



6th ADB Business Opportunities Fair

OVERVIEW OF PUBLIC SECTOR MANAGEMENT, GOVERNANCE AND CAPACITY DEVELOPMENT

Claudia Buentjen

Principal Public Management Specialist

25 March 2015

The views expressed in this presentation are the views of the author/s and do not necessarily reflect the views or policies of the Asian Development Bank, or its Board of Governors, or the governments they represent. ADB does not guarantee the accuracy of the data included in this presentation and accepts no responsibility for any consequence of their use. The countries listed in this presentation do not imply any view on ADB's part as to sovereignty or independent status or necessarily conform to ADB's terminology.

Governance and Public Sector Management

- Two ways ADB approaches governance
 - i. **governance as sector reform** through public sector management work
 - ii. **governance and capacity development as over-arching themes** through its thematic priorities of public financial management, procurement, and anticorruption and institutional strengthening
- Public Sector Management extends to 5 subsectors
 - i. Subnational and local government administration or Decentralization
 - ii. Economic and Public Affairs Management Law and Judiciary
 - iii. National Government Administration or Public Administration
 - iv. 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 themes
 - Public financial 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 approach can help identify opportunities for business process reform, set capacity development priorities and reduce vulnerability to corrupt practices

Examples of ADB Actions for Addressing Country Level Risks

- **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 Country 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 the joint leadership of ADB and OECD, which support its Secretariat
- A regional forum for supporting national and multilateral efforts to address corruption in Asia and the Pacific
- Focus is support to members' implementation of UNCAC
- Network has 31 member jurisdictions
- Advisors include World Bank, UNDP, Transparency International, the American Bar Association, DFAT, Sida, GTZ

Business Opportunities

Types

- Policy based lending
- Investment projects
- Technical assistance

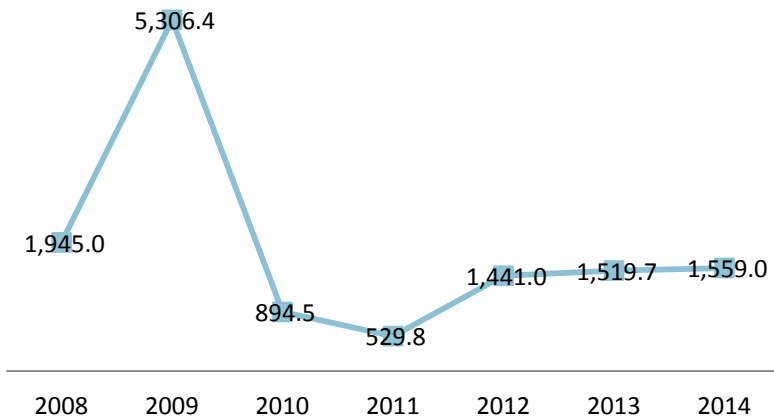
Areas

- 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, 2010 - 2014 (in US\$ million)					
YEAR	PSM LOANS	GOVERNANCE & CAPACITY DEVELOPMENT THEMED LOANS (other sectors)	TOTAL	PSM GRANTS	PSM TAs
2010	894.5	8,267.65	9,162.15	37.8	48.5
2011	529.8	6,922.77	7,452.57	60.0	55.1
2012	1,441.0	5,075.76	6,516.76	44.9	60.4
2013	1,519.7	6,668.03	8,187.72	47.6	49.4
2014	1,559.0	7,991.92	9,550.92	31.0	55.4

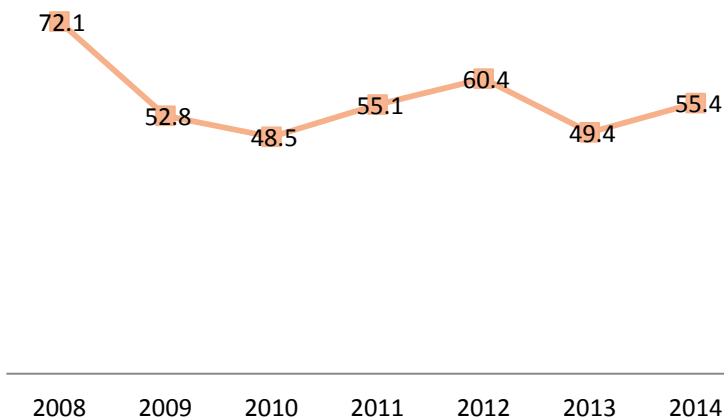
PSM LOANS



PSM GRANTS

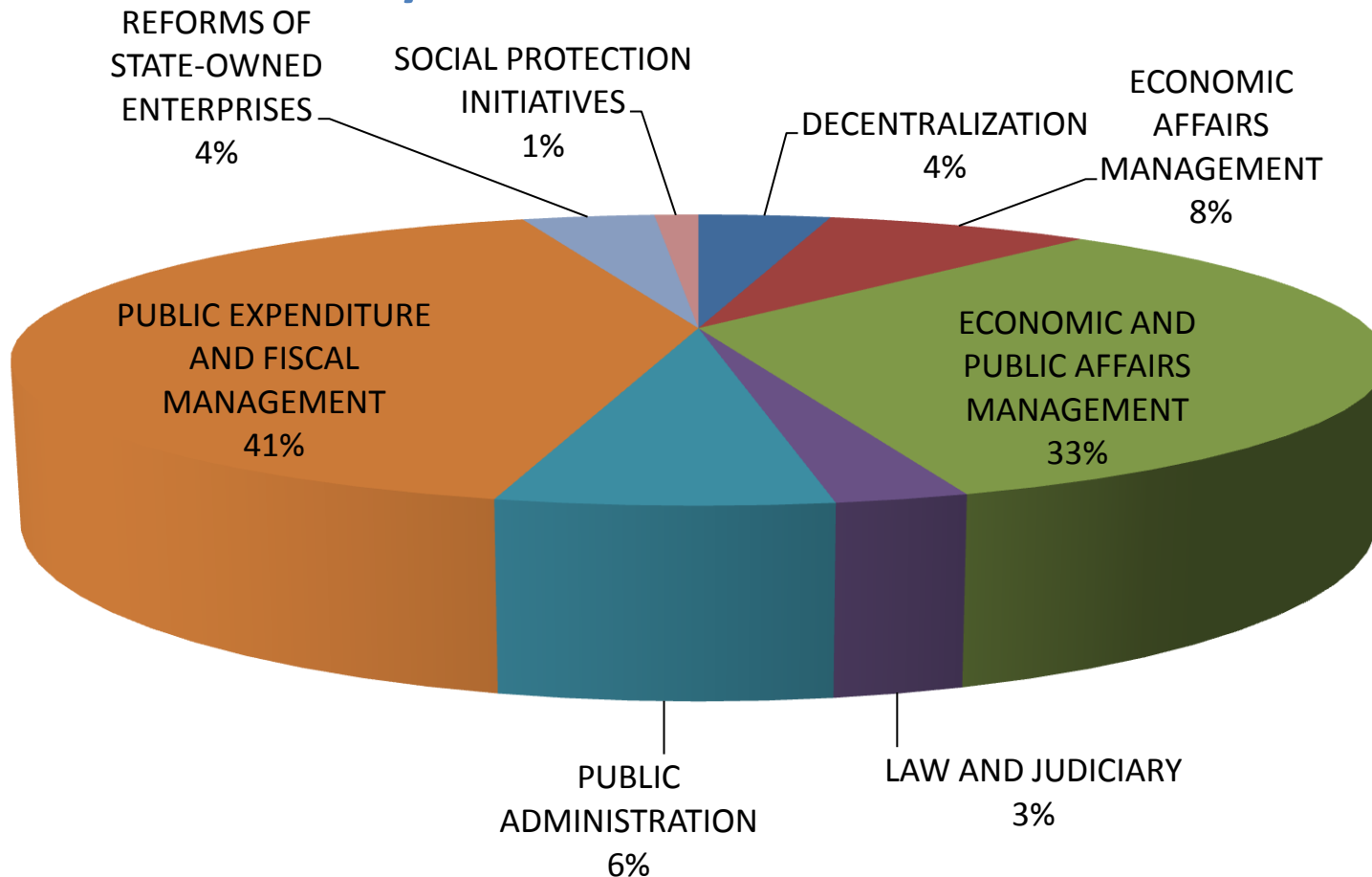


PSM TAs



Public Sector Management Loans

by Subsector 2008 to 2014



Public Sector Management TAs

Technical Assistance	TAs and RETAs	Other Regional TAs	Total
PSM TA Amount in 2014 (\$M)	55.4	0.68	56.08
Share of PSM in 2014	19.3%	4.1%	18.5%
Average share of PSM to total ADB TAs, 2011-2013	15.5%	23.7%	15.9%

Public Sector Management: Sovereign loans and grants

Sovereign Loans and Grants	Sovereign Loans	Grants	Total Loans and Grants
PSM Loan Amounts in 2014 (\$M)	1,559	31	1,590
Share of PSM in 2014	13.9%	4.9%	13.4%
Average share of PSM to ADB Sovereign Loans and Grants, 2011-2013	10.6%	6.2%	10.2%

Governance and CD Thematic Mainstreaming

	Baseline	2013	2014
ADB Operations	57%	54%	60%
ADF Operations	68%	66%	74%

Source: DEFR: Operations Supporting Governance and CD

Strategy Mid-Term Review Action Plan Commitments

- Prepare Capacity Development Operational Plan (1.3.4.)
- Implement the recommendations of the 2013 GACAP II review to improve consistency of implementation of governance and anticorruption policies at country and sector level and monitoring of risk management plans (1.4.)
 - Streamline governance risk assessments at the country, sector, executing agency, and project levels and systematically monitor their implementation
 - Revise staff guidance on the implementation of GACAP II (by December 2014)
- Prioritizing resources for capacity development in operations, GACAP II implementation, and public sector management programs in DMCs (5.3.5.)

2014 IED Study on ADB Support for Enhancing Governance in Public Sector Operations

Key recommendations

- Clarify direction and strengthen guidance on PSM operations at the corporate level
- Improve governance and capacity development analytics in country and sector programs
- Strengthen GACAP II implementation at the project level

Governance



*Social Development, Governance, and Gender Division
Regional and Sustainable Development Department*

Claudia Buentjen

☎ +63 2 632 1852

✉ cbuentjen@adb.org

Warren Turner

☎ +632 632 6610

✉ wturner@adb.org

THANK YOU