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Original Article

Regional Service Delivery among Pacific Island Countries: An Assessment

Matthew Dornan and Tess Newton Cain*

Abstract

Pacific Island countries face a range of development challenges, including smallness, distance from major markets and capacity constraints. Regional service delivery, or pooling, has been advocated as a means of addressing these challenges. This article presents the findings from the first comprehensive study of pooling initiatives in the Pacific. It draws on a review of the literature pertaining to 20 pooling initiatives identified in the region and on interviews with stakeholders involved in many of those initiatives. The study finds that experience with pooling among Pacific Island countries has not met the optimistic expectations of advocates, including development partners. This is the result of the challenges inherent in voluntary regionalism, which are exacerbated by the diversity of Pacific Island states and political economy constraints. The article concludes that an incremental approach to expansion of regional service provision in the Pacific is both likely and appropriate given these factors.

Key words: regionalism, Pacific Island countries, Small Island Developing States (SIDS), political economy, club theory

1. Introduction

Regionalism has been promoted and used for decades as a means of addressing capacity constraints among Small Island Developing States (SIDS) in the Pacific (or Pacific Island countries).¹ An important type of regionalism involves countries pooling services that are normally provided at the national or subnational level. Pooling can occur in a range of areas, including fisheries management, higher education, transportation, central banking and procurement. It can be driven by the private sector, or civil society, although the primary focus of this article is pooling among governments. The last 10 years has seen renewed interest in pooling among Pacific leaders and development partners. Of particular importance was the Pacific Plan for Regional Integration and Cooperation (the Pacific Plan), which has promoted regional service delivery (Pacific Islands Forum 2005). The Pacific Plan in 2005 proposed pooling in four areas as a matter of priority: bulk procurement of fuel, aviation, shipping between Small Island States (SIS) and vocational education. It also identified five areas where there should be further analysis of whether pooling would be appropriate.²

* Development Policy Centre, Crawford School of Public Policy, The Australian National University, Canberra, Australian Capital Territory 2600, Australia; email <matthew.dornan@anu.edu.au>.

1. The term SIDS, which is used around the world, should not be confused with the term Small Island States (SIS), an acronym used in the Pacific to refer to a grouping of the smallest Pacific Island countries.

2. These included research into: bulk procurement of pharmaceuticals, a regional audit service, a regional sports institute, regional ombudsman and human rights mecha-

Since a 2005 Asian Development Bank (ADB) and Commonwealth Secretariat study, *Toward a New Pacific Regionalism*, commissioned by the Pacific Islands Forum Secretariat in 2005, there has been no research published on pooling activities in the region. There has also been no analysis of whether pooling initiatives thought promising in 2005 have actually been attempted and, if so, how they have performed. This is an area of considerable importance, given the Independent Review of the Pacific Plan in 2013, reviews of a number of regional organisations (the Pacific Islands Forum Secretariat and Secretariat of the Pacific Community, both in 2012), and efforts to pool resources in areas identified by the Pacific Plan. The 2013 Independent Review of the Pacific Plan also highlighted the importance of such research, pointing to:

a need to analyse the critical success factors and likely impediments to improved implementation and sustained service delivery. In short, there is a need to work out why some initiatives have been very successful and why others have failed, and to use these lessons to improve implementation (Morauta et al. 2013a, p. 113).³

This article presents the findings from a study of pooling initiatives in the Pacific. It draws on a review of the literature pertaining to 20 pooling initiatives identified in the Pacific and on interviews with stakeholders involved in many of those initiatives. The focus of the article is pooling *initiatives*, not the regional organisations that implement them (although in some cases, names are the same). Regional organisations are nevertheless discussed, given their impact on the success of pooling initiatives. Pooling initiatives are assessed on multiple criteria, including:

- Was the pooling initiative ever implemented?
- Has the pooling initiative been sustained over a period of time, or did it cease?
- Has it remedied a deficit in service provision at the national or subnational level?

nisms, and a regional intellectual property rights organisation.

3. The Review references an earlier draft of this article (which was provided to the review team) as the only existing attempt at such an analysis.

- Has it delivered a service/good other than capacity building?

There is inevitably a high degree of subjectivity in assessing distinct initiatives that were established with different objectives. Assessment is made difficult given the lack of comparable data and performance indicators (Herr 2006). These difficulties are compounded by lack of clarity regarding what constitutes a 'pooled service' (a point also raised by the 2013 Independent Review of the Pacific Plan). In this article, we emphasise the importance of service delivery on a regional basis to replace national (or subnational) activity. This definition excludes regional initiatives designed to build capacity for service delivery at the national level. A list of pooling initiatives is provided in Table 1, and some examples of capacity-building initiatives are provided in Table 2.

2. Background

The challenges faced by Pacific Island countries are well documented. Pacific Island countries are among the smallest populations in the world, have narrow resource endowments, are distant from major markets and are both vulnerable and susceptible to natural disasters (Connell 2013). Remoteness and the inability to take advantage of economies of scale place these countries at a distinct disadvantage in global markets. This limits options for economic growth, making many Pacific Island economies heavily reliant for income on migration and associated remittances, and development assistance (Bertram & Watters 1985; Gibson & Nero 2006; Winters 2005; Winters & Martins 2004; World Bank 2011).⁴

Pacific Island countries suffer from capacity constraints in many areas, ranging from public financial management and government procurement, to infrastructure maintenance (Saitala et al. 2010; Haque et al. 2012; Dornan et al. 2013). Capacity constraints are the product of various factors, including political

4. Papua New Guinea, although a Pacific Island country and a member of the Pacific Islands Forum, is an exception in many ways and is not the focus of this article.

Table 1 List of Pooling Initiatives

Initiative	Established	Members (Pacific Island countries and territories)	Location	Purpose	Success as a pooled service? [†]	National capacity building an objective?	Significant donor funding?	Annual budget (AUD)
University of the South Pacific (USP)	1968	12	Suva Campuses in 3 countries and centres/subcentres in all member countries.	USP was established in order to provide higher education to citizens of member countries.	Yes	An objective	Yes	\$82 million
Air Pacific	1971	1 since 1990s 7 in the 1970s-80s	Nadi	Air Pacific was established in order to provide air services to member states. The Fiji Government and Qantas have been the dominant shareholders since the 1990s, with other Pacific Island governments selling the majority of their shares.	No	Not an objective	No	\$360 million
Pacific Forum Line (PFL)	1977	1 since 2012, 12 in the past	Auckland	PFL was established to provide shipping services to PICs. A principal objective was guaranteeing shipping services to SIS. PFL was bought by the Samoan Government in 2012.	No	Not an objective	Yes	\$32 million
Pacific Islands Trade and Invest (PT&I)	1978	14	Suva PT&I has offices in Beijing, Auckland, Sydney, Tokyo	Pacific Islands Trade and Invest provides export facilitation and investment promotion services. Trade Commissioners in each office report separately to the Pacific Islands Forum in Suva.	Yes	Not an objective	Yes	\$3 million
Forum Fisheries Agency (FFA)	1979	15 + Australia, New Zealand	Honiara	FFA provides member states with technical assistance and services in fisheries management, and promotes fisheries development in the region.	Yes	Main objective	Yes	\$18 million (up from \$13 million in 2009)
Secretariat of the Pacific Board for Education Assessment (SPBEA)	1980	9 + Australia, New Zealand	Suva	SPBEA was established to assist members develop assessment procedures for high school qualifications. Form 7 qualifications are administered by SPBEA. SPBEA became part of SPC in 2010.	Yes	Main objective	Yes	n/k (within SPC budget)
Parties to Nauru Agreement (PNA)	1982 PNA Office established 2010	8	Majuro	The PNA is primarily a coordination mechanism for placing limits on commercial fishing among members. The PNA Secretariat administers the vessel day scheme.	Yes	Not an objective	No	<\$1 million

Table 1 Continued

<i>Initiative</i>	<i>Established</i>	<i>Members (Pacific Island countries and territories)</i>	<i>Location</i>	<i>Purpose</i>	<i>Success as a pooled service?†</i>	<i>National capacity building an objective?</i>	<i>Significant donor funding?</i>	<i>Annual budget (AUD)</i>
South Pacific Tourism Organisation (SPTO)	1983	14 + China	Suva	SPTO delivers marketing services and technical assistance in tourism development for 14 Pacific Island countries and territories. The organisation promotes the region to distant markets which members would be unable to reach on an individual basis.	Yes	An objective	No	\$0.6 million
SPC Regional Maritime Programme (RMP)	Date RMP established is not known, but SPC has provided assistance in this area since its establishment.	26	Suva	The Regional Maritime Programme enhances cooperation through technical assistance and training in the shipping sector, and delivers some pooled services such as external auditing of compliance with international shipping regulations.	Yes. SPC-RMP is generally regarded as a success, but it is primarily funded by donors.	An objective	Yes	\$1.6 million (within SPC budget)
UNICEF Vaccines Initiative	1997	13	Suva	Under the initiative, vaccines are ordered annually by UNICEF on behalf of Pacific Governments and suppliers ship to a Regional Vaccine Cold Store facility in Fiji. Vaccines are repackaged and distributed to the Pacific Island countries.	Mixed success. Payments from PICs are often late and delivery can be delayed.	Not an objective	No	n/k
Micronesian Shipping Commission (MSC)	1997	3	Pohnpei	MSC is an inter-governmental agency for the coordination and regulation of international shipping services in member countries. It was established to prevent disruptive or cartel behaviour among shipping operators.	Debated. Some claim it is a success, but evaluation is difficult given the absence of a counterfactual.	Not an objective	No	<\$1 million
Regional Assistance Mission to Solomon Islands (RAMSI)	2003	13 + Australia, New Zealand	Solomon Islands	RAMSI was an Australian-led response to the deteriorating law and order situation in Solomon Islands. It involved military, policing and civilian components. The military and policing components are generally considered to have been more successful than the civilian component.	Yes. However, there are ongoing challenges to service provision, especially in rural areas.	Main objective	Yes	\$2,600 million over 10 years (2003–13)‡

<i>Initiative</i>	<i>Established</i>	<i>Members (Pacific Island countries and territories)</i>	<i>Location</i>	<i>Purpose</i>	<i>Success as a pooled service?†</i>	<i>National capacity building an objective?</i>	<i>Significant donor funding?</i>	<i>Annual budget (AUD)</i>
Pacific Aviation Safety Office (PASO)	2003	8	Port Vila	PASO aims to improve safety and security standards within the aviation sector of the Pacific Islands participating countries. PASO has faced financial problems given low demand for its services, and is now being reformed.	No	An objective	Yes PASO is designed to be self-sustaining, but received funding when established.	n/k
Bulk procurement of essential medicines	Studied 2007–2009	14	Suva	Bulk procurement of essential medicine has long been considered among PICs as a means of reducing costs, and harmonising standards. However, health ministers in 2009 rejected a WHO proposal for bulk procurement on the basis that consultations had been inadequate. The OCTA provides independent advice and support to the members in the negotiations of the Pacific Agreement on Closer Economic Relations Plus agreement with Australia and New Zealand.	No (not implemented)	An objective	Yes	<\$0.5 million
Office of the Chief Trade Advisor (OCTA)	2008	13	Port Vila	The OCTA provides independent advice and support to the members in the negotiations of the Pacific Agreement on Closer Economic Relations Plus agreement with Australia and New Zealand.	Yes. However, funding arrangements with donors have adversely affected OCTA operations	An objective	Yes	\$1.4 million
Pacific Regional Audit Initiative (PRAI)	2008	18 + Australia, New Zealand	Auckland	The Pacific Association of Supreme Audit Institutions has implemented the PRAI, which is aimed at building the capacity of national audit institutions, and providing regional audit services. Cooperative audits have been undertaken across countries in a number of sectors.	Yes. Mixed success with a subregional audit initiative	Main objective	Yes	\$1.8 million (PASAI budget)
Pacific petroleum project	Studied 2008–2012	5	Suva	The Pacific petroleum project implemented by the Forum Secretariat and SPC explored arrangements for bulk fuel procurement. However, only five states subsequently signed a MOU to advance the project, which ceased in 2012.	No (not implemented)	An objective	Yes	<\$0.5 million

Initiative	Members (Pacific island countries and territories)		Location	Purpose	Success as a pooled service? [†]	National capacity building an objective?	Significant donor funding?	Annual budget (AUD)
	Established	Island countries and territories						
Small Island States (SIS) Shipping Initiative	Studied from 2010	5	Suva	As part of the initiative, SPC and Forum Secretariat are studying the scope for a centralised regulatory commission, like the MSC, for other countries in the region. The initiative has established an agreement that ensured regular short-term shipping services using Kiribati Shipping Services Limited vessels to Fiji, Kiribati, Nauru, Tuvalu, Wallis and Futuna	No (partially implemented to date)	Not an objective	Yes	<\$0.5 million
Pacific Catastrophe Risk Insurance Pilot	2013	5		The World Bank-funded pilot aims to reduce the financial vulnerability of members to natural disasters through insurance coverage against earthquakes and tropical cyclones.	Not yet evaluated	Not an objective	Yes	\$1.5 million
Fiji bulk procurement of pharmaceuticals		3	Suva	Tuvalu and Kiribati use the procurement facilities of the Fiji Pharmaceutical Services to purchase pharmaceuticals. The warehouse that is used was provided by JICA.	Yes	Not an objective	Yes	<\$0.5 million

This table lists all 20 pooling initiatives that were identified in the region as part of this study. There are likely to be others, although the absence of a firm definition for pooling makes the creation of a list somewhat subjective. Two initiatives excluded from this table are the Pacific Islands Private Sector Organisation (PIPSO) and the Pacific Islands Association of Non-Government Organisations (PIANGO). These are examples of pooling among the private sectors and civil societies. Both were excluded from this study on the grounds that they do not involve pooling between Pacific Island governments.

[†]The success of an initiative in the table is based on its successful provision of a pooled service, not success in other areas (such as capacity building). The judgment is a subjective one based on an extensive review of publicly available and accessible annual reports, evaluation documents, and on interviews of regional bodies.

[‡]Based on analysis by Hayward-Jones (2014).
 JICA, Japan International Cooperation Agency; MOU, memorandum of understanding; n/k, not known; PIC, Pacific island country; RMP, Regional Maritime Programme; SPC-RMP, Secretariat of the Pacific Community Regional Maritime Programme; UNICEF, United Nations Children's Fund.

Table 2 List of Some Initiatives That Facilitate Coordination or Pool National Capacity-building Efforts

<i>Initiative</i>	<i>Established</i>	<i>Purpose</i>
Fisheries, Aquaculture, and Marine Ecosystems (FAME)	1954	An initiative of SPC, FAME assists PICs to manage their fisheries through the provision of scientific information and various capacity-building efforts. Its activities are primarily donor funded.
Pacific Power Association (PPA)	1992	PPA facilitates cooperation between Pacific Island power utilities. It provides training and enables the exchange of information and expertise. Donors fund much of the PPA's work.
Pacific Financial Technical Assistance Centre (PFTAC)	1993	PFTAC is one of the International Monetary Fund's eight regional technical assistance centres. It provides technical assistance in public financial management, revenue policy and administration, economic statistics, financial sector supervision and macroeconomics.
The Pacific Water and Wastes Association (PWWA)	1995	PWWA facilitates cooperation between Pacific Island water and waste utilities. It provides training and enables the exchange of information and expertise. Donors fund much of the PWWA's work.
Oceania Customs Organisation (OCO)	1998	OCO provides technical assistance and implements trade facilitation and customs cooperation projects. It also serves as the secretariat for annual meetings of heads of customs organisations. It is primarily donor funded.
Australia-Pacific Technical College (APTC)	2007	The APTC is an Australian-funded initiative that provides vocational training services in PICs.
Pacific Regional Information System (PRISM)	2003	An initiative of SPC, PRISM assists PICs to provide statistical information.
Pacific Ombudsman Alliance (POA)	2008	An initiative driven by the Australian Commonwealth Ombudsman, which led to greater coordination among Pacific ombudsmen and to a number of capacity-building initiatives.
Strengthening Specialised Clinical Services in the Pacific	2011	An Australian-funded project based at the Fiji School of Medicine is aimed at strengthening coordination and management of specialised medical care.
Pacific Horticulture and Agricultural Market Access Program (PHAMA)	2011	PHAMA is an Australian-funded initiative designed to assist PICs manage the regulatory aspects associated with exporting primary products.
Pacific ICT Regulatory Resource Center (PIRRC)	2011	PIRRC is a World Bank initiative that provides technical assistance and collects and provides information about the ICT sector in the Pacific. It is primarily donor funded.

These initiatives were considered along with other pooled services identified in Table 1. The decision to exclude them from Table 1 was made on the grounds that the initiatives primarily represent: (i) cooperative arrangements designed to share information between national authorities and/or (ii) pooling of capacity-building efforts, where one or more donors provide technical assistance to many countries through the one organisation/initiative.

PIC, Pacific island country; AusAID, Australian Agency for International Development.

economy, education levels, the very recent independence of most Pacific Island states and (in some cases) corruption (Duncan & Hassall 2011). The high fixed cost of many public goods is a barrier to their provision in small countries. Pacific Island governments are often unable to perform the same functions as those in larger countries (Laking 2011). For example, it is unrealistic to expect the Nauru health service to employ a brain surgeon to cater for a country of 10,000 people.

Regional solutions to these challenges have been advocated since the colonial era (Chand 2005; Herr 2013). The term 'pooled regional governance' is more recent, first being used by the Australian Prime Minister John Howard in 2003, when announcing *Operation Helpem Fren*, the Regional Assistance Mission to Solomon Islands. Howard's argument, according to Fry (2005), was that 'Pacific states needed to share resources if they were to overcome the constraints imposed by their small

size and lack of capacity . . . referring to the absurdity of each island country trying to run its own airline or train its police when these could be done through pooling resources'. Pacific leaders subsequently issued the 2004 Auckland Declaration, which stated that 'the serious challenges facing countries of the region warranted serious and careful examination of the pooling of scarce resources to strengthen national capabilities' (Pacific Islands Forum 2004). This was a reiteration of a long-standing agenda for regionalism. Although the term 'pooling' was new, what it referred to was not. Pacific Island states had been pooling governance and service provision for decades in various forms.

A common approach for pooling has involved the use of services provided by a metropolitan power. Pacific Island territories benefit from the use of metropolitan legal systems, audit and accounting rules, and procurement arrangements. Renewed efforts to expand regionalism have focused instead on pooling *among* Pacific Island countries and territories; also the focus of this study. Regional organisations play a key role in this form of regionalism. Some regional organisations are established with a narrow purpose, such as the University of the South Pacific (USP). Other organisations work across a broader range of areas. The Secretariat of the Pacific Community (established as the South Pacific Commission in 1947), for example, provides technical assistance in natural resource management (agriculture, fisheries and forestry), health, statistics, human development, transport, information and communication technology, social issues and human rights. The Pacific Islands Forum Secretariat (established in 1972 as the South Pacific Bureau for Economic Cooperation), which exists to support the Pacific Islands Forum, also provides assistance in areas such as transport, trade and economic governance.

Efforts to strengthen Pacific regionalism led to the creation of the Pacific Plan in 2005. The plan was underpinned by analytical support from the 2005 ADB and Commonwealth Secretariat study, which argued for enhanced

market integration and pooling of resources among Pacific Island countries.⁵ The Pacific Plan remains in force today, although it has recently been the subject of an independent review. The Pacific Plan differentiates between three types of regionalism: (i) cooperation, involving dialogue and coordination of policies; (ii) integration through lowering barriers to trade and migration between countries and (iii) pooling of regional service delivery among countries.

Cooperation has historically been the preferred method of regionalism adopted in the Pacific. This has led some commentators to describe the Pacific's 'network of cooperative institutions' as 'unmatched elsewhere in developing economies in terms of effectiveness' (Rolfe 2000, cited in Fry 2005). There are many examples of cooperation in the Pacific, both formal and informal, that are deemed successful. Larmour (2005) documents the importance of informal networks of USP graduates in transferring ideas about land registration between the various Pacific Island countries. More recently, the Pacific Power Association has transferred ideas about regulatory arrangements between electricity utilities in the region (Dornan 2014).

But enthusiasm for regional cooperation is not shared by all. *Toward a New Pacific Regionalism* (Asian Development Bank and Commonwealth Secretariat 2005) criticised the historical focus on cooperation in the region and instead promoted integration and pooling on the basis that only these 'deeper' forms of regionalism would generate the pool of benefits needed to make regional institutions sustainable and beneficial to members. The Pacific Plan has also supported deeper forms of regionalism, noting that:

The path almost any regional initiative takes usually begins with regional cooperation. Whether the best approach may then be a move towards regional integration, or regional provision of services, or both—depends on an assessment of obstacles to development and

5. Not without controversy: a number of academics and civil society groups have criticised what they describe as the Pacific Plan's neoliberal focus (Slatter 2006).

consideration of benefits and costs (Pacific Islands Forum 2005).

Such support for pooling is likely to continue. The Review of the Pacific Plan 'remains convinced that it is worth continuing to pursue shared service delivery across the Pacific' (Morauta et al. 2013b, p. 113).

3. Regional Service Delivery in the Pacific

When the Pacific Plan was drafted, pooling had been attempted in a range of areas, including higher education (USP, est. 1968), fisheries management (Forum Fisheries Agency (FFA), 1979 and Parties to the Nauru Agreement (PNA), 1982), aviation (Air Pacific, 1971), shipping (Pacific Forum Line (PFL), 1977), trade promotion (Pacific Islands Trade and Invest (PT&I), 1978) and tourism (South Pacific Tourism Organisation (SPTO), 1983). Since then, Pacific Island countries have attempted pooling in at least nine additional areas, most of which were highlighted as priorities in the Pacific Plan.⁶ Have these pooling initiatives achieved their objectives?

A key rationale for pooling in the Pacific has been the constraints inherent to government service provision and economic development in the region. These same characteristics make pooling of service provision a challenge. The remoteness and diversity of Pacific Island countries increase the cost of regional service delivery, making it difficult to achieve net benefits from pooling owing to high travel and communication costs and the need to tailor solutions for different contexts. The limited capacity of national and local governments to support regional service provision further increases costs.⁷

6. The plan established numerous tests to ascertain whether pooling was justified. The market test questioned whether the market was or could effectively provide the service. The subsidiarity test questioned whether a national or local government was or could effectively provide the service. A third test, named the sovereignty test, was designed to ensure that regional initiatives maintained the degree of effective sovereignty held by national governments.

7. As discussed below, successful cases of pooling have tended to address capacity constraints among member by

3.1 Political Economy and Club Theory

Political factors are another barrier to regional service provision. The literature on club theory suggests that it is difficult to negotiate and design durable 'clubs' for pooled service delivery where participation is voluntary. The design, implementation and maintenance of pooling initiatives among independent nation states must all be negotiated (unlike, generally, the case for subnational authorities that form part of a federation, such as in Australia). Each member needs positive net benefits to join and remain in a 'club', and at any time, one or more members of the club may determine that the benefits of membership are marginal or negative and decide to withdraw (Asian Development Bank and Commonwealth Secretariat 2005).

For a country to join a 'club', benefits must be high enough to offset the short-term adjustment costs associated with pooling of services. These include the cost of harmonising policy settings, such as laws and regulations, which is often a pre-condition for pooled service delivery. The loss of 'sovereignty benefits' is another cost that must be offset. Sovereignty benefits include funding from development partners for national service delivery, and associated employment and local procurement (Asian Development Bank and Commonwealth Secretariat 2005). These sovereignty benefits are significant in Pacific Island countries (Bertram & Watters 1985; World Bank 2011).

Political leaders are mindful of domestic constituencies in their support for, or opposition to, pooling initiatives. There are political ramifications where a government fails to secure its 'fair share' of benefits from such arrangements. Individual ministers and senior public servants in turn are often unwilling to cede power or allocate resources from limited budgets to regional organisations. Such concerns are demonstrated by competition

establishing a 'technical backstop' for support. This can take the form of a regional organisation, such as SPC, although other models have also proven effective.

between states to host regional organisations, which bring with them benefits such as employment opportunities and local procurement of goods and services (Chand 2010). Fiji has benefitted significantly from hosting a large number of regional organisations, including some of the biggest, such as USP.⁸

Equity is therefore an important consideration. Historically, a number of pooling initiatives in the Pacific have failed as a result of perceived inequity. This is one reason why pooling initiatives with a commercial focus have generally not fared well. The history of Air Pacific in the 1970s–1980s demonstrates the difficulties faced by a regional entity in serving seven Pacific Island government shareholders. Concerns that Air Pacific was disproportionately benefitting Fiji made other government shareholders reluctant to provide the airline with additional capital. Solomon Islands was especially critical when Air Pacific cut services to Honiara in 1974, as part of an effort to restore profitability. The Government of Solomon Islands argued that Air Pacific's decision had been made without its input and had effectively left the country isolated from the rest of the Pacific Islands region. At the same time, Nauru and Western Samoa expressed their intention to continue to operate their own national airlines, Air Nauru and Polynesian Airlines, despite the establishment of Air Pacific as a regional carrier. Tonga also announced that it would establish a national carrier to provide it with direct services to the region, without the need to travel through Fiji (although establishment of this airline was delayed until 1985) (Guthrie 2013).

These developments resulted in a saturated market with adverse consequences for all involved. Air Pacific was able to survive and later prosper with good management and a commercial focus; but the airline in the 1980s effectively became a joint venture between the Fiji Government and Qantas, ending the

regional airline experiment (Guthrie 2013; Asian Development Bank 2007a; Vitusagavulu 2005).⁹

There are many parallels between the history of Air Pacific and that of PFL. PFL was established in 1978 to provide Pacific Island countries with shipping services, which were considered to be at risk at the time due to increasing containerisation. PFL in its early years suffered from conflicts of interest between government board members, which demanded that PFL service non-commercial routes, but were reluctant to provide necessary funding. The result was a series of severe financial losses. PFL survived with funding from New Zealand and by later adopting an innovative management strategy, whereby PFL reduced its capital base by chartering ships from member states. Important also was the abolition of services to non-commercial routes, which benefitted PFL financially, but adversely affected some member countries and consequently reduced political support for PFL (Asian Development Bank 2007b; Vitusagavulu 2005). PFL was sold by its shareholders to the Government of Samoa in 2012 following renewed financial troubles (Guthrie 2013).

Political economy is clearly important in these cases. One of the challenges to successful pooling is that the resulting benefits are generally attributed to regional agencies, not national governments. This partially explains the establishment of national airlines over the last few decades, which has played to nationalist sentiment. Conversely, there has often been limited enthusiasm for regionalism among government officials, a point demonstrated by the fact that some countries are in arrears in their membership contributions to regional agencies, often resisting payment of trivial amounts (\$1,000 in the case of the Pacific ICT Regulatory Resource Center).¹⁰

8. USP has campuses in Samoa and Vanuatu and centres and subcentres in each of its 12 owning countries. However, no other country benefits from the presence of USP to the extent that Fiji does.

9. Air Pacific in 2013 changed its name to Fiji Airways, the title it had used before becoming a regional airline.

10. This point can also be understood in terms of public choice theory, given that public servants funded through aid are more likely to 'lose' from the movement of service provision to regional organisations (Mueller 1979, 1989).

Conflict between stakeholders has also hindered attempts since 2005 to establish a system for bulk procurement of fuel among Pacific Island countries. Bulk procurement of fuel has been under consideration from the earliest days of regionalism, with analytical work undertaken before the establishment of the Pacific Islands Forum Secretariat. The rationale for bulk procurement is that Pacific Island countries, as small export markets with high transport costs, could lower the price of fuel if it were purchased in bulk.¹¹ Leaders gave bulk procurement of fuel priority under the Pacific Plan; however, only five SIS subsequently signed a memorandum of understanding to advance the project. The lack of commitment was partly due to the lack of benefits of bulk fuel procurement for larger countries. Conflicts of interest between signatories also delayed further action, with several countries seeking to attract donor funding to become a regional 'hub' for fuel storage. The project, which had not proceeded beyond feasibility study stage, ceased in 2011 when donor funding expired. It was clear that signatories were unwilling to incur costs associated with harmonising legislation, fuel standards or procurement rules, given that benefits from the project were uncertain.¹²

3.2 Regional Institutions, State Building and Legitimacy

Institutions that deliver services do not just appear; they are built over time and can function effectively only when supported by stakeholders. There is a considerable literature on how states, to govern effectively, must be considered legitimate by citizens (Weingast 1997; North et al. 2012). States and institutions 'earn legitimacy if they solve collective action problems indigenous to the community' (Powell

2005). Gaining legitimacy is a slow and incremental process. Institutions accumulate legitimacy by solving collective action problems (such as through service provision), and in turn, that legitimacy assists institutions to address collective action problems. This virtuous cycle takes time to develop and is not pre-determined.

Regional organisations in the Pacific have been criticised on numerous grounds. Herr (2006, 2013) details how the colonial origins of regional organisations have hindered their development, although he remains sympathetic toward the efforts of island states to maintain regional identity based on colonial heritage. A number of regional organisations have become increasingly viewed as dominated by metropolitan powers, especially Australia and New Zealand.¹³ Regional organisations have also been criticised for pursuing self-interest. Hughes (2005) argued that 'management capture' has resulted in Pacific regional organisations pursuing their own objectives and not those of member states.

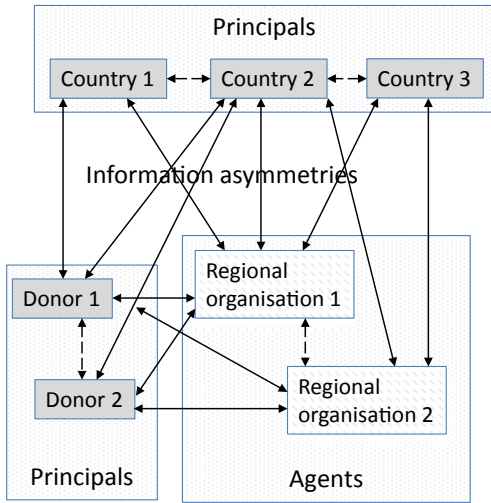
'Management capture' can be understood in terms of a principal-agent problem, where principals (in theory, member countries but, in practice, also donors) cannot be certain when delegating a task to an agent (a regional organisation) that the agent shares their objectives and will perform the task (Ostrom et al. 2001). Beattie (2013) argues that international and regional organisations are especially susceptible to principal-agent problems. Barder (2009) points out that the focus on public administration makes it difficult to measure performance (which cannot simply be assessed by financial returns). Regional organisations also have multiple principals and those are the states that form their membership, which have competing priorities. The power of member countries over regional organisations is weakened as a result (these relationships are illustrated in Figure 1) (Beattie 2013).

11. Similar arguments can and have been used to advocate for bulk procurement in others areas, ranging from pharmaceuticals (discussed later) to canned fish (which was promoted in the early days of the Pacific Islands Forum on food security grounds).

12. SPC is continuing to promote bulk fuel procurement with limited resources. Commitment from larger Pacific Island states will be needed for bulk fuel procurement to proceed.

13. This argument has been used very effectively for political purposes in recent years, although the academic literature remains divided about whether the trend away from organisations such as the Pacific Islands Forum will be permanent (see Tarte (2014) for a discussion).

Figure 1 Principal-Agent Issues in Pacific Regional Organisations



The situation in the Pacific is complicated further by the fact that some member countries are also donors (such as Australia and New Zealand in the case of the Forum Secretariat) and because the bulk of funding for regionalism comes from development partners and not from Pacific Island states (see Table 3). Donor funding affects the incentives of regional organisations in a number of ways. Regional organisations are under less pressure to meet the expectations of member countries as a result of development assistance, given that they are not reliant on members for funding. Pacific Island governments are also less likely to monitor the performance of regional organisations, which they consider a ‘free’ service.¹⁴ Reliance on donor funding for pooling initiatives can therefore undermine the legitimacy of regional organisations. But it can also be a product; governments are reluctant to fund initiatives or organisations that they do not consider legitimate.

The concept of legitimacy is also relevant to Pacific Island states. Many Pacific Island governments, especially in Melanesia, do not provide services or solve collective action problems that would be expected of a nation

14. This argument has parallels with literature linking taxation with government accountability (Tilly 1990; North et al. 2009).

Table 3 Financing of Council of Regional Organisations of the Pacific (CROP) (Latest Available Years)

Agency	Total annual income (AUD)	Membership fees		Donor contributions (excluding membership fees)	Self-generated income (% total income)	Donor funding (% of total income)	
		Pacific Island contributions	Metropolitan members			Excluding Metropolitan member contributions	Including Metropolitan member contributions
Pacific Islands Forum Secretariat (PIFS) (2012)	15,827,012	531,489	1,757,783	12,408,505	5.1	78.4	89.5
Forum Fisheries Agency (FFA) (2009)	13,364,311	521,663	1,043,326	6,900,864	36.7	51.6	59.4
Secretariat for the Pacific Community (SPC) (2011)	88,958,361	1,737,519	8,534,221	71,856,336	7.7	80.8	90.4
Secretariat of the Pacific Regional Environment Programme (SPREP) (2011)	11,109,313	1,041,376 (of which 111,000 is outstanding)		9,455,738	5.5	85.1	
University of the South Pacific (USP) (2011)	82,414,113	28,126,354	na	17,312,663	44.9	21	na

Data collected by PIFS from: PIFS Budget Review, 2012; FFA Annual Report, 2011; SPC Budget, Financial Year Ending December 2011; USP, Indicative Aid Budget, June 2011; SPREP Work Programme and Budget, 2011.

state. These recently independent nations are still in the process of building modern states that govern and provide services to their citizens. The functional legitimacy of Pacific Island governments, or the extent to which they are able to provide services or solve collective action problems that would be expected of a national government, has implications for regional service delivery. Powell (2005) argues that:

A Pacific economic and political community as envisioned by Australia and other regionalists will achieve integration in form but not in substance . . . Without stronger states, regional governance in the Pacific enjoys no firm foundation to ensure its sustainability and further development.

3.3 *Successful Cases of Regional Service Delivery*

There are a number of examples of regional service delivery that are considered a success. USP is one such case. The university has a membership of 12 Pacific Island countries and was established on the basis that Pacific Island states were too small to support national universities, while tertiary education in metropolitan countries did not cater to the needs of students from Pacific Island countries (Chand 2010).¹⁵

Fisheries management is another example of where pooling, despite its challenges, has achieved considerable success. The delivery by the FFA and PNA of services such as vessel registration and monitoring, data collection and analysis, and negotiations advice has been more cost-effective and efficient at the regional level than would have been the case had individual states sought to provide those services. Scientific research by Secretariat of the Pacific Community (SPC) has supported the activities of FFA and PNA. The success of regional fisheries management is a result of the trans-boundary nature of many fisheries in the Pacific, including migratory tuna; the management of which requires a regional approach.

15. Although, some larger member states have since established national universities.

Regional approaches have also been used in the provision of expert advice. The Office of the Chief Trade Adviser (OCTA), an independent body accountable to 13 Forum Island Countries, provides advice in the negotiations for a Pacific Agreement on Closer Economic Relations Plus with Australia and New Zealand. There are resource savings from the OCTA conducting analysis, providing advice and coordinating joint positions in trade negotiation meetings for Pacific Island countries. However, reliance on funding from development partners has hampered the work of the organisation.

In the case of the Pacific Regional Audit Initiative (PRAI), a series of regional performance audits focusing on key sectors across Pacific Island countries have provided high-quality audit information to governments, beyond what could have been produced by national audit offices. Regional audits have the added advantage of avoiding conflicts of interest that make auditing especially difficult in very small states. Subregional audits have proven less successful and have been driven by development partners.

A number of pooling initiatives have achieved success in niche areas. PT&I, for example, is responsible for export facilitation and investment promotion for 14 Pacific Island country members. Offices in Australia, China, Japan and New Zealand support staff from member governments that are responsible for promotion of trade and investment in their country. Promotion of individual countries is the responsibility of national staff, minimising conflicts of interests between PT&I members.

The SPTO is another example. The SPTO delivers marketing services and technical assistance in tourism development for 14 Pacific Island countries and territories. The organisation promotes the region to distant markets, which members would be unable to reach on an individual basis.

Pooling in the Pacific has therefore been a success in some cases, although it would be fair to say that experience is mixed and that pooling has not met the optimistic expectations for regionalism articulated in the Pacific

Plan. What differentiates successful and unsuccessful pooling initiatives?

4. Discussion

This study examined initiatives in which pooling of services between Pacific Island states was identified as a component. Of the 20 initiatives where pooling of services was a primary objective, 11 could be considered to have achieved some success, although levels of success varied and no initiative was without its problems. Seven initiatives were found primarily to be failures, and two could not be evaluated.

Pooling initiatives have been more likely to succeed where they fill a clear gap in service delivery. This usually involves the provision of a public good or a private good with significant positive externalities, or management of a common pooled resource. Successful initiatives avoid service delivery in areas where national governments or the private sector is already operating effectively. The cases of the SPTO and PT&I demonstrate this point. Both organisations focus their activities in niche areas where national governments are absent. The SPTO, for example, markets the South Pacific to distant markets like Europe and Canada, rather than Australia and New Zealand where tourism agencies from Pacific Island governments are already active.

Avoiding or resolving conflicts of interest between member states is also important. The approach of SPTO and PT&I, which offer services to Pacific Island countries without engaging in the promotion of individual countries, enables the organisations to sidestep conflicts of interest between member countries. This has proven difficult for many other initiatives, especially where commercial interests were involved. Conflicts of interest were the main reason that Air Pacific and PFL ceased to function as regional entities. Both organisations chose to prioritise commercial routes at the expense of unprofitable services to smaller member countries, thereby undermining support from stakeholders.

The issue of leadership and management has loomed large as a factor in how pooled

entities performed. For example, after a difficult period, USP has stabilised under its current leadership, which is supported by member countries and development partners. Continuity of leadership has also been important in this case. In contrast, organisations such as the Pacific Aviation Safety Office (PASO) and PFL have struggled when management lost the support of stakeholders.

An important aspect of good management is effective consultation. Successful initiatives have involved consultation with member countries and, where relevant, development partners. Some pooling initiatives have failed as a result of poor consultation. For instance, a World Health Organisation proposal to establish a system for the bulk procurement of pharmaceuticals in the Pacific was rejected in 2009 by Health Ministers, who cited insufficient information and lack of consultation with governments.

Adequate technical knowledge and support has also been important, especially where member states are small and have limited technical or administrative capacity. Large organisations such as SPC can provide a technical backstop and broader institutional support in the delivery of pooled services, such as the SPC Regional Maritime Programme. The Fiji Government provides a similar backstop when purchasing pharmaceutical products on behalf of Tuvalu. A number of smaller organisations established to pool service delivery have not had this support and have suffered as a result. The PASO is one such example.

Successful pooling initiatives have commonly made use of technological innovation to develop new services, make existing ones available to more people, or improve delivery efficiency. The management of fisheries by PNA/FFA has been enhanced with the advent of global positioning system technology and USP has a dedicated platform (Moodle Pty Ltd, Perth, Australia) for the online delivery of course components. As connectivity and technology penetration in the region increases, we should expect to see greater use of information and communication technologies for pooled service delivery.

Our analysis reveals that a patchwork of pooled service provision has emerged in the Pacific. Initiatives in the Pacific exhibit high levels of diversity, with almost no two pooled services looking the same. ‘Clubs’ that pool services have different membership bases. In fisheries management, the FFA has 17 members while the PNA has 8. The Micronesian Shipping Commission has 3 members, USP has 12 members and the SPTO has 15 government members (which include several non-independent territories and China). The situation is consistent with the recommendations of *Toward a New Pacific Regionalism* (Asian Development Bank and Commonwealth Secretariat 2005), which envisaged ‘varied approaches and subregional groupings’.

The highly variable approach to pooled service provision has both weaknesses and strengths. It has been criticised for creating duplication among different organisations. This led to attempts in 1988 to coordinate the activities of regional organisations through the South Pacific Organisations’ Coordinating Committee, which has since been renamed the Council of Regional Organisations in the Pacific (Herr 2006). Continuing duplication later resulted in an effort to reduce the number of regional organisations through the Regional Institutional Framework process, which achieved limited change given political economy factors (Chand 2010).¹⁶ It would probably be more efficient to coordinate pooling in a more uniform way under a single supranational organisation, such as has occurred to some extent in the European Union. A centralised arrangement would give greater clarity of political purpose and help to streamline reporting and governance.

However, the patchwork approach is also highly pragmatic. The patchwork of clubs reflects the efforts of Pacific Island states to navigate the challenges to pooling identified earlier, with pooling progressing where

demand is greatest and resistance is least. If a particular initiative is not working, that service can be restructured or even discontinued; countries are not locked into a service provider and can turn to alternatives where existing arrangements are not adequate. This enables Pacific Island states to avoid the famous ‘cartel of good intentions’ and ensures that pooled service provision proceeds where the benefits outweigh the costs for all participating countries (Easterly 2002).

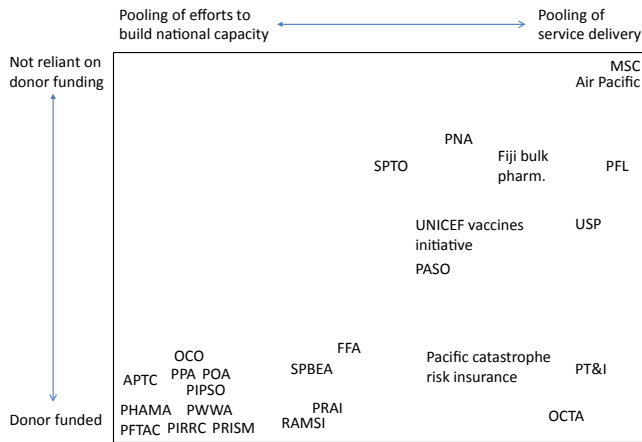
The benefits of such an approach are evident in the Pacific at the subregional level, at least in a broader sense, where in the last decade there has been strong political and financial support for subregionalism, especially in Melanesia. It is evident for regional service delivery in tuna fisheries management, where some countries have pursued agreement on restricting fisheries access through the PNA, rather than the FFA, the broader membership of which is a barrier to reaching agreement.

The tuna fisheries example also demonstrates the potential for complementarity. PNA members have been the key driver of regional cooperation in fisheries management, harmonising terms and conditions for fishing vessels, and restricting access to fisheries among distant water-fishing nations. Many of these measures have subsequently been adopted by the broader FFA membership. FFA support, in turn, has been crucial in the implementation of PNA-agreed measures, with the FFA providing technical knowledge and financial assistance (much of it donor funded), and until recently, performing the role of secretariat to the PNA.

Two other features are evident when examining pooling initiatives across the Pacific. Extensive reliance on donor funding for pooled service delivery sets the Pacific experience apart from that of other regions and marks a departure from club theory. On average, the initiatives we examined received over 80 per cent of their funding from development partners. USP receives 21 per cent of its income from donors, which also fund scholarships that form part of the 25 per cent of revenue received in tuition fees. The PRAI receives only NZ\$2,600 in membership fees

16. It did succeed in reducing the number of CROP agencies from 10 to 8, but that number is considerably larger than would have been the case had the ‘Pacific Commission’ proposed by Hughes (2005) been established.

Figure 2 National-level Capacity Building and Donor Funding in Regional Initiatives



APTC, Australia-Pacific Technical College; FFA, Forum Fisheries Agency; MSC, Micronesia Shipping Commission; OCO, Oceania Customs Organisation; OCTA, Office of the Chief Trade Adviser; PASO, Pacific Aviation Safety Office; PFL, Pacific Forum Line; PFTAC, Pacific Financial Technical Assistance Centre; PHAMA, Pacific Horticulture and Agricultural Market Access Program; PIPSO, Pacific Islands Private Sector Organisation; PIRRC, Pacific ICT Regulatory Resource Center; PNA, Parties to the Nauru Agreement; POA, Pacific Ombudsman Alliance; PPA, Pacific Power Association; PRAI, Pacific Regional Audit Initiative; PRISM, Pacific Regional Information System; PT&I, Pacific Islands Trade and Invest; PWWA, Pacific Water and Wastes Association; RAMSI, Regional Assistance Mission to Solomon Islands; SPBEA, Secretariat of the Pacific Board for Education Assessment; SPTO, South Pacific Tourism Organisation; UNICEF, United Nations Children's Fund; USP, University of the South Pacific.

towards its NZ\$3.2 million budget. The FFA receives over 60 per cent of its budget from development partners; over 35 per cent is income it generates through registering foreign fishing vessels and other schemes.

The attraction for development partners in funding regional initiatives is obvious: regional approaches enable donors to generate economies of scale, reduce transaction costs and spread spending across a greater number of countries. For recipients, reliance on donor funding has positive and negative impacts. The provision of funding by development partners has enhanced financial viability, in many cases avoiding a situation in which a pooled service ceased to exist owing to under-capitalisation. This was evident in the case of PFL. But the prevalence of development assistance also inevitably affects the incentives of regional organisations, reducing their accountability to Pacific Island states (Hughes 2005; Chand 2010). Development assistance can thereby result in the funding of regional schemes that are not valued by Pacific Island countries. This

has led to disengagement among Pacific Island states in several initiatives examined as part of this study.

A second distinctive feature of 'regional' initiatives in the Pacific, and one not discussed previously, is the strong focus on capacity building at the national level. Eleven of 20 initiatives examined as part of this study involved a national capacity-building element (see Figure 2) and this is a primary component in four cases. Capacity-building initiatives are in many cases warranted. But they can also be considered to contradict the central purpose of pooling. Pooling aims to *deliver services on a regional basis* in order to overcome national capacity constraints. Regional capacity-building initiatives aim instead to *build national capacity to deliver services on a national basis*. These contradictions are rarely acknowledged, and point to confusion about the term 'regional service delivery'.¹⁷ Inter-

17. There are interesting parallels between this and the tendency for development partners to label projects that

views with regional organisations indicate that such emphasis on building national capacity also reflects the demands of Pacific Island governments.

5. Conclusion

There has been a significant increase in the number of investigations and attempts at regional service delivery among Pacific Island states in the last decade. Regional service provision, or pooling, has been advocated on the grounds that the centralisation of expertise and economies of scale can help Pacific Island states respond to a range of development challenges and capacity constraints. The establishment of the Pacific Plan has provided impetus to this trend, with the plan promoting pooling in nine key areas.

This is the first published study of experience with pooling in the Pacific since 2005. The study of 20 pooling initiatives in the region found that pooled service provision has achieved mixed results in the Pacific and that despite some success stories, it has not met the optimistic expectations articulated in the Pacific Plan. There are a number of explanations for this that are linked to the challenges inherent to voluntary regionalism. The remoteness, small size and diversity of Pacific Island countries reduce the net benefits of regional service provision, making it difficult to offset adjustment costs and the loss of (significant) 'sovereignty benefits' currently enjoyed by Pacific Island states. The limited capacity of under-resourced and overburdened bureaucracies to engage with regional service providers is also a factor. Remoteness, small size and limited capacity are commonly used to argue for regionalism in the Pacific. This article has argued that these factors, which constrain national service provision, are also obstacles to regional service delivery.

Political economy factors also work against regional service delivery. There are strong vested interests in national service provision, which make the pooled provision of services a

involve ongoing 'capacity supplementation' as examples of 'capacity building' (Herr & Bergin 2011; Haque et al. 2012).

challenge. Political leaders are less likely to support pooling initiatives given that their benefits are highly uncertain (due to principal-agent problems), take time to materialise and are generally attributed to regional agencies rather than national governments. A broader issue is the limited support for regionalism among the public in the Pacific; regionalism of the kind advocated by development partners is a foreign concept that is relatively new and lacks legitimacy.

There are successful examples of pooling in the region despite such challenges. Effective initiatives filled a clear gap in service delivery and were supported by Pacific Island governments and citizens. Successful initiatives also benefitted from good leadership that consulted and enjoyed the confidence of stakeholders and effectively managed conflicts of interest. Many unsuccessful initiatives did not meet these criteria and consequently lost the support of members as conflicts of interest and financial troubles arose.

The study showed that a patchwork of pooling initiatives has emerged in the region. Pooling initiatives vary enormously, sometimes overlapping and sometimes complementing one another. This has both positive and negative implications. The patchwork approach in some cases results in duplication, as is evident in the large number of regional organisations with overlapping purposes that operate in the region, and in corresponding efforts to consolidate this regional architecture. We have argued that the patchwork approach also involves benefits, as it helps to ensure that pooling proceeds where it provides net benefits to members.

This is not to argue that reform cannot be of benefit in the region. Greater coordination of initiatives that form the patchwork, as has been recommended in the Review of the Pacific Plan, could help minimise overlap while ensuring that initiatives generate net benefits, provided that coordinating mechanisms incorporate the views of member countries. As with all such institutional arrangements, the success of any coordinating mechanism will depend on how it is established and the support that it receives from Pacific Island governments.

The support that subregionalism has enjoyed in recent years also suggests that there are prospects for pooling among subregional entities such as the Melanesian Spearhead Group. Such initiatives are worth exploring, but proponents should also be realistic; the challenges described in this article are not confined to Pacific-wide pooling.

Two other features common to regional service delivery in the Pacific were also highlighted. The majority of initiatives are reliant on funding from development partners, making pooling in the Pacific distinct from the experience in other regions, and raising questions of accountability and legitimacy. Pooling initiatives in the Pacific also often have an emphasis on building *national* capacity, which does not sit well with the objective of overcoming national capacity constraints through regional service provision, and may suggest reluctance on the part of Pacific Island states to cede responsibility for service provision.

The challenges to pooling identified in this article and the reticence among Pacific Island governments to pool services are likely to slow future expansion of regional service provision in the Pacific. Together, they suggest that the ambitious agenda for regionalism articulated in the 2005 Pacific Plan is unlikely to materialise in the near or medium term and that cooperation will continue to be the dominant form of regionalism in the Pacific. This should not be viewed as a problem. Rather, the gradual advance of regional service provision is consistent with the literature on how states and institutions are formed. The effective delivery of services requires institutions that are considered legitimate by stakeholders. Institutions accumulate legitimacy through solving collective action problems in a slow and incremental process. It will take time for legitimate and effective pooling arrangements to develop in the Pacific. Effective states that support the regionalism agenda will also be important. The immense diversity in the region, in terms of size, levels of development, cultural background and constitutional frameworks, suggests that an incremental patchwork approach to regional service delivery is appropriate at the present time.

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