

## **ADB pushes for good governance under new loan rating system**

by P. Parameswaran

MANILA, Feb 7 (AFP) - The Asian Development Bank (ADB) will put pressure on governments to improve their performance by tying soft loans to their effectiveness and reform efforts, an official said Wednesday.

Clay Wescott, ADB's senior public administration specialist, said the bank had begun carrying out governance assessments as part of the new policy linking performance to the amount of assistance received.

"Governance is a key issue. There are other issues which will be linked to lending, like the extent of environmental protection, poverty reduction and quality of macro-economic management," he told AFP.

The ADB's rating system would affect only concessional loans, for which the bank subsidises interest rates, Wescott said.

Last year, ADB's total overall lending was 5.8 billion dollars, including concessional loans of 1.6 billion dollars. Nearly all loans were to governments.

The current system of approving such loans is not based on performance.

It is based solely on population and per capita gross domestic product, with special consideration given to small island states and landlocked nations.

Asked whether he anticipated any problems with the new rating system, Wescott said: "There will be some difficulties.

"But this is going to be the challenge to meaningfully distinguish the performance of some countries from others. The better performers will get more than they got under the old system of allocation."

ADB's move into a performance-based fund allocation system follows a similar move by another multilateral lending agency, the World Bank, following concerns over corruption linked to official development assistance, officials say.

The World Bank's concessional loan programme has a slightly different rating system but governance is a key criteria, Wescott said.

Wescott told a ADB-organised regional conference on poverty eradication on Tuesday that the ADB has completed governance assessments for four countries and is finalizing studies for three others.

The ADB had completed governance assessments for Cambodia, Laos, Thailand and Vietnam and was close to completing assessments for Bangladesh, Nepal and Pakistan, Wescott said.

This should be a powerful incentive to improve governance performance in countries which rely on international donor assistance, he said.

A governance assessment usually examines the strength of a government's commitment to good governance, including sound macroeconomic and financial management, effective delivery of public services and enforcement of contractual and property rights.

An ADB statement said the quality of governance was critical to poverty reduction, a key area targeted by the bank in its activities.

Good governance ensures the transparent use of public funds, encourages growth of the private sector and helps to establish the rule of law, the ADB said.

The five-day Asia and Pacific Forum on Poverty, which began on Monday, is organized by the ADB for representatives of government, donor agencies, non-governmental organisations and academic institutions.