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This volume is the product of a regional technical assistance (TA) project funded by the Asian Development Bank (ADB) and cofinanced by the Government of New Zealand.¹ The objectives of the TA were to assess the state of financial sector development in selected Pacific Developing Member Countries (PDMCs) of the ADB; and to formulate a strategy for the sustainable development of sound financial systems, taking into account the specific characteristics of PDMCs.² The suggested strategy was intended to form the basis of a policy dialogue between ADB and PDMC governments and of future ADB assistance to the financial sector in PDMCs.

Seven PDMCs were selected for study. They include the six countries issuing their own currencies (Fiji Islands, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu), and one representative of the group of very small states using the currency of a larger economy (Kiribati). This selection ensured coverage of the current diversity of monetary arrangements, financial system sophistication, economy size, and income levels.

¹ TA 5853-REG, Technical Assistance for the Financial Sector Study in Selected Pacific Developing Member Countries, August 1999.

² The issues of offshore financial centers and money laundering were to be addressed in a separate study.

The individual country reports presented here were prepared as the basis of a regional report, which is published as a separate first volume containing a consolidated analysis of financial sector development and a set of strategy recommendations. Drafts of all reports were circulated for comment to the governments of participating PDMCs and concerned external agencies. Comments received have been incorporated into the revised versions of the reports.

Each of the following chapters begins with a background section that presents basic information on demographics and political and social systems. Given that a stable macroeconomic environment is a necessary condition for financial sector development, a second section examines macroeconomic performance and policy in the 1990s. Subsequent sections examine the structure and competitiveness of the financial sector, the performance of bank and nonbank financial institutions, the legal and regulatory framework, development of financial markets, microfinance, and land tenure arrangements. A penultimate section considers the constraints to financial sector development. A final section presents a set of recommendations for strategies to promote financial sector development.