here is the understanding of the law as ‘a consistent set of universal rules that are widely published, generally accepted, and usually enforced’. In a democratic system the rule of law is significant.
- **The customs or ‘ethos’ of an institution** inform its organizational culture. Organizational culture centers on relationships amongst people, and on building and maintaining trust in those relationships. An organizational culture can be strong or weak.
- **The public interest** is a central factor in ethical decision-making and refers to the ‘expectations’, needs, wants and, ultimately, the well-being of the community as a whole. The public interest can be expressed through the ballot box, interest groups and on-going debate and discussion. It includes things such as ensuring the accountability of public officials for the making and administering of laws, policies and regulations. If, for example, a public servant is convinced that a superior or the minister is acting in their self, rather than in the public interest, then s/he might feel that matter is of such importance that they take it directly to the media.
- **Society** refers to an organized system of social interaction. (eg. dairy farmers and Primary Industries).

Laws, Rules, Regulations and Conscience as Sources of Ethical Guidance

Law, rules and regulations:

- Laws are rules which are enforced by society. Violations may bring a loss of or reduction in freedom and possessions.
- In the Greek word translation, “conscience” means “moral awareness.” It implies ‘a person’s moral sense of right and wrong’ as well as consciousness of one’s own actions. Expressions such as ‘gut feeling’ and ‘guilt’ are often applied in conjunction with conscience.
- In this sense, the conscience is not necessarily a product of a rational deduction but is something that can be influenced by the indoctrination of one’s parentage, social class, religion, or culture.
- Conscience is acquired through experience. It is a part of the human mind that seeks to make sense of disorder and to deal with the internal conflicts caused by guilt. Conscience is influenced by both early and later life beliefs.
- Morality and Conscience are rules of right conduct concerning matters of greater importance. Violations of such can bring disturbance to individual conscience and social sanctions.
- What is the relation of law to ethics? They are not the same. Just because something is immoral/unethical does not make it illegal and just because something is illegal it does not make it unethical.
Things that are illegal but are thought to be moral (for many)
- Drinking under age (Some Indian states have 25 as legal age to be able to drink while some has 21)
- Driving over the speed limit (A person driving above speed limit to escape kidnapping attempt)
- Smoking marijuana (As a ‘gift of God’)
- Cheating on a tax return (as a matter of defying unjust tax laws)
- Splitting a cable signal to send it to more than one television (So that a neighbor can watch a news channel who otherwise cannot afford to pay the bill)

Things that are immoral (for many) but are not illegal.
- Cheating on your spouse.
- Breaking a promise to a friend.
- Using abortion as a birth control measure.
- People cannot be arrested or punished with imprisonment or fines for doing these things.

What is the Relation of Ethics to Law?
- When enough people think that something is immoral they will work to have a law that will forbid it and punish those that do it.
- When enough people think that something is moral, they will work to have a law that forbids it and punishes those who tries to infringe it.
- Law is narrower in focus than ethics or morality. There are some matters the law will be agnostic on but which ethics and morality have a lot to say. For example, the law will be useless to you if you’re trying to decide whether to tell your competitor their new client has a reputation for not paying their invoices, but our ideas about what’s good and right will still guide our judgment here.
- There is a temptation to see the law and ethics as the same – so long as we're fulfilling our legal obligations we can consider ourselves ‘ethical’. This is mistaken on two fronts. First, the law outlines a basic standard of behaviour necessary for our social institutions to keep functioning. For example, it protects basic consumer rights. However, in certain situations the right thing to in solving a dispute with a customer might require us to go beyond our legal obligations.
- Secondly, there may be times when obeying the law would require us to act against our ethics or morality. A doctor might be obligated to perform a procedure they believe is unethical or a public servant might believe it’s their duty to leak classified information to the press. Some philosophers have argued that a person’s conscience is more binding on them than any law, which suggests to the latter of the law won’t be an adequate substitute for ethical reflection.
- Law must have its roots in ethics. It must support the right and the just. It must emanate from the moral values of the community. From the ancient meaning of these terms, it must draw its strength from society’s traditions of what is good. From this starting point, however, the fields diverge. They are distinguishable and distinct.
- Ethics and laws are found in virtually all spheres of society. They govern actions of individuals around the world on a daily basis. They often work hand-in-hand to ensure that citizens act in a certain manner, and likewise coordinate efforts to protect the health, safety and welfare of the public. Though law often embodies ethical principles, law and ethics are not co-extensive. Based on society’s ethics, laws are created and enforced by governments to mediate our relationships with each other, and to protect its citizens.
- While laws carry with them a punishment for violations, ethics do not. Essentially, laws enforce the behaviors we are expected to follow, while ethics suggest what we ought to follow, and help us explore options to improve our decision-making.
Ethical decision-making comes from within a person’s moral sense and desire to preserve self respect. Laws are codifications of certain ethical values meant to help regulate society, and also impact decision-making. Driving carefully, for example, because you don’t want to hurt someone is making a decision based on ethics. Driving carefully and within the speed limit because you see a police car behind you suggests your fear of breaking the law and being punished for it.

It is not always a clear delineation though. Many acts that would be widely condemned as unethical are not prohibited by law — lying or betraying the confidence of a friend, for example. In addition, punishments for breaking laws can be harsh and sometimes even break ethical standards. Take the death penalty for instance. Ethics teaches that killing is wrong, yet the law also punishes people who break the law with death.

How does law guide administration?

- Administrative law is the body of law that regulates government decision making. Administrative Law focuses on interactions with governmental institutions. It includes government regulation, legislation and rulemaking.
- The rapid growth of administrative Law in modern times is the direct result of the growth of administrative powers. The attainment of socio-economic justice being a conscious goal of state policy, there is a vast and inevitable increase in the frequency with which ordinary citizens come into relationship of direct encounter with state power holder.
- The Administrative law is an important weapon for bringing about harmony between power and justice. The basic law of the land i.e. the constitution governs the administrators. Administrative law essentially deals with location of power and the limitations thereupon.
- The concept of administrative law has assumed great importance and remarkable advances in recent times. There are several principles of administrative law, which have been evolved by the courts for the purpose of controlling the exercise of power. So that it does not lead to arbitrariness or despotic use of power by the instrumentalities or agencies of the state.
- During recent past judicial activism has become very aggressive. It was born out of desire on the part of judiciary to usher in rule of law society by enforcing the norms of good governance and thereby produced a rich wealth of legal norms and added a new dimension to the discipline administrative law.
- The Constitution of India is having significant effect on laws including administrative law. It is under this fundamental laws are made and executed, all governmental authorities and the validity of their functioning adjudged. No legislature can make a law and no governmental agency can act, contrary to the constitution no act, executive, legislative, judicial or quasi judicial, of any administrative agency can stand if contrary to the constitution.
- The constitution thus conditions the whole government process in the country. The judiciary is obligated to see any governmental organ does not violate the provisions of the constitution. This function of the judiciary entitles it to be called as guardian of the constitution. Today in India, the Administrative process has grown so much that it will not be out of place to say that today we are not governed but administered. It may be pointed out that the constitutional law deals with fundamentals while administrative with details.

Accountability and Ethical Governance

- Ethics and accountability have become important themes for modern government as in most of the countries there is a severe crisis of legitimacy. Increasingly there is a feeling that performance management alone will not solve this crisis. Citizens also expect from politicians and public servants ethical responsible conduct.
It is widely recognized that governance in India today faces a serious crisis of accountability. The very fact that despite significant economic growth, and substantial increases in social sector expenditures, India continues to perform far worse than countries much poorer than her on key development parameters is an indicator of just how deep the problem of accountability is. Accountability failures have meant that absenteeism, incompetence, inefficiency and corruption characterize every core service that the state is obliged to deliver to its citizens.

Accountability can broadly be defined as the obligation of those holding power to take responsibility and be held answerable for their behavior and actions. This obligation might stem out of a moral-ethical need to account for one’s behavior, or out of a legal requirement. It is a relational concept, as it concerns the relationship between those that perform an action or deliver a service and those on whom the service has an effect. At its core accountability can be conceptualized in terms of principles and agents, where accountability is a relationship between a principal X and an agent Y acting on behalf of Principal X.

There are two critical elements to actualizing this notion of accountability. The first is the question of determining who should be accountable to whom and for what? Second is that of developing institutional mechanisms and an incentive structure for sanctions and rewards on the basis of which accountability is realized. Accordingly, accountability has an answerability element- the need for justification of actions, and an enforcement element- the sanctions that can be imposed if actions or justifications are judged unsatisfactory.

Public accountability - the need for the institutions of the state to be accountable for its actions - stems out of a social contract that citizen’s share with the state. There are institutional provisions to ensure that the state respects this contract. On the one hand, there are mechanisms for external accountability or accountability directly to citizens. In democracies, elections are the chief institutional mechanism through which this is achieved. There are also mechanisms for internal accountability – institutional checks and balances and internal oversight. The constitutional separation of powers into the judiciary, executive and the legislature, internal performance monitoring and official oversight including bodies like the auditor general and ombudsmen are some examples of internal accountability.

Public accountability is realized through a ‘long route’ where external and internal accountability - the two arms of the long route- operate in tandem. First, citizens must be able to draw on external accountability mechanisms to express their preferences and hold the state- politicians and senior levels of the administrative bureaucracy- to account for the fulfillment of these preferences. The state in turn, acting as an agent for its citizens, must be able to activate internal accountability mechanisms to transmit these demands to the actual provider of services (line agencies, departments, public sector bodies) and hold them accountable for service provided.

Accountability is ensured when the incentives to service providers are aligned to the ultimate preference of citizens and providers are made directly accountable to people. The long route of accountability fails when on the one hand, external accountability is weak and the state does not succeed in taking cognizance of its citizenry’s needs and demands and on the other, the state is unable to create incentives for providers to satisfy citizen’s wishes and be accountable to them. India’s public administration framework is a classic example of the complete failure of this long route of accountability. There are a number of reasons for this.

Weak accountability of policy makers

In India, mechanisms for ensuring external accountability of policy makers are extremely limited. Emanating in part as a consequence of its colonial legacy which necessitated an opaque administration that was distanced from its people - administrative or civil service accountability in India has always been internal. External accountability is conceptualized in the narrow framework of elections and demanded specifically of elected representatives. In this framework, civil service accountability to the people is at best ‘indirect’ through accountability to the political class. This notion has two problems worth highlighting.
First, it erodes accountability of the civil services for policy related decisions and relevant outcomes. The civil services, particularly at the higher echelons of the administrative hierarchy play a critical role both in determining policy choices as well as charting the course through which policy is implemented.

Internal accountability insulates the policy making process- basis on which decisions are taken, standards set and performance judged- from public scrutiny. This results in information asymmetries. Citizens have no means of accessing information on how decisions are made or on the basis of which decisions. Moreover, there are no mechanisms for measuring outcomes of policy decisions as there is no information on standards and goals that policies seek to achieve. As a result, accountability breaks down.

Overlaid on this, is the hierarchical nature of the bureaucracy which privileges a top down approach to policy making. In this framework, power is centralized at the level of the line agency which sets service standards and at the same time tightly controls the implementation, including resource allocation, of services. There are many problems with this approach. From the perspective of accountability, its greatest failing has been the complete absence of citizens’ participation in bureaucratic decision making. Consequently, policies and programs bear little resemblance to citizen’s needs and preferences.

**Top down policy making compromises accountability: The case of sanitation policy**

- In 1986, the Government of India launched the Central Rural Sanitation Program (CRSP) to construct latrines in every village. There was little traction for the program and coverage remained low – at 20% in 2001. But more troubling was the fact that when latrines where constructed, they were rarely used. In Himachal Pradesh alone, of the 4 lakh toilets constructed a mere 3% where being used. In Maharashtra, 1.7 million toilets where constructed between 1997 and 2000, but by the government’s own estimation, 53% where used for purposes other than toilets. The CRSP experience was a clear case of identification of the wrong solution and developing a program that did not bear any reflection with people’s needs and preferences.

- The problem was not one of infrastructure rather it was one of a poor understanding of the relationship between sanitation and health pointing to the need for a public health intervention rather than an infrastructure one. A review of the program in light of this experience and shift in focus towards a behavior change model that emphasizes public health outcomes has met with far greater success than the toilet construction drive.

**Weak Accountability of service providers**

- A key element of ensuring accountability is the ability of policy makers to monitor service provision and institutionalize incentives for performance. In administrative and managerial parlance, this refers to the ‘contract’ or ‘compact’ between policy makers, line departments and front-line service providers on the basis of which services are delivered.

- As the history of implementation of programs and schemes in India amply demonstrates, the sheer size and scale of government operations makes direct monitoring- even for the best intentioned civil servant- of the front-line service provider almost impossible. On occasions where monitoring does happen, it is undertaken necessarily on the basis of inputs – buildings built, roads constructed, hand pumps constructed, rather than on outcomes of what these buildings, roads and hand pumps yield. Thus performance, when judged, is not based on any ‘real’ indicators of service provision removing any real incentive for performance.

**Case Study**

- The central feature of the current public health care system is a network of primary health care centers (PHC) and sub centers where salaried, government appointed doctors and nurses are expected to treat patients. But what do patients encounter when they arrive at the PHCs. First, Vacancies- a recent countrywide study estimated average vacancies to be 18% among doctors, 15% among nurses and
30% among paramedics. Second, absenteeism—absenteeism rates across India average 40% with Bihar topping the list at 60%. Third, incompetence—a recent study on the quality of medical care in Delhi found that the competence levels of a public sector MBBS doctor in a PHC were so poor that there was as high as a 50:50 chance of the doctor recommending a seriously harmful therapy. In treating diarrhea, a basic health problem that 70% of doctors report facing ‘almost every day’, the typical doctor recommended harmful treatment at least 75% of the time. Fourth corruption, health care services account for the largest share of bribes—27%—paid for public services in India.

- These weaknesses in the long route to accountability point to the urgent need to revisit current conceptualizations of civil service accountability as something internal to the system and divorced from citizens towards one that engages more directly with citizens. This notion of greater accountability to the people is not without precedent. Across the world, governments are experimenting with new ways of strengthening citizen engagement in policy making and administration. Often referred to as ‘social accountability’, representing a form of accountability that breaks the state monopoly on oversight functions and actively encourages citizens to participate in its institutions.

- India has long been considered one of the pioneers of this form of accountability—owing largely to efforts undertaken in the civil society space. Equally, and partly as a consequence of civil society efforts, there are some important examples of state initiated reforms that have attempted to strengthen social accountability with varying levels of success. Crucial amongst them are efforts to strengthen decentralization of government through the 73rd and 74th Constitutional Amendment, localization of monitoring through the creation of community based oversight bodies, citizen charters and the Right to Information Act.

Mechanisms and instruments for accountability and ethical governance

- Greater decentralization
  - The 73rd and 74th amendments to the Indian constitution have sought to strengthen accountability by decentralizing power to smaller, local units of government. The process of devolution of power has proceeded unevenly with political decentralization (elections to local bodies) running far ahead of administrative decentralization—where functions, funds and functionaries (3F’s) are yet to be devolved adequately.
  - The rationale for decentralization stems from the assumption that bringing governments closer to people, enhances accountability by more accurately reflecting citizen needs and preferences and crucially, making it easier for citizens to monitor performance and thereby demand accountability. Yet, all would agree, that decentralization is no panacea. After all, simply plumping greater resources to local governments without systematic reforms is unlikely to have an impact. Decentralization however, precisely because of its logic of bringing governments closer to people, offers an important opportunity through for undertaking reforms and greater accountability to the people – provided the design is right.
  - For accountability to be ensured and if local governments are to accurately reflect citizens needs and desires, funds need to transferred in a manner such that local governments have the power to take decisions over resource allocation. Crucially, this greater autonomy must be accompanied by greater public scrutiny. Strengthening public access to information on local government budgetary allocations is one possible way through which this can be achieved. In rural areas, for instance, information on budgets allocated could be made accessible by painting information on the Gram Panchayat building. Mandatory scrutiny of budget documents at the Gram Sabha is another mechanism.

Greater monitoring of public expenditures

Effective monitoring is crucial to accountability and for monitoring to effective information on public expenditures is critical.
Mandatory social auditing

The concept of social audits— the cross-verification of government records and data with information on the ground and the sharing of audit findings with government through public hearings— has gained much ground in recent years as an important tool through which accountability can be realized.

Institutionalizing social audits remain a challenge. First, the success of a social audit is crucially dependent on transparency. To conduct a social audit, citizens must have access to information on the basis of which government performance can be verified. The Right to Information Act, through its provisions for mandatory disclosure (section four) of information on all proceedings by government departments provides the institutional framework through which this transparency can be enforced. In practice, most government departments have failed to comply with disclosure norms articulated in the Act.

The challenge thus lies in ensuring compliance with the Act. One possible way by which this can be achieved is to link disclosure with the formal audit process by making compliance audits on section four provisions a mandatory part of the yearly financial audit. Second, for social audits to take root, communities need to be mobilized both to generate demand for social audits and for communities to participate in them. How can government’s facilitate this mobilization? Moreover, is mobilization a governmental responsibility?

In the Andhra model, the government merely acts as a facilitator providing resources and the institutional set up for social audits to be conducted. The mobilization and conduct of social audits is the exclusive domain of the state and district resource people all of whom have been drawn from civil society. Going forward, this could be on model to emulate.

Third, a successful social audit requires timely response and follow up to social audit findings. Here too, the formal audit mechanism can be activated to ensure follow up by incorporating social audit findings in to the formal audit reports tabled to Parliament and state legislatures. There is of course the larger problem of the weak enforcement of audit findings referred to earlier.

Importance of Budget Outcomes in monitoring public expenditure

There are two critical elements to a successful ‘outcomes budget’. First, it requires the identification of clear, concise and quantifiable outcome indicators. These indicators need to be tangible and realistic. Here the outcomes budget falls short. Indicators are vague – the health ministry describes ‘funding of institutions’ and ‘widening of surveillance mechanisms’ as some of its key outcomes- making measurement impossible and irrelevant.

Second, information must be made regularly available to the public. On this count too, the outcomes budget has fallen far short of expectations. The budget itself was launched with much media fanfare but over the years it has simply disappeared from the public radar. There is no evidence of any proactive effort by government agencies to generate and disseminate information on progress.

If implemented properly, efforts like the outcomes budget can go a long way in ensuring that information to the public is both relevant and reliable. Lessons can be learnt from the experience of NGO’s across India that have been experimenting with different ways of strengthening information on public services in India. One interesting effort in this direction is the Annual Survey of Education Report (ASER)- a report card on the status of primary education in rural India, prepared annually by Pratham, an NGO working on education in India.

ASER has successfully identified simple indicators of learning competence- word and number recognition, basic comprehension and basic arithmetic. These are tangible, quantifiable and most important applicable all across the country. This makes cross state comparisons possible. Most importantly, these indicators are extremely realistic and relevant.

The indicators are based on a reasonable expectation that a child attending standard 5 can recognize words, do basic math and read a standard 2 textbook. To ensure that information is widespread, ASER has developed an inbuilt strategy for information dissemination across
the country. This includes the preparation of annual regional reports and simple district level report cards. These report cards can be used as a tool to mobilize citizens to advocate for the improvement of the primary schooling system.

- Initial results from an impact evaluation of this experiment reveal that these district level report cards have generated widespread public interest on the issue of education and discussions on the issue of learning levels have increased dramatically at village level meetings.

- **Summary of Ethical governance and norms of accountability**
  - Ethical governance denotes administrative measures, procedures and policies that fulfill criteria required for the ethically good or acceptable handling of public affairs, such as in public administration, public health care, education, and social security. In the context of public administration, ethically good or acceptable behavior is often defined in terms of justice, fairness, equality, and integrity. Thus, ethical governance is a normative expression and not a purely descriptive one.
  - The concept of ethical governance also implies a value assessment and is thus value laden. It is precisely because of this value-laden property that different organizations in both the public and private sectors often use the terms ethical governance and ethical management as labels or advertisement slogans for their marketing purposes—for example, in the labor market, or to gain economic or political benefit. However, people can always ask of governance whether it really is ethically good.
  - Ethical governance, as a normative notion, denotes the characteristics or virtues of ethically good civil servants. At the same time, it denotes the criteria based on which the ethical quality of governance is assessed. These criteria involve, for example, the integrity, equality, and justness of civil servants and of their administrative activity.
  - The ethical quality of governance can be good or bad. In the former case, it is said that governance is ethical or conforms to ethical requirements. In the latter case, it is said that governance is unethical or breaks ethical standards. One common way of explaining these characterizations is to say that in good governance civil servants and authorities follow the ethical and other norms, commands and prohibitions they are obligated to follow in their actions. Bad governance violates these norms. In this explanation, the ethicality of governance is expressed in terms of rule-following. Thus, the concept of governance ethicality involves an evaluative aspect that is often conceptualized as obedience to rules.

### Strengthening of Ethical and Moral Values in Governance

- The notion of “Good Governance” has become the buzzword these days in wake of globalization. Good governance is commonly described as a style of governance that is efficient, effective, responsive, corruption free and citizen friendly for ensuring people’s trust in government and promoting social harmony, political stability and economic development.
- Good governance is strictly connected with institutionalized values such as democracy, observance of human rights and rule of law and greater efficiency within the public sector.
- The current concern for good governance and building public trust in administration has generated the need for following ethical and moral principles, which emphasize on “justice,” “equity,” “conscience,” and “moral unambiguity” and give a prominent place to the idea that public servants are ultimately responsible to the people.
- In seeking to maintain high standards of ethical behaviour by public administrators, agencies rely on a wide variety of enforcement mechanisms like codes of ethics, legal regulations, professional rules, and ombudsmen to oversee ethical standards.
- Though all have proved useful in some respects, none can be considered fully satisfactory, at least not in the sense that it alone can be expected to ensure organizational morality. Codes of ethics need to work hand in hand with proactive managerial strategies.
Ethics is gaining importance because though most of the laws are grounded on ethical principles, for most organizations, following ethical practices is mostly good for their effective functioning. A demonstrated public service culture that supports and provides appropriate norms and initiatives for professional and responsible behaviour is essential for good governance.

Ethics has several attributes, some of which are universalistic in nature and some change with time and place. It may be specific to a particular task situation, profession or area of responsibility, e.g., ethics of a doctor or a chartered accountant. Certain things are expected from everyone while there may be a few specific things expected according to the nature of groups or responsibilities. Ethics is something related to a state of mind, a way of looking at things which may develop into a pattern of behaviour or way of life and social conduct.

Governance ethics throughout time illustrates a diversity of forms and directives. This diversity itself presents numerous challenges to public administrators. The contemporary government ethics movement appears to have essentially the same purpose as the reform movement of a century ago—to reduce government corruption and enhance efficiency, accountability and transparency.

The present ethics debate has considerable different emphasis structures and programmes such as whistle blowing, ethics boards and commissions, ethics education programmes, professional codes of ethics typify the modern approach to guarantee against or reducing public corruption.

Some key Principles for Managing Ethics in the Public Service and governance are:

- Ethical standards for public service should be clear
- Ethical standards should be reflected in the legal framework
- Ethical guidance should be available to public servants
- Public servants should know their rights and obligations when exposing wrongdoing
- Political commitment to ethics should reinforce the ethical conduct of public servants
- The decision-making process should be transparent and open to scrutiny
- There should be clear guidelines for interaction between the public and private sectors
- Managers should demonstrate and promote ethical conduct
- Management policies, procedures and practices should promote ethical conduct
- Public service conditions and management of human resources should promote ethical conduct
- Adequate accountability mechanisms should be in place within the public service
- Appropriate procedures and sanctions should exist to deal with misconduct

Some initiatives to strengthen ethical framework are:

- **Accountability to Parliament**
  - The people through Parliament are sovereign as enshrined in our Constitution. Both the minister and the civil servant are servants of the people. The administrators are responsible to the political executives, who in turn are answerable to the Parliament. Besides administrative accountability there is also accountability in regard to ‘finance’. The legislature must authorize the executive before the latter can spend any money from the Consolidated Fund of India or the state.

- **Judicial Accountability**
  - The vast discretionary powers conferred on administrative authorities are required to be properly checked and controlled. If a citizen is aggrieved with any action or inaction of the administration, he may seek redress through a court of law. So the presence of independent judicial processes is also important for making administration accountable.
Intensive administration will be more tolerable to the citizens, and the government’s path will be smoother, where the law can enforce high standards of legality, reasonableness and fairness. Though the courts have for centuries exercised a limited supervisory jurisdiction by means of the writs, however, the power of judicial review is a wider remedy to check abuse of discretionary powers and administrative inaction.

The more power the government wields, the more sensitive is public opinion to any kind of abuse or unfairness. Taken together, the work of judiciary and legislature amounts to an extensive system of protection. It has its weaknesses, but it also has great strengths.

The power of judicial review under the Articles 32, 226, 227, 136 of the Constitution is the basic or essential feature of Indian Constitution. It is the most potent weapon in the hands of the judiciary for maintenance of democracy and rule of law.

**Code of Conduct for Ministers**

The Government of India has prescribed a Code of Conduct which is applicable to Ministers of both the Union and State Governments. The authority for ensuring the observance of the present Code of Conduct is the Prime Minister in the case of Union Ministers, the Prime Minister and the Union Home Minister in the case of Chief Ministers, and the Chief Minister concerned in the case of Ministers of the State Government. However, it is not comprehensive in its coverage and is more in the nature of a list of prohibitions. So in strict sense it does not amount to a Code of Ethics.

It is, therefore, necessary that in addition to the Code of Conduct, there should be a Code of Ethics to provide guidance on how Ministers should uphold the highest standards of constitutional and ethical conduct in the performance of their duties. The Code should be based on the overarching duty of Ministers to comply with the law, to uphold the administration of justice and to protect the integrity of public life. It should also lay down the principles of minister-civil servant relationship. The Code of Ethics should also reflect the seven principles of public life enumerated by Nolan Committee.

Both Houses of Parliament have provided for Codes of Conduct and also norms for disclosure of interest and declaration of assets and liabilities of their Members. The Committees on Ethics of both the Lok Sabha and the Rajya Sabha have been mandated to oversee the moral and ethical conduct of members.

**The Committee on Ethics of the Rajya Sabha and Lok Sabha**

Chapter XXIV of the Rules of Procedure and Conduct of Business in the Council of States provides for constitution of the Committee on Ethics to oversee the moral and ethical conduct of Members.

There is a Committee on Ethics of the Lok Sabha to oversee the moral and ethical conduct of Members of that House. A few State Legislatures such as Andhra Pradesh, Odisha, etc. have adopted Codes of Conduct for their Legislators

**Disclosure of Interest**

In India, disclosure of interest is provided in both Houses of Parliament, in different ways. It has been ruled by the Chairman of the Rajya Sabha that a Member having a personal pecuniary or direct interest on a matter before the House is required, while taking part in the proceedings in that matter, to declare the nature of interest.

The Rule 371 of the Rules of Procedure and Conduct of Business in the Lok Sabha prescribe that if the vote of a Member in a division in the House is challenged on grounds of personal, pecuniary or direct interest in the matter to be decided, the Speaker may examine the issue and decide whether the vote of the Member should be disallowed or not and his decision shall be final.

Furthermore, the Handbook for Members provides that a Member having personal, pecuniary or direct interest in a matter to be decided by the House is expected, while taking part in the proceedings on that matter, to declare his interest.
A specific mechanism for disclosure of private interests is maintenance of a ‘Register of Interests’. Legislators are expected to record in the register all their interests periodically. Rule 293 (Rules of Procedure and Conduct of Business in the Council of States) stipulates that a ‘Register of Members’ Interests’ has to be maintained by the Committee on Ethics.

The Committee on Ethics of the Rajya Sabha, in its Fourth Report, recommended that to start with the following interests of Members should be entered in the Register: (i) Remunerative Directorship; (ii) Regular Remunerated Activity; (iii) Shareholding of Controlling Nature; (iv) Paid Consultancy; and (v) Professional Engagement.

The Representation of the People Act, 1951

A new Section, 75A, has been inserted which stipulates that every elected candidate for a House of Parliament or the Legislature of the State, shall, within ninety days from the date on which he/she makes and subscribes an oath or affirmation, files the details of his/her assets/liabilities to the Chairman of the Council of State or the Legislative Council, or the Speaker of Lok Sabha or the Legislative Assemblies as the case may be.

Code of Conduct / Ethics for Civil Servants

Code of conduct is supposed to increase confidence in government by reassuring citizens that private power and interest do not subvert government decisions. This code is now on the verge of becoming a panacea for problems that they cannot solve. Despite its existence for a long period very little is known about how this code of conduct is implemented or how it functions.

The All India Service Conduct Rules, 1968 and the Central Civil Services (Conduct) Rules, 1964, which emphasize focusing on “service content” as their core functional domain, laid down the rules for civil services. A clear mention has been made about using authority not other than for public welfare. The code of behaviour as enunciated in the Conduct Rules, while containing some general norms like ‘maintaining integrity and absolute devotion to duty’ and not indulging in ‘conduct unbecoming of a government servant’, is generally directed towards cataloguing specific activities deemed undesirable for government servants.

There is no Code of Ethics prescribed for civil servants in India although such codes exist in other countries. What we have in India are several Conduct Rules, which prohibit a set of common activities. These Conduct Rules do serve a purpose, but they do not constitute a Code of Ethics.

The following reform areas are included: (1) developing effective and transparent systems of governance; (2) ensuring integrity in civil services; (3) promoting a code of conduct that is in line with the existing relevant international standards; (4) regular training of officials to ensure proper understanding of their responsibilities and ethical roles governing their activities; and (5) making civil services more professional and competent.

Ethical issues in international relations and funding

International relations:

A basic dilemma often faced in the international politics is how to reconcile one’s interests with values one professes. Most nations claim their commitment to universal values and try their best to conform to them. On many occasions, states find it difficult to conduct their behaviour as per their values.

While most countries pledge their commitment to non-interference and peaceful conduct of foreign policy, in reality, their national interests are defined in realist terms that hurtles them in the path of power maximization and pits them against their co-aspirants.

At many instances, some states are compelled to put aside their values in their quest for survival and dignity. India’s pursuit of nuclear power in spite of its commitment to non-violence and peace could be cited as an example here. The balance-of-power politics around the world, born
out of mutual distrust and sense of insecurity, make it often difficult for nations to strictly adhere to values they profess.

- The place of morality and ethics in international affairs has always been a controversial topic, particularly among historians and political scientists.
- The so-called “traditionalists” believe that certain core values which imbue a nation’s foreign policy with a patina of selflessness and altruism, and that the nation’s goal has always been to make the world a better place by expanding the frontiers of equality, democracy, and justice.
- “Realist” scholars have had little patience and absolutely no sympathy for such an interpretation. For them, the security of the state and protection of its basic institutions are all important.
- Take the example of USA. In the note “tragedy of American diplomacy” William Appleman Williams declared that the “tragedy of American diplomacy” lay in the fact that U.S. policymakers were often forced to compromise their ideals and horribly twist their sense of morality in order to pursue the inexorable demands of the capitalist system and push its expansion overseas.

**Double-standard in assessing the use of political violence**

- Political violence by states is permitted, and sometimes even admired, while similar actions by non-state actors are almost always universally condemned. Action by non-state actors can satisfy the requirements of just war theory and must therefore be evaluated in the same manner in which we evaluate political violence initiated by states.
- Following this lead, one can look at the Irish Republican Army, HAMAS, ISIS and Kashmir militancy and determines that these campaign of terrorism are completely unjustified.

**Humanitarian interventions by global powers in other sovereign state’s matter**

- Such interventions can legitimately supersede the nearly inviolable claims of state sovereignty if their “aim is to protect people’s fundamental rights. The intervention must also be an effective means of meeting that objective, cannot have negative impacts elsewhere that outweigh the good, and must be undertaken by a legitimate body (like UN and not state in isolation - like US).
- *Case studies of humanitarian interventions in Somalia, Rwanda, Sierra Leone, and Liberia:* While the interventions in the situations in each of these African nations met some of the guidelines for justification, none of them fulfilled all of the necessary preconditions and all, to more or lesser extents, ended in failure.
- *German and U.S. roles in post-Cold War Yugoslavia:* The German determination to organize a humanitarian intervention into the Yugoslav civil war was praised for placing “humanitarian values above the norm of nonintervention”. While U.S. officials refused to get involved in what they perceived as a purely “internal matter.”

**Aid and Funding**

- Aid/Fund can be defined as financial flows from donor. These could be donor countries or even multiple organizations. Such financial donations may include the funding of official financial loans, economic aid, funding trade, funding charity organizations, as well as military, security and political aid.
- Charitable aid is understood as representing the efforts of the donor countries to fight hunger, misery and despair in the poor countries. Yet, economic aid is understood as the efforts of donor countries to support the people of economically underdeveloped countries to develop their resources and to create appropriate conditions for economic sustainable development to become self-sufficient countries.
- Political, security and military aid are understood as aid programmes provided by donor countries, and efforts to achieve political stability in recipient countries, thereby reducing the risk of conflict and war, strengthening peace, promoting democracy, maintaining the political independence of former colonies of the donor countries, and, finally, to create new dominance for foreign donor countries.
Humanitarian aid has boomed into a $27 billion sector in the last few years – up from around $5 billion at the beginning of the 21st century. Many people feel that a small, originally honest and voluntary pursuit which was built on compassion and good deeds has become a bloated self-serving industry, or even a business.

Aid/Funding brings with itself a newer technology and refined policy parameters. Aid conditionality of World Bank and IMF are noted for bringing transparency and standard outcome audit analysis.

While inter-governmental aid flows from sectors such as disaster relief, disease prevention and cure, infrastructural development, the aid related to NGO and foreign institutional/individual donors are generally seen in the lenses of money laundering and attempts at thwarting the legitimacy of local governance.

### Concerns observed:

- A primary ethical concern for research conducted in developing countries is the possibility of exploitation. Exploitation occurs when wealthy or powerful individuals or agencies take advantage of the poverty, powerlessness, or dependency of others by using the latter to serve their own needs (those of the wealthy or powerful) without adequate compensating benefits for the less powerful or disadvantaged individuals or groups.

- The World Bank’s practice of policy conditionality – tying its loans to the implementation of certain policies by the recipient country – has long been a contentious issue. Civil society organisations, developing country governments and academics have criticised the Bank’s use of policy conditionality. In particular, they criticise its use of economic policy conditionality for being ineffective, undermining country ownership and for imposing inappropriate policy choices.

### Why is foreign aid in developing countries ineffective?

- Corruption, weak policies, fragile institutions in the recipient countries and the ineffectiveness of foreign aid.

- A number of studies in this field have shown that foreign aid programmes directed at poor countries have created what can be called a ‘vicious circle’. Specifically, poor countries have become increasingly dependent on foreign aid and at the same time reduced their efforts to bringing about market reforms that can promote public production and income taxes in other sectors. Instead, these poor countries spend financial aid on financing government expenditure, and funding non-productive consumer sectors.

- Referring to the Yemeni situation, nearly 95% of capital and operational expenditures of the government, as well as other aspects of non-capital expenditures are covered by either foreign aid or oil revenues. In 1995 and 2012, Yemeni got foreign developmental commitments and foreign aid equal to US$18 billion. Parallel to that, the country’s national revenue – especially from oil production – constitutes about 75% of total national income.

- Yemen was (and will continue to be) completely reliant on foreign aid as a driving force in the country’s development. Yemen is incapable of collecting taxes; statistics show that only 10% of the expected total amount of taxes was collected. This percentage, which was collected by the central bank of Yemen, is only from pensions and government contracts. There is no effort to collect this kind of tax lack. Consequently, organizations concerned in tax collection constitute a heavy operational burden on both country and society. Moreover, they are really unemployment disguised within the administrative system of the country.

### Problems with the self-centred targets of donors and ineffectiveness of foreign aid

- It is totally wrong to believe that the donors have the ability to impose reform conditions associated with the programmes of the foreign aid by threatening to stop this aid in future, in the case of it not being used in the right way.
The essence of the problem lies in the fact that donors entertain strong intentions to accomplish these self-centred interests while paying little attention to the failure of foreign aid programmes. A widespread feeling about the ineffectiveness of foreign aid programmes points to evidence that these programmes often work against humanitarian and development objectives. This assumption goes further, claiming that donors' self-centred interests help to undermine the outputs of the aid and limit their effectiveness.

- The objectives of the foreign aid cover the following considerations:
  - Diplomatic interests (e.g., the establishment of a military basis, securing votes in the United Nations and supporting the preferred regimes).
  - Security interests (e.g., preserving the national security of the donor countries within the framework of the fight against terror. This takes place in developing countries that are considered suitable for the growth and expansion of terror).
  - Commercial interests (e.g., the provision of export support to donor countries' companies, with great emphasis on projects of high foreign currency profits).

- Summing up:
  - Wars should not be fought for power and wealth, but only when higher purposes—such as the rights of people to security and freedom—are threatened. Terrorism, whether undertaken by state or non-state actors, is morally reprehensible.
  - There is no need for the world to stand by and witness genocide and brutality; humanitarian interventions can be used in moderation. Global justice means rethinking the distribution of global wealth and resources. And, underlying nearly all of the essays is the strong message that morals and ethics are not inimical to the “national interest,” but are instead the foundation of a nation’s interests.
  - Concerns over aid effectiveness have led to calls for greater accountability in international development aid. This article examines the state of accountability within and between international development agencies: aid NGOs, the international financial institutions, and government aid ministries.
  - The investigation finds that there is very little accountability in these agencies, and that the accountability that there is often works against poverty relief. Increasing accountability, however, is not always the solution: increased accountability may just amplify the complexities of development efforts.
  - It is concluded that corrupt environments, destructive development policies and corrupt regimes all contribute to explaining the disappointing performance of aid programmes in recipient countries. The issue of most donors still basing their aid on various targets and self-centred interests, including political, strategic, commercial, cultural and religious ones, poses a major problem.
  - The problem relates to the fact that donors, while always keen to promote these targets and interests, conversely show little consideration by holding the recipient countries accountable when the aid objectives are not achieved.
  - Moreover, it is concluded that foreign aid programmes are offered and managed by bureaucrats interested in protecting their own existence. These bureaucrats have turned foreign aid programmes into a profitable business, especially now that an argument has emerged that even calls for the necessity of maintaining such a business. Furthermore, a complex issue regarding experts and employees’ lack of local knowledge of the recipient countries now needs to be addressed. This issue, which stems from the diverse and complex local environments in target countries, influences extensively and to a large degree the effectiveness of the development process.
  - There is no doubt that lessons learned from previous mistakes may lead to some changes in policies, targets and priorities of donor countries in planning projects and the methods of accomplishing work in future. Without such lessons, many wrong methods may be prolonged.
If that is the case, most efforts aimed at developing countries will not be able to achieve their targets. Furthermore, given the belief that bad regimes are beyond repair, donors should review the self-centered aspect of their interests related to granting aid, and even realize that their missions lie in reforming corrupt environments in target countries.

A great deal of importance should be paid to gaining a precise understanding of the nature of local environments and to drawing up policies adaptable to them to guarantee the effectiveness of aid programmes. Therefore, there needs to be an awareness of the importance related to the knowledge of local environments as not being limited to the guidance process or even to daily administration, but rather as being hugely influential in making basic suggestions and proposals about the values and principles guiding the development process as a whole.

Corporate Governance

Corporate governance is the system of rules, practices, and processes by which a firm is directed and controlled. Corporate governance essentially involves balancing the interests of a company’s many stakeholders, such as shareholders, senior management executives, customers, suppliers, financiers, the government, and the community.

Since corporate governance also provides the framework for attaining a company’s objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

The fundamental objective of corporate governance is to enhance shareholders’ value and protect the interests of other stakeholders by improving the corporate performance and accountability. Hence it harmonizes the need for a company to strike a balance at all times between the need to enhance shareholders’ wealth whilst not in any way being detrimental to the interests of the other stakeholders in the company. Further, its objective is to generate an environment of trust and confidence amongst those having competing and conflicting interests.

Bad Corporate Governance

Bad corporate governance can cast doubt on a company’s reliability, integrity or obligation to shareholders—all of which can have implications on the firm’s financial health. Tolerance or support of illegal activities can create scandals like the one that rocked Volkswagen AG starting in September 2015.

The development of the details of “Dieselgate” (as the affair came to be known) revealed that for years, the automaker had deliberately and systematically rigged engine emission equipment in its cars in order to manipulate pollution test results, in America and Europe. Volkswagen saw its stock shed nearly half its value in the days following the start of the scandal, and its global sales in the first full month following the news fell 4.5%.

Other types of bad governance practices include:

- Companies do not cooperate sufficiently with auditors or do not select auditors with the appropriate scale, resulting in the publication of spurious or noncompliant financial documents.
- Bad executive compensation packages fail to create an optimal incentive for corporate officers.
- Poorly structured boards make it too difficult for shareholders to oust ineffective incumbents.

Quality of corporate governance primarily depends on following factors, namely:- integrity of the management; ability of the Board; adequacy of the processes; commitment level of individual Board members; quality of corporate reporting; participation of stakeholders in the management; etc. Since this is an important element affecting the long-term financial health of companies, good governance framework also calls for effective legal and institutional environment, business ethics and awareness of the environmental and societal interests.
The Main Constituents of Good Corporate Governance are:

- **Role and powers of Board**: the foremost requirement of good corporate governance is the clear identification of powers, roles, responsibilities and accountability of the Board, CEO and the Chairman of the board.

- **Legislation**: a clear and unambiguous legislative and regulatory framework is fundamental to effective corporate governance.

- **Code of Conduct**: it is essential that an organization’s explicitly prescribed code of conduct are communicated to all stakeholders and are clearly understood by them. There should be some system in place to periodically measure and evaluate the adherence to such code of conduct by each member of the organization.

- **Board Independence**: an independent board is essential for sound corporate governance. It means that the board is capable of assessing the performance of managers with an objective perspective. Hence, the majority of board members should be independent of both the management team and any commercial dealings with the company. Such independence ensures the effectiveness of the board in supervising the activities of management as well as make sure that there are no actual or perceived conflicts of interests.

- **Board Skills**: in order to be able to undertake its functions effectively, the board must possess the necessary blend of qualities, skills, knowledge and experience so as to make quality contribution. It includes operational or technical expertise, financial skills, legal skills as well as knowledge of government and regulatory requirements.

- **Management Environment**: includes setting up of clear objectives and appropriate ethical framework, establishing due processes, providing for transparency and clear enunciation of responsibility and accountability, implementing sound business planning, encouraging business risk assessment, having right people and right skill for jobs, establishing clear boundaries for acceptable behaviour, establishing performance evaluation measures and evaluating performance and sufficiently recognizing individual and group contribution.

- **Board Appointments**: to ensure that the most competent people are appointed in the board, the board positions must be filled through the process of extensive search. A well defined and open procedure must be in place for reappointments as well as for appointment of new directors.

- **Board Induction and Training**: is essential to ensure that directors remain abreast of all development, which are or may impact corporate governance and other related issues.

- **Board Meetings**: are the forums for board decision making. These meetings enable directors to discharge their responsibilities. The effectiveness of board meetings is dependent on carefully planned agendas and providing relevant papers and materials to directors sufficiently prior to board meetings.

- **Strategy Setting**: the objective of the company must be clearly documented in a long term corporate strategy including an annual business plan together with achievable and measurable performance targets and milestones.

- **Business and Community Obligations**: though the basic activity of a business entity is inherently commercial yet it must also take care of community’s obligations. The stakeholders must be informed about the approval by the proposed and on going initiatives taken to meet the community obligations.

- **Financial and Operational Reporting**: the board requires comprehensive, regular, reliable, timely, correct and relevant information in a form and of a quality that is appropriate to discharge its function of monitoring corporate performance.

- **Monitoring the Board Performance**: the board must monitor and evaluate its combined performance and also that of individual directors at periodic intervals, using key performance indicators besides peer review.
Audit Committee: is inter alia responsible for liaison with management, internal and statutory auditors, reviewing the adequacy of internal control and compliance with significant policies and procedures, reporting to the board on the key issues.

Risk Management: risk is an important element of corporate functioning and governance. There should be a clearly established process of identifying, analysing and treating risks, which could prevent the company from effectively achieving its objectives. The board has the ultimate responsibility for identifying major risks to the organization, setting acceptable levels of risks and ensuring that senior management takes steps to detect, monitor and control these risks.

Inapt application of corporate governance requirements can adversely affect the relationship amongst participants of the governance system. As owners of equity, institutional investors are increasingly demanding a decisive role in corporate governance. Individual shareholders, who usually do not exercise governance rights, are highly concerned about getting fair treatment from controlling shareholders and management.

Creditors, especially banks, play a key role in governance systems, and serve as external monitors over corporate performance. Employees and other stakeholders also play an important role in contributing to the long term success and performance of the corporation. Thus, it is necessary to apply governance practices in a right manner for better growth of a company.