

ADB's Approach and Support to Good Governance Draft

Presentation by:

Raza Ahmad

**Governance/Capacity Development Specialist
Regional and Sustainable Development Department**

Good Governance

- **Definition:** the manner in which power is exercised in the management of a country's economic and social development
- **Elements:**
 - Accountability
 - Predictability
 - Transparency
 - Participation

Anticorruption Policy

- Supporting competitive markets and efficient, effective, accountable, and transparent public administration
- Supporting promising anticorruption efforts case-by-case, and improving the quality of dialogue on governance issues
- Ensuring ADB projects and staff adhere to the highest ethical standards

Three Overall Types of Governance Activity

- Policy Reform – Government-wide
- Policy Reform – Sector level
- Capacity Building of Institutions of Governance

Governance and Poverty Reduction

- ADB's Poverty Reduction Strategy (PRS) recognizes Good Governance as a key pillar of support to DMCs to fight poverty
- Increasing evidence shows higher levels of growth are linked to improved governance

PRS Good Governance Key Result Areas

- Public Sector Reform
- Partnerships with civil society
- Mainstreaming good governance
- Corporate governance

Examples for 2005 Governance Programs

- (i) **Punjab Resource Management Program II, Pakistan** (organizational development to improved corporate governance).
- (ii) **State Audit Reform Sector Development Program, Indonesia** (enhanced policy and legal framework, systems, for audit).
- (iii) **Development Policy Support Program, Indonesia** (reduced corruption, improved public expenditure, strengthening of banks).

Governance Loan Portfolio

Year	No. of Loans	Amount (US\$mn)
2001	7	462.0
2002	9	567.2
2003	6	299.5
2004	10	578.0
2005	16	778.0

Governance Loan Profile 2004-2005

		OCR \$ mn	ADF \$ mn	Total \$ mn
2004	Total for Governance Loans	868.0	263.6	1,131.6
	ADB Total	3,704.5	1,242.0	4,946.5
2005	Total for Governance Loans	876.1	403.5	1,279.6
	ADB Total	4,655.2	1,375.6	6,030.8

Governance Technical Assistance Profile 2004-2005

	Type	Total \$ million	No. of Projects
2004	Total for Governance TAs	113.2	124
	ADB Total	277.7	361
2005	Total for Governance TAs	79.5	134
	ADB Total	1,352.8	367

ADB's Anticorruption Initiatives

- Good Governance in the Region
 - ADB-OECD Anticorruption Action Plan for Asia and Pacific
 - Regional TAs (e.g. AML measures)
- Loans and TAs
- Internal Measures
 - Procurement and contracting procedures, Project Audits
 - Strengthening Resident Mission Capacity

Review Process for Governance & Anticorruption Policies

- Review completed in February 2006
- Assessment of First Action Plan (2000-2004)
- Second Governance and Anticorruption Action Plan (GACAP II) prepared and approved in July 2006

Key Findings of 2005 Review

- Partial implementation of Policies
- Policies too wide –resources spread too thinly
- Significant sector work; insufficient mainstreamed expertise
- Gaps in compliance requirements and actual implementation
- Ineffective use of existing knowledge
- Insufficient adoption of program-based approach with DMCs and partnerships

Key Findings - Institutional

- Management's commitment should be more visible
- Organizational and staffing shortcomings
- Organizational performance not measured by development results
- Governance is politically sensitive agenda & requires local knowledge and networks –
- Role of RMs important

Action Plan Framework

- 3 year results-oriented Plan -MTS II
- Phased implementation
- Contains accountability for actions
- Identifies resource requirements for implementation
- Effective communications strategy
- Continuous reviews to update GACAP II

Focus of GACAP II

- Sensitive to DMC constraints and ADB capacity
- Prioritizes Sector Governance and Institutional Development
- Focuses on Public Financial Management (PFM) and Procurement
- Adopts a risk management approach for improved quality-at-entry in CSPs and project design;
- sound preventative measures in project design; and better implementation

Key Result Areas

1. Improve identification and management of governance, institutional and corruption risks in Country Partnership Strategies (CPSs), midterm reviews, and annual country portfolio review
2. Strengthen governance and anti corruption components in project and project design

Key Result Areas...cont'd

3. Strengthen program and project administration and portfolio management
4. Improve organizational structure, human resources, and access to expertise

Partnership with DMCs

- Undertaking joint risk assessments
- Identifying risk mitigation measures
- Strengthening procurement and PFM related country systems
- RMs to catalyze local expertise
- DMC partnership for improved governance in the priority sectors

Governance and Country Performance Assessment

- ADF allocations are performance based
- Governance has a high weight – 50%
- Performance ratings are public
- Key issues: rule of law, PFM, tax policy, public administration and transparency and responsiveness of the government

Key Challenges

- Measuring development impact of ADB's governance interventions
- Ensuring the sustainability of our assistance
- Improving our resources for Governance
- Responding to a changing environment

Thank You