



OPENING REMARKS

THE BANK'S GOVERNANCE POLICY

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Governance, defined as "the manner in which power is exercised in the management of a country's social and economic resources for development," is being increasingly recognized as an essential component of sustainable and equitable development. There are many ways in which good governance contributes to economic development. Governments make decisions on macroeconomic and social policy that have a direct impact on the long-term health of the economy. Governments provide critical goods and services, such as infrastructure, health and education, that determine the competitiveness of the economy. Governments foster an enabling environment for private sector growth and regulatory structures that balance objectives of growth and equity. The experience of East Asia shows that good governance is also an essential component of dynamic private sector growth — simply put, markets will not function well without it.

The presentations in Part I of this seminar by the Honorable Ruth Richardson, Mr. Isao Kubota and Dato Abdullah Sanusi, bring out both the importance of good governance and its multifaceted nature.

In August 1995, the Board of Directors of the Asian Development Bank (ADB) approved a paper, *Governance: Sound Development Management*, that has committed the Bank to assisting its developing member countries in enhancing capabilities in this area. The paper identifies four basic elements of good governance:

- (i) accountability, the need for public officials to be held responsible for delivering particular outputs;
- (ii) transparency;
- (iii) predictability, the need for a stable, open, and widely understood set of "rules of the game"; and
- (iv) participation, to ensure ownership and beneficiary support for development initiatives.

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We are now moving forward to implement the key thrusts contained in this paper. A Governance and Capacity Building Resource Group was recently established under the Office of the President to provide an institutional focal point for these issues within the Bank. Some basic information on the Resource Group, including the e-mail address, is available in the first issue of *our News and Notes: Governance and Capacity Building at the ADB*, which is included in the seminar materials provided to you. I urge those who are interested to contact the Resource Group for information on governance issues in general, as well as on specific activities of the ADB.

Since August 1995, we have made three loans amounting to \$290 million and over 20 technical assistance grants to help our developing member countries reform their core administrative systems. In addition, about two thirds of our loans and over 80 percent of Technical Assistance grants have some component aimed at strengthening institutional capacity. The presentations in Part II of this seminar represent some of the prominent examples of the Bank's loans and technical assistance in the area of governance.

Our work on governance and capacity-building issues is organized along several dimensions. There is a strong public sector management component that covers the parastatal sector, as well as how governments prepare and implement policies and deliver public services. A second dimension is private sector development and the role of governments in creating and fostering an enabling environment for private sector growth. Another dimension is strengthening civil society, which includes participation of stakeholders and beneficiaries in development

policies and projects and a growing role of NGOs in delivering certain services. Keeping these in view, the thrusts of the Resource Group include public administration reforms in South Asia, a greater focus on public sector outputs and their measurement, increased responsibility on the part of executing agencies to design projects, and restructuring and improving municipal management in major cities.

President Sato has stated on many occasions that the relevance of our Bank in the coming years will be measured by much more than just our financial contribution to development. In my view, the Bank will continue to be relevant only if it can help bring about lasting improvement in institutional capabilities of our developing member countries in addressing problems of development.

Finally, I would like to emphasize that good governance is the responsibility of all. There are many here today who have thought extensively about these issues and done work in this area, and we would like to benefit from your ideas and experience. Also it has been demonstrated time and again that involvement of stakeholders is essential for the success of all reform efforts. We therefore hope that this seminar will serve as an important step in building a partnership between our member countries, civil society organizations, and the Bank to promote good governance in the region for sustainable and equitable growth and development.