

OVERVIEW OF ADB'S GOVERNANCE/ PUBLIC SECTOR MANAGEMENT POLICY AND STRATEGY

ADB Business Opportunities Fair

Sandra Nicoll

Public Management, Governance and Participation Division
Regional and Sustainable Development Department
Asian Development Bank
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Governance and Public Sector Management

- Two ways ADB approaches governance
 - (i) **governance as sector reform** thru public sector management work
 - (ii) **governance as an over-arching theme** thru its thematic priorities of public financial management, procurement, and anticorruption
- Public Sector Management extends to 5 subsectors
 - (i) Subnational and local government administration or Decentralization
 - (ii) Economic and Public Affairs Management
 - (iii) Law and Judiciary
 - (iv) National Government Administration or Public Administration
 - (v) Public Expenditure and Fiscal Management

ADB's Mandate for Governance

- 1995: Governance Policy – equated governance with sound development management and identified fundamental elements of governance (accountability, participation, predictability and transparency)
- 1998: Anticorruption Policy – viewed anticorruption as part of broader effort to advance governance and capacity development
- 2006: ADB's Second Governance and Anticorruption Action Plan (GACAP II)
- 2008: Strategy 2020 – reaffirms ADB's commitment to supporting governance and anticorruption. Governance as a driver of change to build development capacities and broaden inclusiveness

Second Governance & Anticorruption Action Plan (GACAP II)

- Three priority theme
 - Public finance Management
 - Procurement
 - Combating Corruption
- Three Levels
 - Country
 - Sector
 - Project
- Two Targets
 - Strengthening Country systems
 - ADB programs and projects

Risk-Based Approach

- GACAP II is a risk-based approach to governance assessment and determination of priority areas for ADB support
- The Risk has been categorized as of:

“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...

- This tool can help identify opportunities for business process reform, capacity development priorities and reduce vulnerability to corrupt practices

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 institutional and regulatory framework
- **Mitigation:** Conduct review of technical road standards

Example 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) training on financial management systems and reporting; and (ii) introduction of computerized customer database, billing and FM systems

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 three observers (including OECD member countries, middle income countries, low income countries)
- Advisors include World Bank, UNDP, Transparency International, the American Bar Association, AusAid, Sida

Role of RSDD

- To serve as an anchor for informing sector and thematic strategic directions in ADB's operations in PSM and Governance
- To facilitate cross-fertilization of ideas and experiences to inform projects done by regional departments
- To act as a knowledge center for consolidating and disseminating knowledge obtained thru regional operations and international good practices
- To contribute in developing new business areas, and developing and implementing new business concepts

Business Opportunities

Types

- Policy based lending
- Investment projects
- Technical assistance

Areas

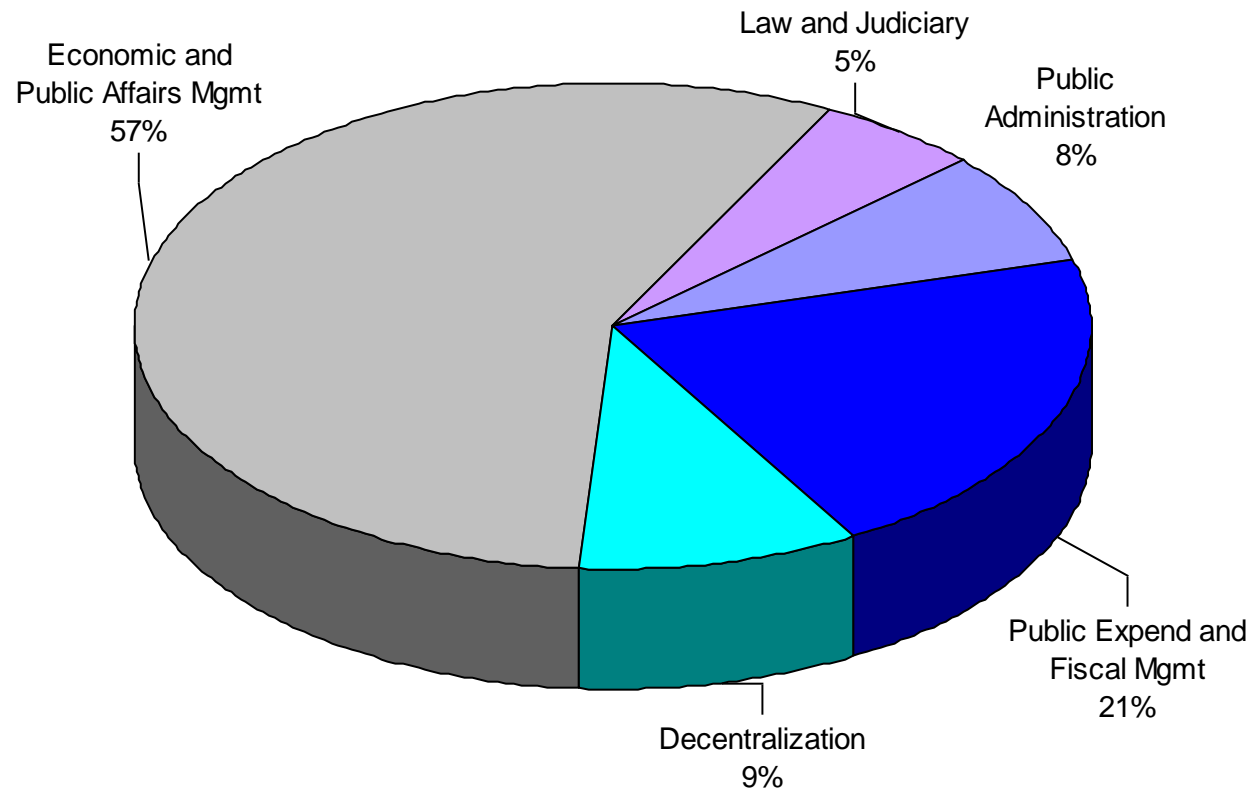
- Decentralization
- Economic and public affairs management
- Law and judiciary
- Public administration
- Public expenditure and fiscal management

PSM: Volume of ADB Assistance

Loan, Grant and TA Approvals, 2005-2011 (in US\$ million)

Year	PSM Loans	Governance-Themed Loans (other sectors)	Total	PSM Grants	PSM TAs
2005	978.0	579.0	1,557.0	8.3	48.3
2006	200.0	2,460.4	2,660.4	7.8	77.7
2007	1,179.5	2,176.0	3,355.5	15.0	86.1
2008	1,845.0	1,241.5	3,086.5	122.4	72.1
2009	5,306.4	1,011.2	6,317.6	42.0	52.8
2010	894.5	1,482.4	2,376.9	37.8	48.5
2011	529.8	1,887.6	2,417.4	60.0	55.1

Public Sector Management Loans by Subsector 2005-2011



RSGP Public Management Portfolio 2012

- PATA: Governance and Capacity Development Initiative—phase 3, \$1.5 million
- R-CDTA: Revenue Management in Resource Rich Countries, \$0.5 million
- R-CDTA: Sustainable Rural Development using ICT focusing on Education, Health, Agriculture, \$0.5 million
- R-CDTA: Revenue Administration in Asia-Pacific Research and Knowledge Sharing Program, : \$0.6 million

Thank You

Sandra Nicoll

Director, Public Management, Governance, and Participation
and concurrent Practice Leader (Public Management and Governance),
Public Management, Governance and Participation Division
Regional and Sustainable Development Department

Email: snicoll@adb.org

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