

FOREWORD

The term governance has various meanings, but in broad terms the concept describes the institutional environment in which citizens interact among themselves and with government agencies. Good governance is concerned directly with the development process, involving both the public and private sectors. Indeed, the Asian Development Bank (ADB) considers it as an essential element in achieving its overarching objective of poverty reduction in the region. All members of the aid community, from their own experience, recognize that in countries with effective governments, strong oversight institutions, an independent judiciary, and a vibrant civil society—i.e., countries with good governance—development assistance helps reduce poverty; without it, such assistance is mostly ineffective.

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 are still in the process of working through the complex and complicated integration of old and new systems.

This report results from the implementation of ADB's governance policy in the Pacific region. It provides an overview of governance issues, strengths, and weaknesses in ADB's Pacific Developing Member Countries (PDMCs); and it aims to improve the understanding of the governance environment, both in individual countries and the region as a whole, and as the basis for a more focused policy dialogue with PDMC governments on areas where development partners, and ADB in particular, can help make development assistance more effective.

It is hoped that the report will provide the basis for discussions between governments, their citizens, and development partners, so as to achieve a shared understanding of the governance challenges facing the PDMCs. Likewise, it is hoped that each stakeholder group will learn how it can make contributions to improving governance institutions and practices,

to enhance the effectiveness of development efforts toward achieving the common goals of economic growth and social equity as the best means of reducing poverty.

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Jeremy H. Hovland
Director General
Pacific Department
Asian Development Bank

ABBREVIATIONS

ADB	Asian Development Bank
CGA	Country governance assessment
DMC	Developing member country
FEMM	Forum Economic Ministers Meeting
FSM	Federated States of Micronesia
MDGs	Millennium Development Goals
NGO	Nongovernment organization
OECD	Organisation for Economic Cooperation and Development
PDMC	Pacific developing member country
RMI	Republic of the Marshall Islands
PNG	Papua New Guinea
WTO	World Trade Organization

NOTE

In this report, "\$" refers to US dollars.

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