

# **ADB's Approach to Sector Governance Risk Assessment**

**for**

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The ADB logo consists of the letters "ADB" in a white, serif font, centered within a dark blue square background.

# Why Governance in Sectors?

- Donor agencies increasingly looking at how governance can be addressed through working in sectors (OECD-DAC)
- Sectors offer practical entry points for range of governance themes – participation, capacity development, transparency and integrity, state society relations etc.

# Why Governance in Sectors? (con't)

- “Just deliver” approach has little traction in tackling long term institutional issues
- Limitation of working on macro governance issues – which can be far removed from how citizens interact with the state day-to-day

# Governance and Anticorruption Policies

## Governance

- Approved in 1995, 2000 policy review; 2005 implementation review
- Four elements of good governance
  - accountability
  - transparency
  - predictability
  - participation

# Governance and Anticorruption Policies

## Anticorruption

- Approved in 1998, clarified in 2004
- Three objectives
  - Support competitive markets and effective public administration
  - Support explicit anticorruption efforts
  - Ensure ADB-financed projects and its staff adhere to the highest ethical standard

# Governance and Anticorruption Policies Implementation Review

- **Key Finding:** policies relevant but only partially implemented
- Two main causes
  - Action plans overambitious and resources spread too thinly
  - Not enough invested to mainstream the policies in our sector work

# Critical Action Areas Identified

- Strengthening country public financial management and procurement systems
- Use of country/sector assessments to determine focus and identify priorities
- Longer term flexible arrangements for capacity development to address governance and corruption issues

# Second Governance and Anticorruption Action Plan

- GACAP II approved 31 July 2006
- Three governance themes
  - Public financial management
  - Procurement
  - Combating corruption
- Themes apply to national and subnational levels of government, and focus on operationally relevant sectors



# **GACAP II**

## **Risk Based Approach**

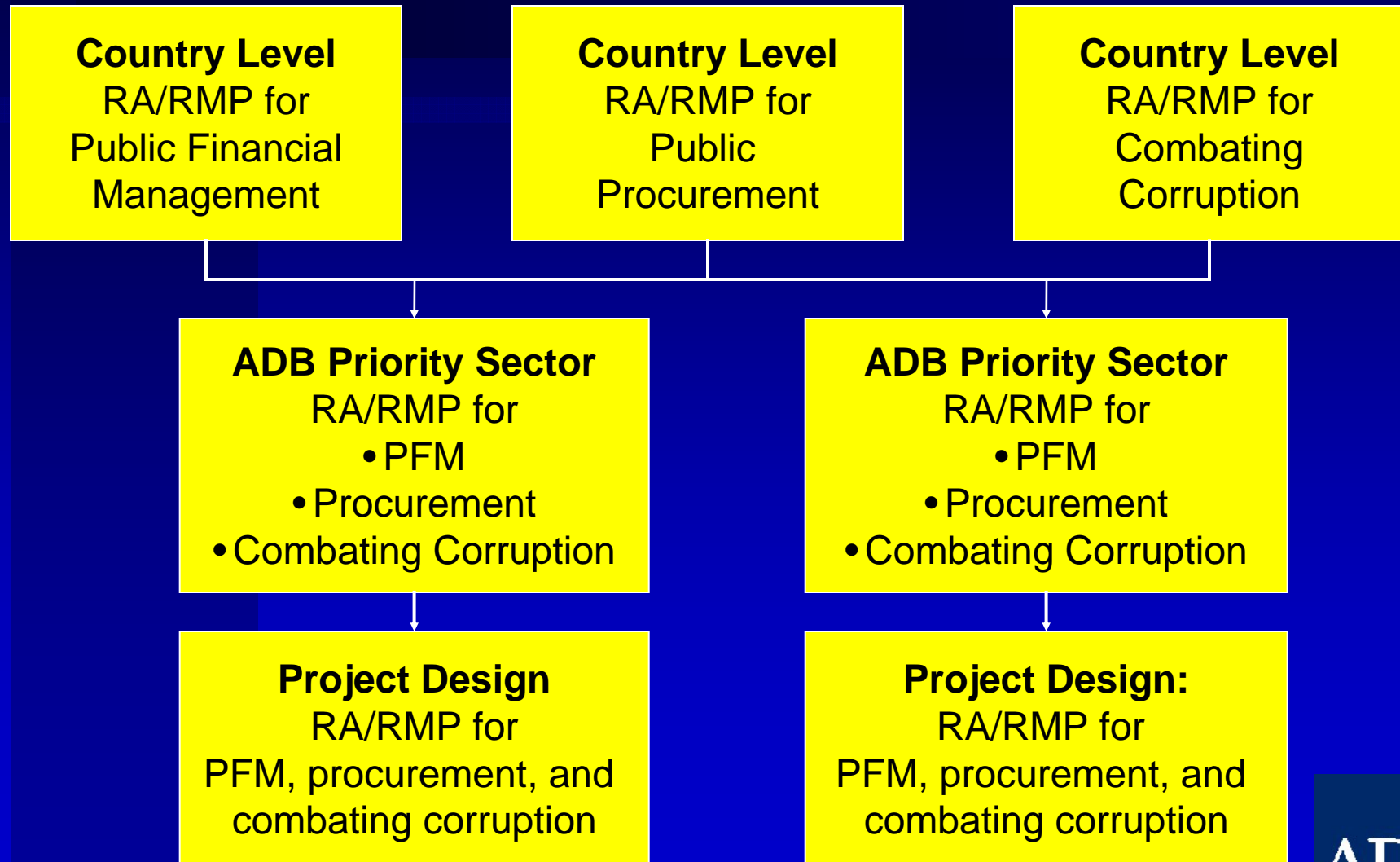
### **What risk?**

Development risk—the risk that the development objectives of ADB's programs and projects will not be met, or will be adversely affected by poor governance, weakly performing institutions, or vulnerability to corruption

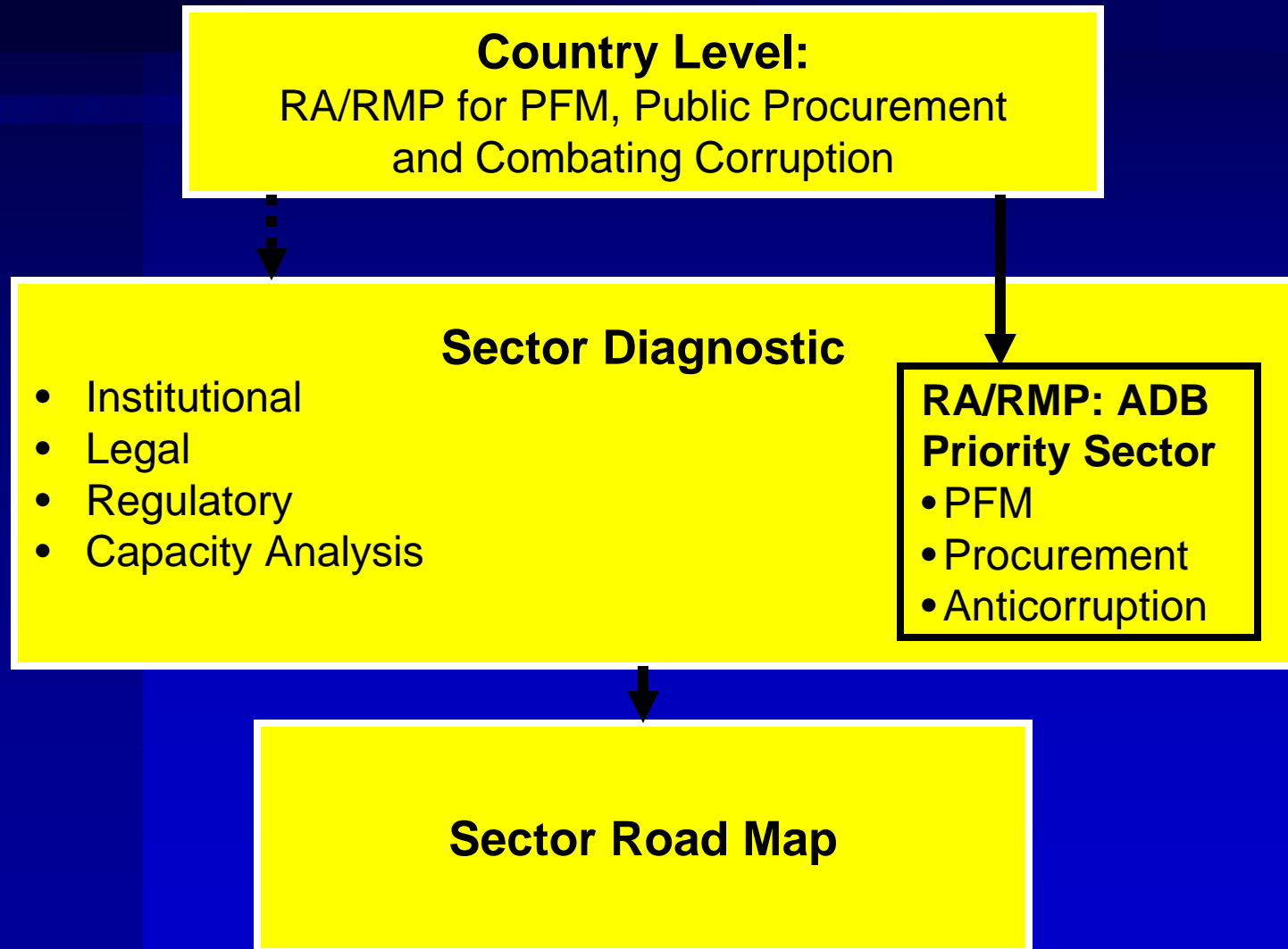
# GACAP II Guidelines

- Developed with inputs from ADB governance and sector staff
- Inputs also from IADB, PEFA Secretariat, WB
- Guidelines can be found at [www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf](http://www.adb.org/Documents/Guidelines/GACAP-II-Guidelines.pdf)

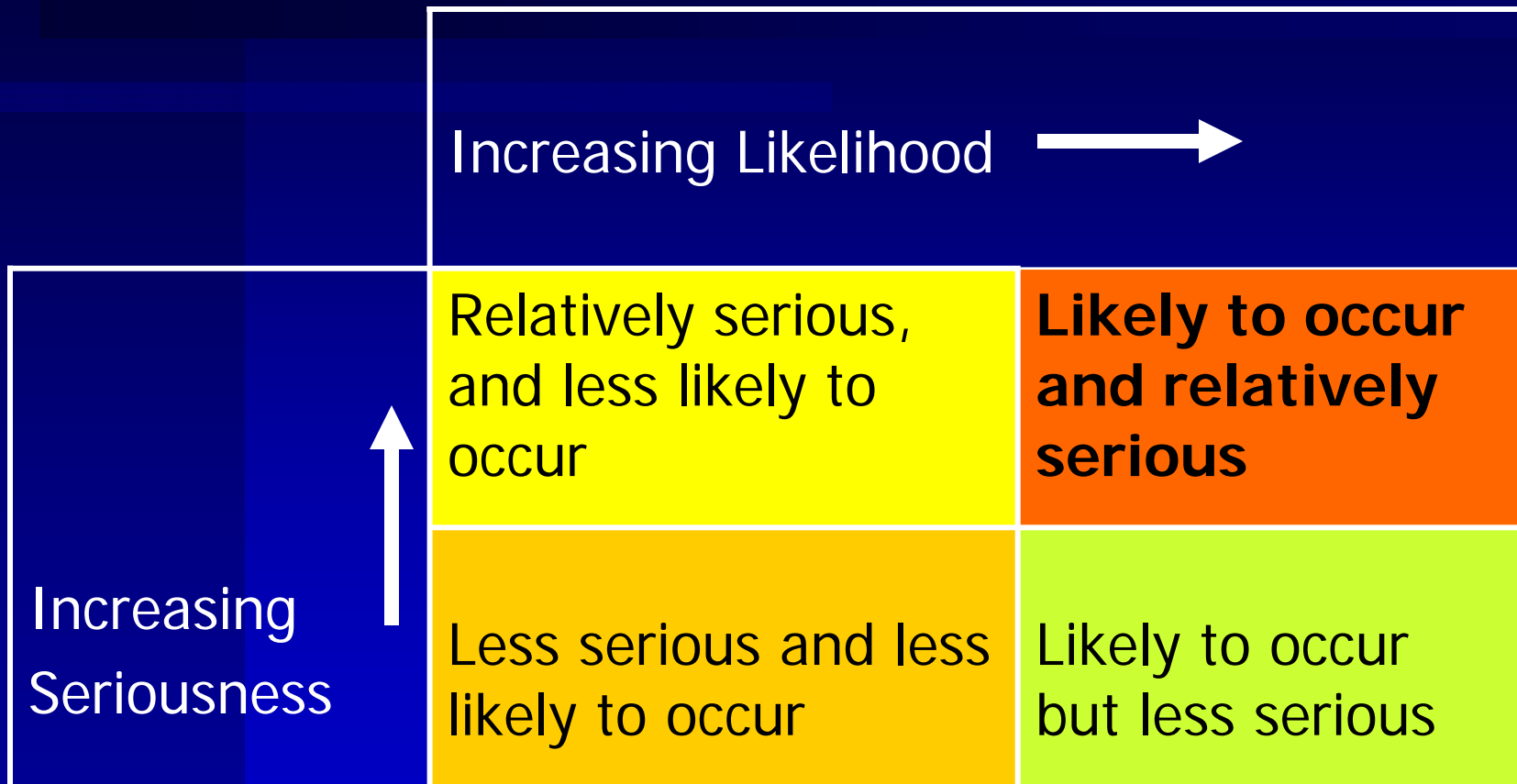
# Cascading Risk Assessments



# Integration of Governance and Sector Assessments



# Risk Classification



# Risk Management

**Serious  
and Likely**

Requires urgent attention and needs to be mitigated/addressed; also requires regular monitoring—**Should be addressed in RMPs**

**Likely and  
Less  
Serious**

Although less urgent, still requires monitoring and management action to ensure risk severity does not increase

**Serious  
and Less  
Likely**

should be reviewed to determine how adverse consequences can be reduced

**Less Likely  
and Less  
Serious**

Generally, risk levels can be accepted with regular monitoring processes

# Risk Management Plans

- RMPs must be practical, easy to monitor, and evaluate
- Each action must have indicators to facilitate monitoring and evaluation
- RMPs should inform sector road maps

# Partnership

- Key philosophy of GACAP II
- Use what is available from other sources and update where necessary
- Working together: ADB with governments, civil society, development partners, consultants, country team, sector specialists, governance specialists



# Areas for Further Work

- Approaches to governance assessment using risk-based approaches
- Analytical frameworks for assessing PFM, procurement, and corruption at sector level
- Self-assessments – how to get Government's actively involved

# For More Information

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[www.adb.org/Governance](http://www.adb.org/Governance)

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**Thank You**

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