

# **OVERVIEW OF ADB'S GOVERNANCE POLICY AND STRATEGY**

**for  
ADB Business Opportunity Fair  
16 November 2009**

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# ADB's Mandate for Governance

- ❑ ADB was the first MDB to have a Governance Policy, approved in 1995; Anticorruption Policy was approved in 1998
- ❑ ADB's Second Governance and Anticorruption Action Plan (GACAP II) approved in 2006
- ❑ *Strategy 2020* reaffirms ADB's commitment to supporting governance and anticorruption

“ADB will increase support for good governance and the building of development capacities ... ADB will attempt to reduce the profound harm corruption inflicts on development, particularly on the poor ...” (*Strategy 2020*)

# Second Governance & Anticorruption Action Plan (GACAP II)

- **Three priority themes**
  - Public Financial Management
  - Procurement
  - Combating Corruption
  
- **Three Levels**
  - Country
  - Sector
  - Project
  
- **Two Targets**
  - Strengthening Country systems
  - ADB projects

# Risk-Based Approach

□ ADB has adopted a risk-based approach to governance assessment and determination of priority areas for ADB support

□ What Risk?



“Reduced Development Effectiveness”

...That DMC and ADB development objectives will not be met, or will be adversely affected by poor governance, weakly performing institutions or vulnerability to corruption...

# Examples of ADB Actions for Addressing Country Level Risks

- **Risk – Actual budget out-turns do not reflect policy based allocations across sectors**
- **Mitigation – Targeted support for budget preparation and expenditure control** ■
- **Risk : Weaknesses in the procurement law**
- **Mitigation: BIS assessment, followed by prioritized implementation of BIS recommendations**
- **Risk: Budget comprehensiveness compromised because of excessive off-budget funding**
- **Mitigation: Consolidation of projects in integrated FM database to get all funding on budget**

# Examples of ADB Actions for Addressing Sector Level Risks

- **Risk:** Inadequate oversight by local authorities over road works
- **Mitigation:** Introduction of clear procedures, specifying oversight responsibilities at national and local level
- **Risk:** Gaps in legal and regulatory framework
- **Mitigation:** Conduct review of technical road standards

# Examples of ADB Actions for Addressing Project Level Risks

## Water Supply and Sanitation Services Investment Program

**Risk:** Shortage of financial analytical and managerial skills and capacity in local government

**Mitigation:** (i) introduction of computerized customer database, billing and financial management systems; (ii) training on financial management and reporting

# ADB/OECD Anticorruption Initiative for Asia and the Pacific

- ❑ Established in 1999 under joint leadership of the ADB and OECD
- ❑ The Initiative is a network built around common commitment to the Anti-Corruption Action Plan for Asia and Pacific.
- ❑ Action plan has three pillars focusing on public sector, private sector, and civil society
- ❑ Action plan originally endorsed by 17 countries and jurisdictions in Nov 2001, now 28 members and six observers (including OECD member countries, middle income countries, low income countries)
- ❑ Advisors include World Bank, UNDP, Transparency International, the American Bar Association, AusAid, Sida
- ❑ Website: [www.oecd.org/corruption/asiapacific](http://www.oecd.org/corruption/asiapacific)



# Thank you.

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