

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



BANK GROUP POLICY ON GOOD GOVERNANCE

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LIST OF ACRONYMS

ADB	African Development Bank
ADF	African Development Fund
AMINA	ADF Micro-finance Initiative for Africa
AsDB	Asian Development Bank
BWIs	Bretton Woods Institutions
CADI	African Development Institute
CBOs	Community Based Organizations
CDF	Comprehensive Development Framework
CEMAC	Communauté économique et monétaire de l’Afrique centrale
COMESA	Common Market of East and Southern Africa
CSOs	Civil Society Organizations
CSPs	Country Strategy Papers
ECA	Economic Commission for Africa
ECOWAS	Economic Community of West African States
DAC	Development Assistance Committee
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Inter-American Development Bank
ILO	International Labor Organization
IMF	International Monetary Fund
MDBs	Multilateral Development Banks
NGOs	Non-Governmental Organizations
NTF	Nigeria Trust Fund
OAU	Organization of African Unity
OECD	Organization of Economic Co-operation and Development
OHADA	Organisation pour l’harmonisation en Afrique du droit des affaires
PBL	Policy Based Lending
PE	Public Enterprise
PERs	Public Expenditure Reviews
PIC	Public Information Center
RMCs	Regional Member Countries
SADC	Southern Africa Development Community
SAP	Structural Adjustment Program
TA	Technical Assistance
TAF	Technical Assistance Fund
UEMOA	Union économique et monétaire ouest-africaine
UNDP	United Nations Development Program
USAID	United States Agency for International Development
WB	The World Bank
WTO	World Trade Organization

EXECUTIVE SUMMARY

1. Over the last few years, the African Development Bank Group (The Bank) has given due recognition to the issue of good governance for two main reasons. First, from broader perspective, good governance, which promotes accountability, transparency, rule of law and participation, is central to creating and sustaining an enabling environment for development. Second, from the Bank's perspective, it is inextricably related to the efficacy of the investment that it helps to finance, and is in line with the Institution's vision for sustained African development into the 21st Century.
2. The absence of good governance has proved to be particularly damaging to the "corrective intervention" role of government. Programs for poverty alleviation, for example, have been undermined by a lack of public accountability, corruption, and lack of participation of the beneficiaries. Pervasive corruption is damaging to development. It weakens the ability of governments to carry out their functions efficiently, including by diluting equity from the provision of government services. It squanders government revenues and distorts and deters investment flows, thus undermining growth. Other causes of poor development management are the high degree of concentration of decision-making power, and the absence of consultation and accountability.
3. This present policy reflects the views of representatives of RMCs, NGOs, CBOs and CSOs and other development partners that participated in the workshop on good governance organized by the Bank on March 19-20, 1999. It also incorporates the suggestions and comments by the Board members during the informal Board seminar held on May 6, 1999. Its objective is to mainstream good governance into the Bank's operations in a manner consistent with its Charter, mandate, and current development priorities of accelerating economic growth, promoting human resource development and reducing poverty in its Regional Member Countries (RMCs). Due diligence provisions of the African Development Bank (ADB) and African Development Fund (ADF) agreements provide a solid legal basis for incorporating good governance considerations and activities in the Bank's operations. As a provider of capital for development, the Bank must necessarily apprise itself of issues of good governance that may impact upon the success of development projects in RMCs.
4. The Bank has for some time now been supporting activities and programs that seek to improve governance. Such activities have, however, been largely designed as components of larger structural adjustment or sector adjustment operations. And although of late, policy-based lending has started to address issues of governance more directly, few Bank-supported projects give matters of governance their due priority and importance. There is thus a need to tackle the issues of governance in a much more proactive, direct and integrated manner.

5. In operationalizing its agenda in the area of good governance the Bank will focus on accountability, transparency, combating corruption, participatory governance and legal and judicial reforms. These interventions will be pursued in collaboration with BWIs, regional and specialized organizations, and bilateral agencies through economic and sector work; policy dialogue; and lending and non-lending activities. The Bank's actions related to governance will be chosen selectively depending upon country circumstances and needs, the state of dialogue with the country and availability of budgetary and staff resources.
6. In the context of its economic and sector work, the Bank will address the issues of good governance in its Country Strategy Papers (CSPs) and Public Expenditure Reviews (PERs). The Bank will carry detailed analysis of governance aspects, including assessments of the institutional capacity of RMCs. Governance will also constitute a key criterion for country performance assessment and ADF resource allocation.
7. In the design of projects and programs of governance in RMCs, attention will be given to the **issues of civil service restructuring, reform of the legal and judicial systems, strengthening financial management capacity, instituting participatory approaches,** and institutional decentralization. This includes curbing of corruption, expanding opportunities for advocacy, and participation by civil society and in particular women groups. Accordingly, Bank activities and lending operations will emphasize a shift towards process-oriented projects with participation of beneficiaries and expanding co-operation with civil society and other development partners. **At the regional level the Bank will continue to support the advancement of economic cooperation and regional integration in Africa.**
8. Capacity building activities and assistance will be the central focus of Bank efforts in improving governance in RMCs. In this regard the Bank Group's activities will focus on sectoral level, national and regional institutions to enhance the effectiveness of public administration and development management. They will also cover institutional development at the local and provincial levels as well as in the civil society and private sector.
9. The activities identified to promote good governance will also be pursued through a combination of advocacy, dialogue, research and consultation with RMCs and other national, regional and international stakeholders. This will be achieved through participation and organization of conferences, seminars and consultative workshops.
10. The Bank will need to build up its own institutional capacity for analyzing, assessing, and addressing governance issues in RMCs. This will require the strengthening and expansion of in-house expertise in the various aspects of governance. **The resumption of field presence, both at the regional and country levels, will also help** to strengthen its ability to incorporate local knowledge, insights and institutional context in its governance initiatives.

1. INTRODUCTION

- 1.1 While by no means a new topic in the area of economic development, the issue of governance has been given new impetus by five important factors. First, the development failures of the African continent in the 1980s, in particular, the difficult experience with and mixed record of structural adjustment reforms. Second, the recognition of the failure of command economies and the emergence of a consensus, on the relative efficacy of neo-liberal development strategies. Third, the rise of pro-democracy movements in Africa and other parts of the developing world, with the demand for good governance and more responsive forms of government as a rallying point. Fourth, the growing concern that widespread corruption is siphoning away both domestic and external resources. And fifth, the phenomenal increase in globalization and its even stronger imperatives for sound domestic policy environment and economic management.
- 1.2 The development of the Bank Group (The Bank) policy on good governance reflects the general consensus among African governments that, good governance is an essential ingredient for sound development. It is also in line with the Bank's vision for sustained African development into the 21st Century. The main objective of the policy is to mainstream governance into the Bank's operations, in a manner consistent with its Charter with a view to accelerating economic growth and reducing poverty in the continent. The policy paper builds on existing initiatives of the Bank, that of relevant multilateral and bilateral donors, and international thinking on the issue, while taking account of relevant African and global realities. This policy reflects the views of representatives of RMCs, NGOs, CBOs and CSOs and other development partners that participated in the workshop on good governance organized by the Bank on March 19-20, 1999. It also incorporates the suggestions and comments by the Board members during the informal Board seminar held on May 6, 1999.
- 1.3 The policy is divided into eight sections. Section 2 discusses the meaning of governance and provides a definition of good governance relevant to Bank Group operations; Section 3, outlines the elements of good governance; Section 4, covers issues of good governance, democracy and development; Section 5, provides Bank Group scope of work in fostering good governance; Section 6, discusses the operationalization of governance in the Bank's activities; Section 7, gives an outline of the instruments to be used for enhanced governance in RMCs; Section 8, provides some conclusions; and finally Annex 1 gives a brief summary of the experience of MDBs and other international institutions in governance, while Annex 2 provides the Action Plan.

2. THE MEANING OF GOVERNANCE

- 2.1 According to the Oxford Dictionary, governance means “the act or manner of governing, of exercising control or authority over the actions of subjects; a system of regulations”. In essence, therefore, governance may be taken as denoting how people are ruled, and how the affairs of a state are administered and regulated. The World Bank's 1989 report on Sub-Saharan Africa: From Crisis to Sustained Growth, which, forcefully raised the issue of governance in the context of Sub-Saharan Africa, defined governance as “the exercise of political power to manage a nation's affairs”.

- 2.2 While these definitions do not presuppose any particular form of political organization, they do implicitly link governance with state sovereignty. However, in an increasingly globalized world, states are bound together by a web of multilateral and bilateral agreements that create mutual binding obligations and place governments under greater scrutiny. The trend towards globalization deserves special attention. It is manifest in the growth of regional blocks that co-operate in such areas as trade and legal frameworks. It is also observed in the power of intergovernmental institutions and in the spread of transnational corporations. Globalization is altering the world economic landscape in fundamental ways. It is driven by a widespread push towards the liberalization of trade and capital markets, increasing internationalization of corporate production and distribution strategies, and technological change that is rapidly dismantling barriers to the international tradability of goods and services and the mobility of capital.
- 2.3 Globalization has profound implications for governance, **including** the erosion of the state sovereignty as transnational bodies increasingly mediate national concerns and press for universal laws. Another dimension is the increased globalization of political, social, economic and environmental problems. Thus good governance cannot be considered a closed system. The role of the state is to find a balance between taking advantage of globalization and providing a secure and stable social and economic domestic environment. Against this background, governance **can more appropriately be defined as: "a process referring to the manner in which power is exercised in the management of the affairs of a nation, and its relations with other nations"**. It follows therefore, that solutions to some governance problems, such as corruption and excessive military expenditure, can be facilitated by actions at the global level. However, though recognizing the important dimension and implications of globalization, this policy focuses more on the national **elements of good governance**.

3. THE ELEMENTS OF GOOD GOVERNANCE

- 3.1 There is consensus that **good governance** should build on: (i) effective states; (ii) mobilized civil societies; and (iii) **efficient** private sectors, three factors necessary for sustained development. Effective states create an enabling political and legal environment for equitable economic growth. Active and vibrant civil societies mobilize individuals, groups and communities, facilitate political and social interaction, help to generate social capital, and foster societal cohesion and stability. Productive private sectors generate jobs and income. There is also a wide consensus that the key elements of good governance include accountability, transparency, combating corruption, participatory governance and an enabling legal/judicial framework.
- 3.2 **Accountability**. It is defined as holding responsible elected or appointed individuals and organizations charged with a public mandate to account for specific actions, activities or decisions to the public from which they derive their authority. In a narrow sense, accountability focuses on the ability to account for the allocation, use, and control of public spending and resources in accordance with legally accepted standards, i.e. budgeting, accounting, and auditing. In a broader sense, it is also concerned with the establishment and enforcement of rules of corporate governance.

- 3.3 **Transparency.** It is broadly defined as public access to knowledge of the policies and strategies of government. Among other things, it involves making public accounts verifiable, providing for public participation in government policy-making and implementation, and allowing contestation over decisions impacting on the lives of citizens. It also includes making available for public scrutiny accurate and timely information on economic, financial and market conditions.
- 3.4 **Combating Corruption. A general definition of corruption is the misappropriation of public assets or public office/trust for private gains.** This definition sufficiently covers most forms of corruption in both the private and public sectors. Combating corruption is a key indicator of commitment to good governance.
- 3.5 **Stakeholder Participation.** Participation is defined as a process whereby stakeholders exercise influence over public policy decisions, and share control over resources and institutions that affect their lives, thereby providing a check on the actions of government. In the context of governance, participation is focused on the empowerment of citizens, and the interplay between a broad range of civil societies, actors, and actions. It concerns the creation of an enabling regulatory framework and economic environment in which citizens (including women) and private institutions can participate in their own governance, generate legitimate demands and monitor government policies and actions.
- 3.6 **Legal and Judicial Framework.** A pro-governance and pro-development legal and judicial system is one in which the laws are clear and are uniformly applied through an objective and independent judiciary. It is also one in which the legal system provides the necessary sanctions to deter or penalize breach. It promotes rule of law **and respect for** human rights, and private capital flows.

4. GOVERNANCE, DEVELOPMENT AND DEMOCRACY

- 4.1 The elements of good governance highlight the complex nature of the concept. Good governance covers two distinct but closely related dimensions: one is political, and relates to the degree of genuine commitment to the achievement of good governance; the other is technical, and relates to issues of efficiency and public management. Both must be addressed to create a truly enabling environment where private operations can flourish and poverty can be reduced.

Governance and Development

- 4.2 Poor governance manifests itself through the following:

- failure to make a clear separation between public and private resources;
- failure to establish a predictable framework of law and government behavior conducive to development;
- excessive rules and regulations, which impede the functioning of markets and encourage rent-seeking;
- priorities inconsistent with development, resulting in a misallocation of resources; and
- narrowly based or non-transparent decision-making.

- 4.3 The absence of good governance has proved to be particularly damaging to the “corrective intervention” role of government. Programs for poverty alleviation, for example, have been undermined by corruption, lack of public accountability and participation of the beneficiaries. Pervasive corruption is damaging to development. It weakens the ability of governments to carry out their functions efficiently, including by diluting equity from the provision of government services. Other causes of poor development management are the high degree of concentration of decision-making power.
- 4.4 The trend towards the disengagement of the state from productive activities, while re-emphasizing the government’s crucial responsibilities for the provision of public social and infrastructural services and **for the creation of** an enabling environment, has a major impact on governance. Distinct, though related, is the parallel trend toward decentralization and the empowerment of local communities. Popular participation, more specifically that of women and disadvantaged groups, fosters more efficient delivery of services, equitable distribution of resources, and is, therefore, germane to poverty reduction.
- 4.5 Empowerment, decentralization, greater accountability, participation, creation of an enabling environment will not assure better governance unless agencies at central, intermediate and community levels are made more competent. This brings to the fore issues of technical management and of skills acquisition. It also highlights the need for institutional and capacity building.

Governance and Democracy

- 4.6 Good governance and democracy are highly inter-linked and considered both necessary and complimentary for securing state effectiveness and legitimacy as well as equitable distribution of the fruits of economic growth. Accountability, transparency, stakeholder participation, which constitutes important aspects of good governance are also key ingredients for democracy.
- 4.7 Democracy is the institutional framework that best promotes accountability and transparency. It ensures that decision-makers in government, the private sector and civil society organizations are accountable to the public, as well as to institutional stakeholders. Transparency is also built on the free flow of information which, can be enhanced through the improvement of the democratic processes. Democracy provides for the direct accessibility of institutions and information to those concerned with them, and therefore, leads to more open systems.
- 4.8 Stakeholder participation is crucial for engaging the energies and commitment of people for sustained development and fostering equity in the distribution of the benefits of development. Indeed, in the context of Africa’s “heterogeneous” societies and gender inequality, inclusive civic participation and respect for human rights are necessary for generating social capital and societal cohesion. They help to foster trust and reciprocity between citizens and their governments, state and private sectors, and among different social and political groupings (ethnic, religious and regional) of the country. Respect for human rights promotes the enjoyment of basic freedoms of expression, assembly and association, which empower citizens to act to improve their living conditions. It also

makes it possible for civil society, the media, and advocacy groups to have a voice and demand redress from inefficient state policies.

5. BANK GROUP SCOPE OF WORK IN FOSTERING GOOD GOVERNANCE

- 5.1 The mandate of the Bank is to contribute to the economic development and social progress of RMCs. In this context, the Bank's development priorities are: accelerating economic growth, promoting human resource development and reducing poverty in RMCs. In furtherance of the intertwined objectives of growth and poverty reduction, the Bank engages in lending operations, provision of technical assistance, policy dialogue and exchange of best practices. These activities are designed to increase productive capacity, enhance efficiency in national economic management, and promote the development of the private sector. The Bank's operations also aim to address critical cross-sectoral issues, particularly those relating to gender mainstreaming; population; regional co-operation and economic integration; participation and environmental management.
- 5.2 For these activities to fully thrive, it is necessary to have in place credible arrangements for:
- ensuring accountability of public agencies and officials through formal transparent process for monitoring and reporting;
 - fostering transparency at all level of government and public administration, including budgetary transparency;
 - combating corruption;
 - fostering greater participation, and freedom of speech and association to enable the beneficiaries of government programs to participate effectively in determining and meeting their needs;
 - nurturing an objective and efficient judiciary; and
 - enhancing efficiency within public **and private** institutions by building technical and management capacities.
- 5.3 Due diligence provisions of the Bank Group agreements provide a solid legal basis for incorporating the above considerations and activities in the Bank's operations. As a provider of capital for development, the Bank must necessarily apprise itself of issues that may impact upon the success of development projects in RMCs. Hence, each of the agreements establishing the ADB (The Bank Agreement) and the ADF (the "Fund Agreement") contain provisions which require that certain due diligence actions be taken prior to the approval of a project for financing, and also during the life of the project.
- 5.4 For example, in compliance with Article 17 of the Bank Agreement, the decision to provide financing is based among other things, on specific determination that the borrower will be able to fulfil its loan obligations. Governance, as the manner in which power is exercised in the management of a country's resources, is relevant in this context as it indicates the borrower's ability to fulfil its obligations and the feasibility of the project. In the case of private sector operations, good governance by the relevant government is a factor, which affects the environment in which the borrowers operate and thus, their ability to be profitable and meet their obligations.

5.5 The Bank's mandate to contribute to the economic development and social progress of RMCs and, in particular, **Article 17 justify a consideration of human rights practices among the criteria for granting assistance.** Human rights and fundamental freedoms such as freedom of expression, assembly and association empower citizens in their struggles to improve their living conditions, and give civil society and the media a voice to criticize and demand redress for inefficient state policies. Their enjoyment is a key condition for sustained governmental accountability and associated managerial and economic efficiencies. Moreover, abuse of human rights and discriminatory policies often contribute to ethnic and other conflicts that lead to social and political instability, diversion of scarce resources and disruption of economic development. Thus, respect for human rights clearly has a bearing on the ability of borrowers to make productive investment of Bank Group resources and also fulfil their obligations.

6. OPERATIONALIZING GOOD GOVERNANCE IN BANK GROUP ACTIVITIES

6.1 In operationalizing its agenda for good governance, the Bank will be guided by the following:

- **The country's institutional capacity, social and political situation.** The objective in each case is to help in the development of an enabling environment, taking on board all the necessary economic and non-economic factors;
- **The need to take into consideration the effects of bad governance on development performance;**
- **The ownership of development programs and policies by RMCs; and**
- The concern for effective partnership among government, private sector, civil society and the international development community in the implementation of governance initiatives/activities.

6.2 The Bank acknowledges the complexity of the governance concept, and recognizes the need for a more differentiated approach between countries. Therefore, the Bank's interventions related to governance will be chosen selectively from the range of activities described below, depending upon country circumstances and needs, the state of dialogue with the country and budgetary and staff constraints.

A. Accountability

Public Sector Management

6.3 **Operationalizing accountability involves putting in place mechanisms that will enhance and guarantee the quality of public services.** Therefore, Bank Group interventions to promote accountability in public sector management will focus on strengthening mechanisms for expenditure control, exposure of and sanctions against mispending and corruption. This will also extend to the monitoring and evaluation of public expenditure programs for effectiveness and performance.

- 6.4 For enhanced accountability in public sector management, internal controls on the supply side of accountability, must be underpinned by the demand and political side of accountability. **Thus, Bank Group activities will also focus on public management reforms that will engender better service delivery of public institutions to their clients, and empower citizens to demand better services from public institutions.**
- 6.5 **The Bank Group activities will take advantage of the new espousal of democratic institutions in RMCs, and help establish or strengthen the legal and financial independence of the formal agencies of promoting public sector accountability such as the Audit Service/Auditor General's Office, Public Accounts Committee of Parliament and Ombudsman.**

Public Enterprise Management and Reform

- 6.6 Insufficient transparency and accountability have been key among the factors impeding public enterprise reform in general, and privatization in particular in most RMCs. In addition to the economic inefficiencies they entail, inadequate transparency and accountability are **key factors that fuel public suspicion on rent-seeking, corruption and resistance to reforms. The Bank Group is therefore committed to improving accountability in public enterprise management and institutional reform.**
- 6.7 Bank Group activities to enhance accountability will aim at encouraging RMC governments to increase the use of transparent modes of privatization and outsourcing of privatization management to private sector firms and the stock exchange, in addition to publicizing divestiture bids, sales and payments. For both publicly and privately-owned enterprises, **the Bank will support efforts to develop and enforce rules of corporate governance, reduce conflicts of interest, and promote the establishment of credible and competent governing boards.**

Public Financial Management

- 6.8 A key dimension of accountability of particular interest to the Bank Group is that of financial and budgetary accountability. It involves establishing the requisite infrastructure for sound financial management, for both public and private sector **institutions**. The Bank Group activities will center on the modernization of government accounting procedures, training of accountants and auditors, the development and strengthening of professional code of ethics and disciplinary procedures.
- 6.9 Improving public expenditure management and enhancing budget discipline are an important aspect of effective and accountable public financial management. **To this end, the Bank Group will work closely with RMCs and the donor community to provide training in project development, analysis and budgeting, and to improve information systems in RMCs.**

Corporate Governance

- 6.10 **Internal discipline and respect for corporate code of conduct directly influence efficiency and consequently economic growth.** With the increasing efforts to privatize and to use the private sector as a fulcrum for economic development, the need for greater accountability and transparency in the way corporations are governed becomes even more imperative. Corporate governance affects the stakeholders, the corporation's potential to access global markets, and its societal relationships. Proper corporate governance can have the effect of furthering commercial activities on a regional level, curtailment of corruption, reduction of poverty, and environmental protection. **Bank Group activities will support efforts to introduce improved rules and standards applied among shareholders, directors, and management, with a view to strengthening corporate contribution to economic development.**

Civil Service Reform

- 6.11 The reform of the state institutions **to render them more effective, accountable and transparent is a cornerstone of good governance. Bank Group activities aim at helping RMCs refine and adopt models being developed by international and specialized agencies, for fostering civil service accountability and for strengthening the local capacity to design and implement development programs.**
- 6.12 The Bank Group **will continue to collaborate** with the World Bank and other donors to streamline African public services, improve systems, reform wage structures, and reallocate redundant employees. **Bank Group activities will support efforts to foster meritocracy and quality recruitment systems in the African public services, and work towards the reduction of salary differentials between the private and public sectors.** Bank Group activities to support civil service reforms will include updating of service regulations (e.g., Civil Service **manual/code**), as well as helping to develop realistic and enforceable code of ethics for public servants that incorporate elements of transparency, accountability and democratic governance. **In addition, the Bank Group will encourage RMCs to promote professionalism and to free public services from stifling and corrosive political control.**

B. Transparency

Information Disclosure

- 6.13 The Bank Group subscribes to and enforces the principle of transparency and information disclosure both in its relation with RMCs and in the execution of its internal activities. It employs open international competitive bidding procedures for the procurement of most works, goods, and services it finances. Similarly, the Bank Group adheres to strict requirements of transparency in all transactions relating to the proceeds of its financing. Board approval and execution of the Bank Group Information Disclosure Policy, the maintenance of a constantly updated Website, and the establishment of a Public Information Center (PIC) at its headquarters are ways in which the Bank Group manifests its own corporate transparency.

- 6.14 The Bank Group recognizes that the political and institutional pluralism and the expansion of media freedoms in RMCs have improved general information availability. However, official transparency continues to be severely constrained by the existence and application of laws restricting public access to information. Therefore, Bank Group activities to help improve transparency at all levels of government and public administration in RMCs will be geared towards reducing the prevailing legal and systemic factors promoting official secrecy and inhibiting public access to information.
- 6.15 The Bank Group will support RMCs efforts to promote free flow of information to enhance good governance, including the development of suitable legislation that would promote freedom of information, information disclosure, and public access to information. A skilled core of investigative journalists is indispensable for promoting accountability and transparency. Therefore, the Bank Group will collaborate with relevant international, regional and national organizations to build the local capacity in basic journalism and to improve the management of relevant institutions.**

Public Expenditure Reviews (PERs)

- 6.16 The Bank Group is fully committed to budgetary transparency. **In collaboration with the World Bank, IMF and relevant bilateral institutions**, it will intensify public expenditure reviews with a view to making the budgeting system in RMCs more transparent. These reviews have led to the prioritization of public sector expenditures, and keeping budgetary issues, including the general problem of expenditure efficiency, at the forefront of economic reforms. Through policy dialogue with RMCs, the Bank Group will address concerns for effective public resource management, **with a special attention given to** issues such as the level of military expenditures and the need for increased priority for social sector programs.
- 6.17 A key element of Bank Group intervention in support of budgetary transparency is the building of local capacity in public expenditure reviews. Therefore, the Bank Group will support programs to provide and/or upgrade economic management and enhance competence among public and private agencies involved in the review of public expenditures. In this regard, the Bank Group will initiate or collaborate with other donor agencies to build capacity in expenditure review among local think-tanks and economic research institutions, and for specialized economic and financial oversight (e.g. Auditor, Inspector and Accountant General Departments).

Capacity in Public Policy Analysis and Dissemination

- 6.18 The Bank Group activities to foster transparency in policy making will focus on expanding participation in policy analysis and dissemination by state and non-state actors, and other stakeholders. In this regard, the Bank Group will initiate, or collaborate with bilateral partners and other donors to host policy “forums” in RMCs **to promote and facilitate the discussion of** key national economic and social policies. In some RMCs these fora have been used to expand the participation of key stakeholders in macro-economic policy-making and review, and to generate consensus on its key elements.

- 6.19 To help build local capacity in policy analysis, the Bank will provide support for national and regional policy research institutes and think-tanks to undertake independent data collection and analysis, and to monitor and evaluate policy. It will also help in the dissemination of the results of such work, to ensure wider participation and ownership of development programs and initiatives.

C. Combating Corruption

- 6.20 The Bank Group is keenly aware of the impact of corruption on the **economic development of RMCs**. It hinders proper resource management, undermines efforts to enhance growth and reduce poverty and obstructs sound and sustainable private sector development. **Moreover**, the Agreement establishing the Bank entrusts it with a responsibility to install effective control mechanisms to ensure probity in its business transactions, and therefore, calls for the elimination of all forms of fraud and corruption from its lending operations and financial assistance. The Bank Group is therefore committed to working with its international partners, RMC governments, relevant NGOs and civil society organizations to combat corruption.
- 6.21 The Bank Group anti-corruption efforts will focus on the following areas: prevention and control of corruption relating to Bank-financed projects and programs; reduction of opportunities for rent-seeking and corrupt practices; support for research on the nature, origin, development and impact of corruption on African societies; support civil society capacity in investigating corruption matters; sensitization of, and assistance to RMCs for combating corruption.
- 6.22 The Bank considers combating corruption as pivotal to the efforts a country can make to promote good governance. This factor is being taken into account in the country performance assessment and allocation of the concessional ADF resources. **The Bank will also encourage RMCs to introduce anti-corruption measures aimed at the detection and deterrence of fraud and corruption in their own procurements.**

Support for Research on Corruption

- 6.23 Corruption is a very complex phenomenon. It has both international and domestic dimensions. The process of eradicating corruption is bound to be long and difficult. Identifying the main root causes is an important first step to the selection of appropriate strategies for its deterrence. It is vital to gain an awareness and understanding of the complexity of the phenomenon, its evolution and repercussions. Supporting research by national and regional research centers to review the various causes of corruption in RMCs will be one of the Bank's priorities in the years to come.

Prevention and Control of Corruption in Bank-financed Operations

- 6.24 As noted above the Agreement establishing the African Development Bank, requires it to ensure that the proceeds of any loan made or guaranteed by it are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency. The spirit of this requirement broadly guided the rules of procedure for the procurement of goods and services laid down by the Bank in 1980. These rules and procedures were significantly revised in 1996 **and 1999**. It is now possible for the Bank

to cancel part of or an entire loan or grant if the procurement procedure is tainted by acts of fraud or corruption. Similarly, the Bank may **sanction** a firm found guilty of fraud or corruption following a special audit or judiciary decision.

- 6.25 At the internal level, the Bank has earmarked resources, prepared documentation and perfected procedures to ensure that the procurement process is as transparent as possible, and enables a close monitoring of the manner in which contracts financed with Bank loan and grant resources are awarded. Through the establishment of the Procurement Review Committee, the Bank can at all times, receive and examine complaints by bidders who are not satisfied with the way in which their bids were processed by borrowers or executing agencies. This Committee is independent and its decisions, which can even lead to the cancellation of the **procurement process** or the financing, are final.
- 6.26 The Bank will remain alert to changes in international procurement practices and adapt its own rules accordingly. It will maintain permanent dialogue with other international financial institutions and all governmental and non-governmental organizations working towards greater transparency in procurement. It will also strengthen its role in monitoring and ensuring effective use of the resources provided to member countries, while remaining open to complaints from bidders, and organizing reviews of current contract award procedures.

Sensitization and Provision of Assistance

- 6.27 The Bank will continue to organize meetings with its regional member countries on public procurement reform in Africa. These conferences provide an opportunity to sensitize participants to the high incidence of corruption during the public procurement, define together the key elements of a strategy to combat the phenomenon, and to specify the type of assistance the Bank could provide to RMCs. The Bank will encourage and assist RMCs to equip themselves with procedures that give priority to open competition in the award of official contracts, establish transparent and well-balanced relations with the business community and to invest in the training and professionalization of their civil servants. In this regard the Bank will support regional initiatives, that are aiming to promote modernization and harmonization of the national public procurement systems in regional blocs.

D. Participation

- 6.28 The Bank recognizes that the development challenge facing most of the RMCs can no longer be met with past practices of autocratic governance, and that good governance requires the participation of all citizens. Participation promotes equality, especially in gender terms and for disadvantaged communities, and ensures sustainability through ownership.
- 6.29 Accordingly, Bank Group interventions to enhance participation in RMCs will center on the following areas: (i) increased stakeholder participation in policy and project cycle activities; (ii) expanded co-operation with the civil society and in particular NGOs/CBOs; (iii) support of decentralization through capacity building at the various sub-national levels; and (iv) discussion of public/private sector interface in policy dialogue with member countries.

Participation of Beneficiaries and Affected Groups

- 6.30 The Bank Group is concerned with the failure of many development programs to be successfully delivered to the intended beneficiaries. To enhance the responsiveness of and support of RMCs and Bank Group to the needs of society, and particularly of its most vulnerable groups, the Bank will help to create a favorable environment to enable citizens to take responsibility for and share authority in decision-making and to generate legitimate public demands. To enhance the overall sustainability of projects it funds in RMCs, the Bank Group will ensure that decisions about social and economic priorities and investment strategies enjoy broad consensus and hence legitimacy. Particular attention will be given to expanding participation in project design, implementation and evaluation to include women and most importantly to groups that represent them credibly.
- 6.31 The Bank Group recognizes that local communities are likely to be more sensitive to and informed about their environment, and that participation induces positive behavior, especially in the long-term. It can also provide a good incentive for social and economic mobilization and, when necessary, it ensures the development of an acceptance of shared hardships. Hence, empowerment of local communities will be a major issue that will be addressed in project design. The Bank Group will **also** promote such broad participation, either directly, or indirectly through organizations that best represent their interests, during the process of preparing Country Strategy Papers (CSPs). It will expand its practice of holding consultative meetings with representatives of private sector, civil society, government and other development partners as a means to mobilize stakeholder input into the preparation of CSPs.

Co-operation with NGOs, CBOs, and CSOs

- 6.32 The Bank fully **appreciates** the developmental value of NGOs, CBOs, and CSOs. In fact, these organizations act as communication lines between the local stakeholders and the Bank, providing it with useful information on local knowledge and at the same time helping to convey a project's benefits to beneficiaries. They are a key component of a participatory process that helps to raise the status of vulnerable groups, build confidence, and enhance the ability of local people to manage and negotiate development projects. To help achieve its key objective of poverty reduction, the Bank will strengthen its collaboration with NGOs and CBOs, through effective partnership building with all civil society organizations.
- 6.33 The Bank is also conscious of the fact that the participation of NGOs, CBOs, and CSOs can constitute a destabilizing force in project planning and design, and upset established socio-political relationships. It will, therefore, ensure that participating NGOs, CBOs, and CSOs have the necessary credibility and are adequately trained and equipped to contribute to the improvement of projects. In that connection, the Bank will increase its assistance to NGOs, CBOs, and CSOs to improve their credibility, strengthen their internal management and capacities to undertake training, monitoring and evaluation activities. **The AMINA pilot program for assistance to micro-finance agencies, is a good example of such collaboration and partnership.**

Economic Cooperation and Regional Integration

- 6.34 **Economic co-operation and regional integration offer tremendous opportunities for economic growth, enabling RMCs to overcome the constraints of small national markets, increasing intra-Africa trade and providing opportunities for integrating African economies into the global economy. The effective implementation of economic co-operation and regional integration are founded on enabling environments that promote accountability and transparency. Also a strong institutional framework at the regional and national levels is fundamental to streamline regional agreements into national policy. At the same time the harmonization of national policies and establishment of effective transnational implementation tools, offer opportunities to push reforms conducive to good governance at regional level. For example the adoption of a regional legal framework and the establishment of a related judicial institution (OHADA) is proving an effective instrument to improve the regional environment for private sector promotion. The Bank will therefore, provide support for such regional initiatives in the context of its efforts for the advancement of economic cooperation and regional integration in Africa.**

Support Decentralization At Various Sub-National Levels

- 6.35 Decentralization can be one of the prime strategies for advancing good governance. It is a key means to obtain greater transparency and accountability, and it can be used effectively to combat corruption by placing resource management in closer proximity to citizens. Legislative reform for enhancing the role of local governments via decentralization and devolution, is often the precursor to wider reforms shifting the balance away from central bureaucracies and towards multi-level governance and the strengthening of pluralistic civil society. **Experience in Africa and elsewhere indicates that, to be effective, the vesting of duty, responsibility and accountability in local governments units should also be accompanied with provision for adequate resources to discharge their powers and effectively carry out their functions.**
- 6.36 Bank Group experience suggests that central governments are only part of the solution to the problems of poverty, inequality and environmental degradation affecting most RMCs. The Bank is aware that, centralized systems of service delivery have often proved to be inadequate and unable to satisfy demands for basic services generated by rapid growth and urbanization. It recognizes that while most of these problems are acutely felt at the local level, local governments and other institutions that are expected to tackle them, lack the necessary financial, technical and human resources.

- 6.37 The Bank will, therefore, actively support the involvement of local governments in the provision and management of services, as well as enhance their capacity for resource mobilization and investment planning. Experience in Africa and elsewhere indicates that, CBOs and users contribute significantly to efficient service delivery and cost savings when they are involved in project design and implementation. The Bank Group will therefore, encourage the creation of mechanisms that support co-ownership and co-responsibility for the provision of essential services.

Public Sector/Private Sector Interface

- 6.38 The Bank Group regards both the private and public sectors as key players in the drive towards sustainable development. Civil society, governments and the private sector are all considered as participants in a joint effort to combat poverty. **The private sector can become a key partner with the government and civil society in addressing development challenges through its adherence to and promotion of good governance.**
- 6.39 The Bank will, therefore, promote public-private sector dialogue as well as reforms conducive to private sector development. It will encourage the private sector to mobilize financial, technological and management resources to facilitate the creation of efficient production systems. However, the Bank will also work towards ensuring that the most vulnerable segments of the society, including women and disadvantaged groups, are protected. In this framework, greater attention will be paid to issues that relate to corporate governance, **and to the Core Labor Standards (CLS), which are gaining increasing acceptance as a basis for establishing criteria to which countries, all over the world, are held accountable. The main elements of the CLS as developed by the ILO include, freedom of association and collective bargaining, elimination of forced or compulsory labor, abolition of child labor and the elimination of discrimination in employment.**

E. Legal and Judicial Reform

Law Reform

- 6.40 The Bank Group regards the creation and sustenance of a predictable legal environment, with an objective, reliable, and independent judiciary as an essential component of good governance. The Bank Group will provide technical assistance to RMCs to review existing laws, with a view to achieving modifications to update and address deficiencies, especially those that infringe on human rights of women, minorities and other groups of people.
- 6.41 Consistent with its commitment to mainstream gender issues in its interventions in good governance, the Bank Group will collaborate with RMCs, other donors, and relevant NGOs to introduce measures that strengthen actions by the legal system in this area. It will also provide support for reforms that affirm gender equality under the law, including property and land rights, family law and working conditions.

Judicial Reform

- 6.42 An independent and well-equipped judiciary, whose decisions are consistently enforced, and court administration that ensures cases are dealt with expeditiously and at reasonable cost to the parties, are essential factors in the promotion of the rule of law. Similarly the creation of honest law enforcement agencies that effectively carry out court decisions, **effective and timely implementation of sanctions against corrupt political officials**, as well as improved access by the poor people to judicial services are prerequisites for good governance.
- 6.43 The Bank Group will collaborate with RMCs and other donor agencies to undertake projects that would simplify filing procedures, including the automation of systems for judges' chambers, court rooms, and court registry and improve law reporting. The Bank Group will also assist in the training of judicial officers and provision of continuing legal education, especially for judges who would operate commercial courts. In addition, it will support programs aimed at improving remuneration for judges.

Legal Framework for Private Sector Development

- 6.44 The Bank is aware that an essential part of the rule of law is the creation of a stable economic environment. Thus, through its participation in policy-based lending, the Bank Group has contributed to the promotion of rule of law in RMCs by supporting the enactment of legislation that prohibit arbitrary expropriation of property, institutes property rights for communal lands, and eliminates monopolies and controls. The Bank Group will continue with these efforts.
- 6.45 The Bank Group is committed to the creation of an enabling environment for attracting and retaining investment capital as a means of stimulating private sector development. It will therefore support the development and refinement of business laws in RMCs with a view to making them clearly identifiable, current and accessible so that they can facilitate the flow of capital and the transfer of property. In furtherance of this goal, the Bank Group will collaborate with various regional bodies, the World Bank, RMC legal establishments and law reform commissions, as well as law societies on projects to update business laws, in particular, those relating to rules of competition and anti-trust, corporate governance, investment laws, property rights, debt collection and business reorganization and bankruptcy laws.
- 6.46 Issues relating to the liberalizing of economies for greater private sector participation both domestically and internationally affect economic growth and the ability of countries to attract investment. Internationally, the laws governing private sector activities are being revised and harmonized to facilitate cross border transactions. Even where these laws are not done by conventions or treaties, model laws are being introduced for these purposes. Issues pertaining to securitizations, insolvencies, security interests in movable properties, and other laws that affect the economic environment are critical to the development of RMCs. The Bank Group will promote the adoption of modernized laws and assist in building the requisite legal and judicial infrastructure for the implementation of these laws.

7. INSTRUMENTS FOR ENHANCED GOVERNANCE IN RMCs

- 7.1 In operationalizing its agenda in the area of good governance, the Bank will focus on accountability, transparency, promotion of human and civil rights, combating corruption, stakeholder participation, and legal and judicial reforms. These interventions will be pursued in collaboration with the BWIs, regional and specialized organizations, and bilateral agencies through economic and sector work; policy dialogue; and lending and non-lending activities.

Economic and Sector Work

- 7.2 The Bank Group is well placed to raise and discuss the issues of good governance with its RMCs. Through policy dialogue, and in the context of economic and sector work (ESW) and preparation of the Country Strategy Papers (CSPs), the Bank will continue to impress on member governments the importance of good governance for sustained development. And through such dialogue and interactions, effective programs and projects that seek to improve governance could be jointly identified, designed and implemented.

Advocacy Role

- 7.3 The activities identified to promote good governance will be pursued through a combination of advocacy, policy dialogue and consultation with RMCs. Therefore, the Bank will continue to participate in, and to organize senior level seminars, conferences and workshops.
- 7.4 While the Bank may find it difficult to directly tackle political aspects of good governance, it will nonetheless make it clear to RMCs that **these** issues are explicitly taken into account in assessing country performance and determining resource allocation. Thus, the new Country Performance Assessment (CPA) methodology includes issues such as, political stability, anti-corruption policies and practices, property rights and rule-based governance, and accountability and transparency of the public service.

Lending Activities

- 7.5 The Bank has for some time now been supporting activities and programs that seek to improve governance. Such activities have, however, been largely designed as components of larger structural adjustment or sector adjustment operations. And although of late, policy-based lending has started to address issues of governance more directly, projects that give matters of governance their due priority and importance are still rare. There is, thus, a need to tackle the issues of governance in a much more proactive, direct and integrated manner. In this regard, the issues of civil service restructuring, reform of the legal and judicial systems, strengthening financial management capacity, and instituting participatory approaches, will be targeted for sustained support. In the design of projects and programs of governance in RMCs, attention will also be given to the creation of transparent systems of administration and accountable public authorities and institutional decentralization.

- 7.6 Capacity building activities, and assistance for legal and judiciary reforms are the central focus of the Bank's efforts in improving governance in its RMCs. Building capable institutions at the local and national levels, as well as in the civil society and the private sector is essential to secure the effectiveness and sustainability of Bank Group intervention in governance. The Bank activities will aim at enhancing the effectiveness of public administration and development management. They will promote institutional support for capacity building for policy analysis, oversight and audit functions, civil society organization and decentralization efforts in RMCs.

Non-Lending Activities

- 7.7 The emphasis of Bank Group non-lending activities will be on the expansion of co-operation and collaboration with civil society organizations (CBOs/NGOs) and other development partners by lending support and credibility to their advocacy role. The Bank will also provide technical assistance in support of the reforms of the legal and judicial systems; privatization initiatives of RMCs; public sector reform programs; and work towards strengthening financial management capacity, and compilation of best practice, in the region and elsewhere, that are relevant to governance activities.
- 7.8 The effectiveness of the Bank's activities in good governance will be ensured through policy harmonization and program co-ordination with partner institutions at the national, regional and continent-wide levels. Programming in this area will leverage the efforts of regional and international partners through existing co-ordination mechanisms, including Donor Round Tables and Country Consultative Meetings. The Bank Group will collaborate with the Bretton Woods Institutions and with specialized partner institutions (OAU, ECA, WB, IMF, OECD-DAC, UNDP and others) in developing regionally relevant benchmarks, codes of conduct, and indicators of good governance to assist RMCs improve priority setting, and activities in governance.

8. CONCLUSION

- 8.1 Good governance is an essential requisite for sustainable development. The Bank Group's interest in governance arises from its mandate to ensure the effectiveness of the development efforts it supports. It is also in line with the Bank's Vision for sustained African development into the 21st Century. For the Bank Group the key elements of good governance include accountability, transparency, combating corruption, participatory governance and an enabling legal/judicial framework.
- 8.2 The Bank acknowledges the complex nature of governance issues, and it is aware that, the work in this area is likely to prove difficult and may not yield quick results. It recognizes the need for a long term engagement and differentiated approaches between regions, countries, and project types. A proposed Action Plan (Annex II) summarizes the main activities to be undertaken to effectively operationalize the Bank policy on good governance. The Action Plan is intended to help create and reinforce linkages both within the Bank and with the Bank's partners, including RMC governments, multilateral lending institutions, bilateral donor agencies, and CSOs/NGOs. The proposed activities would be implemented in stages, within a specified time frame and at different levels: (i) within the Bank itself; (ii) with Regional Member Countries (RMCs); and (iii) in collaboration with other partners and stakeholders.

ANNEX 1

MULTILATERAL DEVELOPMENT BANKS (MDBs) AND OTHER INTERNATIONAL INSTITUTIONS EXPERIENCE WITH GOVERNANCE

- 1.1 Multilateral Development Banks (MDBs), bilateral donors, international development agencies and Non-Governmental Organizations are, to varying degrees and in different ways, involved in activities designed to promote good governance and sustain accountability and transparency systems. The experiences of some of these organizations involved in governance are highlighted below, namely: the experiences of the World Bank, the International Monetary Fund, the Asian Development Bank, the Inter-American Development Bank, the United Nations Development Program and the Organization for Economic Co-operation and Development.

The World Bank

- 1.2 The World Bank focuses on issues, measures and programs for accountability, transparency and corruption insofar as these factors affect economic policy and management. It emphasizes economic and institutional reforms aimed at improving the management and accounting of public resources, as well as creating and maintaining a transparent, stable and predictable economic, legal and regulatory environment conducive to sound macro-economic management and efficient private sector economic activities. The World Bank is particularly concerned with financial and budgetary accountability, transparency in public procurement, market-oriented economic reforms, and civil service reforms that focus on governance.
- 1.3 The World Bank is also trying to foster a more participatory approach to the design, implementation and evaluation of its development projects and programs, with a view to strengthening mechanisms for the input and reactions of communities and associations of local beneficiaries and users.

The International Monetary Fund

- 1.4 For the International Monetary Fund, good governance is inextricably linked to issues of efficiency of resource allocation, incentive for saving and investment, public support for the economic reform program, and, thereby, to the sustainability of the adjustment efforts. The IMF has long been involved in promoting good governance – either directly or indirectly - in the context of its policy advice and technical assistance to member countries. More recently, governance issues have risen to prominence in Fund activities for a variety of reasons, including, greater recognition that poor governance can be an obstacle to private sector investment; the increasing emphasis of donors on governance in the allocation of aid and its implications for the financing of Fund supported programs; and issues of corruption, transparency and accountability.

- 1.5 The Fund views that, promoting good governance has significant economic benefits. It, therefore, considers ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper.
- 1.6 In the African context, both institutions (the World Bank and the IMF) together with African governments have, over the years, paid increasing attention to moving the reform policymaking process away from a purely technocratic monopoly. They are increasingly working towards wider participation and debate by national, sectoral and local stakeholders.

The Asian Development Bank (AsDB)

- 1.7 The Asian Development Bank policy on good governance concentrates on accountability, transparency, predictability and participation. The Bank increasingly pays attention to the policy and institutional environment in which economic activity takes place. In particular, it identifies "predictability" as an element of governance with the two areas of action for Bank operations: the law and development on one hand, and the legal framework for private sector development on the other.
- 1.8 The AsDB recently (July 1998) approved an anti-corruption policy aimed at reducing the enormous costs that widespread and systematic corruption exact upon governments and economies. Working with its developing member countries, the AsDB is determined to attack corruption on several fronts, including: strengthening public institutions by making them more efficient, effective, accountable and transparent; pressing for increased market liberalization and competition to break up monopolies and increase choices for consumers; helping governments that ask for anti-corruption assistance on a case-by-case basis; raise anti-corruption issues in country program development discussions with governments as part of the broader issues that relate to sound development management and ensuring that bank's projects and staff adhere to the highest ethical standards.

The Inter-American Development Bank (IDB)

- 1.9 The Inter-American Development Bank recognizes a direct relationship between economic development and the quality of governance. It has focused its activities in support of good governance on the reform and modernization of judicial systems of its member countries.

The United Nations Development Program (UNDP)

- 1.10 The United Nations Development Program stresses good governance as a prerequisite for and a component of sustainable human development. It seeks to promote accountability and transparency in areas such as the legislative and the judiciary branches of

government, civil society organizations in their advocacy and monitoring roles; public and private management; electoral processes; decentralization and other mechanisms of enhanced participation.

- 1.11 The initiatives such as the Program for Accountability and Transparency (PACT), as well as national governance programs supported by UNDP, propose reforms and capacity building measures with direct or indirect impact on reducing corruption opportunities and incentives.

The Organization for Economic Co-operation and Development (OECD)

- 1.12 The OECD recognizes that corporate governance - the rules and practices through which investors, employees, management and other enterprise stakeholders operate - is important to Government because performance of the enterprise sector is a key determinant of progress in income and welfare. OECD, over the years, has continued its work in addressing and clarifying the complex links between policy frameworks, corporate governance practices and economic outcomes, as well as the roles of policymakers and the private sector respectively. The OECD is presently working on developing minimum international standards in minimum and “best practices.”
- 1.13 The OECD recognizes that bribery in international business is another key issue in an increasingly interdependent world economy. According to OECD, bribery hinders competition, distorts trade and harms consumers, taxpayers and efficient traders. It can also undermine public support for governments. OECD considers bribery of foreign officials a criminal offence, and accordingly, proposes to its Member Governments to withhold tax-exempt status from citizens who take bribes.
- 1.14 For the Development Assistance Committee (DAC) of the OECD, good governance includes the following: the rule of law, transparency and accountability in public-sector management, anti-corruption strategies, and reduction of excessive military expenditures. In particular, much emphasis has been put on combating corruption in aid-funded procurement. Almost all DAC Members have introduced or are about to introduce explicit anti-corruption clauses.

ANNEX 2

BANK GROUP ACTION PLAN ON GOOD GOVERNANCE

1. INTRODUCTION

- 1.1 The Bank acknowledges the complex nature of good governance. Clearly, work in this area will likely prove difficult and may not yield quick results. There is, in particular, a need for a long-term engagement and for differentiated approaches between regions and countries, and by project types. The Bank's activities related to governance are chosen selectively from a range of options as outlined in the Bank Group Policy on Good Governance. This selection depends upon country circumstances and needs, the state of dialogue with the country and budgetary and staff constraints.
- 1.2 The Action Plan includes three critical sections, following this introduction: section 2 gives a brief summary of the expected Bank role in the area of good governance; then, the resource implications of the plan are discussed in section 3; and finally, the Action Plan matrix is presented in section 4.

2. SUMMARY OF THE BANK GROUP ROLE IN GOOD GOVERNANCE

- 2.1 This Action Plan will help integrate good governance into Bank operations and programs of activities. It will be implemented in stages, within a specified time frame and at different levels: (i) within the Bank itself; (ii) with Regional Member Countries (RMCs); and (iii) in collaboration with other partners and stakeholders.

Actions within the Bank

- 2.2 The specific actions that are to be pursued within the Bank include the following:
- (i) Implementation of new country performance assessment and resource allocation methodology;
 - (ii) Preparation of operational guidelines for the implementation of the policy on good governance;
 - (iii) Further improvement in the rules of procedure for the procurement of goods and services;
 - (iv) Building institutional capacity, including the following: recruitment of experts in the legal/judicial reforms, cross-cutting issues and procurement; conduct sensitization seminars for Bank Staff; development of guidelines on stakeholder participation and for participatory preparation of CSPs; and
 - (v) Promotion of internal corporate governance issues within the Bank.

Actions with RMCs

- 2.3 The key elements of good governance will be made operationally relevant and translated into specific activities and actions with RMCs as follows:
- (i) Promote dialogue on good governance with RMCs, within the framework of CSP preparation, lending operations, and economic and sector work (ESW);
 - (ii) Conduct (jointly with the BWIs) public expenditure reviews (PERs);
 - (iii) Support civil service reforms;
 - (iv) Support efforts in strengthening the institutional capacity of CSOs/NGOs in RMCs for participation in governance activities;
 - (v) Promote credible audit and oversight institutions;
 - (vi) Support to RMCs in their efforts of legal and judicial reforms;
 - (vii) Initiate consultation process with RMCs to gauge their interest in establishing a Regional Law Commission for Africa; and
 - (viii) Promote research activities in advancing knowledge on the nature, origin, development and impact of corruption on African societies and possible measures to combat it.

Actions with other Partners and Stakeholders

- 2.4 The specific actions the Bank expects to undertake with other partners and stakeholders, include the following:
- (i) Increase co-ordination with other partner institutions (OAU, ECA, WB, IMF, OECD-DAC, UNDP and others) in developing regionally relevant benchmarks and indicators of good governance to assist RMCs improve priority setting, and activities in governance; and
 - (ii) Promote cooperation with existing institutions engaged in Law Reforms including: MDBs, institutions engaged in progressive codification of commercial laws and training institutions.

3. RESOURCE IMPLICATIONS

- 3.1 To streamline governance into its activities, the Bank will need to build up its own institutional capacity for analyzing, assessing, and addressing governance issues in RMCs. This will require strengthening and expansion of the in-house expertise of the Bank in the various aspects of governance. The Bank will also need to have field presence in RMCs, and to intensify its collaboration with other institutions.

A. BUILDING IN-HOUSE CAPACITY

Coordination Mechanism

- 3.2 To enhance good governance program within the Bank and in the RMCs, there is a need to tap into an array of national, regional and global knowledge and experience, effectively, to build a global network of experts to support governance-related programs. These efforts will be coordinated by a small group of 3 professional staff housed in OCOD and led by the Senior Advisor on Governance. This core group of regular staff will be supplemented by other experts through technical assistance, as proposals to this effect has been submitted to OCPU, in light of the interest shown by some bilateral donors. The group will also collaborate with other partner institutions in organizing workshops, seminars and studies to acquaint Bank staff and RMCs policy makers with innovations, best practices and lessons in governance from within and outside Africa. It will be responsible for policy formulation and assist country departments in the development and monitoring of Bank activities in this area.

Strengthening of Specialized Departments and Units in the Bank

- 3.3 The Bank has already started conducting staff training seminars on topics such as, incorporating participatory approaches into CSPs preparation, project design and implementation; co-operation with CSOs/NGOs; and training in procurement rules and procedures with RMCs. These programs will continue, and new ones will be added as the focus on governance sharpens. Many concerns related to governance can be addressed by various specialists in the broad public sector management field, including accountants, lawyers, and the like, who are in short supply in the Bank at present.
- 3.4 Addressing in-house expertise and in line with the Action Plan, initial efforts will go towards strengthening the implementation capacity of the specialized departments and units, namely the Legal Services Department (CLEG), Environment and Sustainable Development Unit (OESU) and Procurement Monitoring and Consulting Services Unit (FPRU). It is envisaged that about 12 new professional staff are to be recruited to build up institutional capacity for analyzing, assessing and addressing governance issues. The new staff requirement includes four legal experts in CLEG, under the general theme of law for development, and particularly to address private sector development issues; statutory and judicial reforms; the legal aspects of transparency issues; and the co-ordination of these activities with the legal teams of the other MDBs. The remaining

eight experts will be divided as follows: three cross-cutting experts in OESU, to cover areas of institutional development, participation and civil society, three procurement experts in FPRU and two experts in governance and public sector management in OCOD. This estimated staff requirement is indicative as the forthcoming organization study will examine in greater detail the staffing level and appropriate skill mix.

B. FIELD PRESENCE IN RMCS

- 3.5 Agreement has been reached in principle for the Bank to strengthen its presence in RMCs. This will be achieved through the establishment of regional and country offices, as well as the continuation of the existing national offices program. The increased country presence in RMCs will enhance governance initiatives. It will also strengthen the Bank's ability to incorporate local knowledge, insight and institutional context in its governance interventions in RMCs.

4. THE ACTION PLAN MATRIX (APM)

Activity	ACTION DEADLINE
1. Implementation of the new Country Performance Assessment and Resource Allocation Methodology.	July 1999.
2. Field presence in RMCs.	Revised paper to be submitted for Board consideration in the 3 rd quarter of 1999.
3. Strengthening Capacity for Economic and Sector Work (CSPs, PERs).	Proposal to be included in the Renewal Accord, by end 1999.
4. Recruitment of a senior advisor on governance.	October/November 1999.
5. Preparation of Operational Guidelines for the Implementation of the Policy on Good Governance.	By 1 st Quarter 2000.
6. Preparation of policy document/action plan on law and judicial reforms.	Under preparation, to be completed by end 1999.
7. Preparation of participatory guidelines and handbook on participation.	By end of 1999.
8. Preparation of Bank Group policy on collaboration with CSOs/NGOs.	By end of 1999.
9. Advocacy role through participation in, and/or organization of seminars and conferences.	On going.

Activity	ACTION DEADLINE
10. Collaboration with other institutions on governance issues (e.g. development of performance indicators on good governance).	On-going.
11. Civil service reforms.	On-going.
12. Sensitization seminars for Bank staff.	By end of 1999.
13. Recruitment of additional experts to strengthen internal capacity of the Bank.	FY 2000.
14. Institutional support for capacity building for policy analysis, civil society organizations, and decentralization efforts in RMCs.	2000 and beyond.
15. Technical Assistance in legal and judicial reforms.	2000 and beyond.