

Executive Summary

Background

In the Pacific island countries, attitudes toward governance—the manner in which power is exercised in the management of a country's economic and social resources for development—have changed in recent years. Public officials and elected representatives have begun to realize its importance and have incorporated principles of good governance into public sector reform programs.

For its part, the Asian Development Bank (ADB), realizing that sustainable development depends on the quality of decisions made toward development and reform and the manner in which these decisions are made, became the first multilateral development bank to create a board-approved policy on governance.

ADB's 14 Pacific Developing Member Countries (PDMCs) face significant development challenges. With only three exceptions, they are small; dispersed; have limited natural resources and limited access to commercial and capital markets; have limited institutional capacity for economic development; and are vulnerable to environmental problems, natural disasters. The Pacific has received \$50 billion dollars in aid since 1970—in 1995–1999 per capita aid was US\$220—but economic growth has been consistently below expectations in the past 20 years, and improvements in social services are not commensurate with the level of assistance provided. One of the key factors in this failure is perceived to be poor governance.

Every country, developed or not, has weaknesses in governance. For the island countries of the Pacific, the kinds of governance institutions so critical for producing equitable and effective development have not had time to develop fully. In addition, these governance institutions often are, or appear to be, at odds with traditional political and cultural systems and processes, and these island states have not had time to work through the complex and complicated integration of old and new systems.

Country Governance Assessments

Since 2000, ADB has taken a lead role in promoting good governance through its Medium-Term Action Plan 2000–2004. As part of this plan, 22 individual countries received country governance assessments (CGAs), of which 10 have been completed. The CGAs undertaken for selected PDMCs also consider the interaction between the modern governance systems and processes and the traditional models of political systems and cultures.

The conclusions ADB drew from the large number of findings and observations revealed by the CGAs include the following:

- (i) The scope and content of past reforms were complex and, in large part, foreign to traditional Pacific culture and value systems.
- (ii) The inability of PDMCs to sustain past governance reforms, even with the support of major development partners including ADB, is partly due to the lack of country ownership and commitment by stakeholders.
- (iii) Technical and management skills are scarce and training programs have been largely ineffective. The use of consultants is another aspect that requires rethinking on the part of development partners.
- (iv) The cultural and value systems prevailing in communities outside the capital cities need to be better understood and reflected, as appropriate, in government strategic priorities and resource allocation decisions.
- (v) Civil society, including community groups, provides a valuable link between governments and citizens and could be better used to enhance accountability of governments and public officials.

Community Governance Assessments

In addition, community governance assessments attempted to ascertain the extent to which people in Pacific grassroots communities understood how their government systems, both traditional and modern, worked and impacted on them. The findings were that (i) traditional custom and values do have a

strong impact on how government and elections work in their countries; (ii) most people don't understand the national governance systems, but do expect that government will provide basic public services; and (iii) traditional community values and respect for chiefly authority are declining.

Improving Governance for 2005–2009: A Strategic Focus

Because the governance weaknesses in most PDMCs are both broad and deep, and because other development partners in the Pacific region are playing important roles in improving governance, ADB will focus its assistance efforts on the areas where they will support the objectives of its Pacific Strategy for the period 2005–2009, namely improving the provision of basic social services and enhancing income generating opportunities for all. The focus for action to improve governance in the same period will be (i) improving the management of government financial resources by aligning priorities and resources allocation, (ii) improving the efficiency and productivity of public enterprises through better disclosure and performance monitoring, and (iii) improving the financial knowledge and advocacy skills of civil society groups so as to keep governments and public officials accountable for their use of resources and the results they achieve.

Conclusion

Improving governance is a long-term exercise—not only a matter of good intentions and processes but also of education and culture. It is also a collaborative process between developing member countries and the aid community, of which ADB's contribution is only a part. It is expected that other development partners will continue to play important roles in supporting PDMCs in improving governance. ADB's role in improving the management of public finances, for the purpose of expediting delivery of basic social services to PDMC communities through the strategic focus advocated herein, should add to a more enlightened governance environment in the Pacific.

