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## Regional Service Delivery among Small Island Developing States of the Pacific: An Assessment

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**Matthew Dornan**

Research Fellow

Crawford School of Public Policy,  
The Australian National University

**Tess Newton Cain**

DevPacific

#### Abstract

Small Island Developing States (SIDS) of the Pacific 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 paper presents the findings from the first comprehensive study of pooling initiatives in the Pacific. It draws on a review of the literature pertaining to all 20 pooling initiatives identified in the region, and on interviews of stakeholders involved in many of those initiatives. The study finds that experience with pooling among Pacific SIDS 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, political economy factors, and issues of accountability and legitimacy. The analysis suggests that expansion of regional service provision in the Pacific will be slow, although prospects at the sub-regional level are more positive.

**Keywords**

Regionalism; Pacific island countries; Small Island Developing States (SIDS); political economy; club theory

**Addresses for correspondence:**

Matthew Dornan

(E) [matthew.dornan@anu.edu.au](mailto:matthew.dornan@anu.edu.au)

Tess Newton Cain

(E) [tess@devpacific.org](mailto:tess@devpacific.org)

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CRAWFORD SCHOOL OF PUBLIC POLICY, THE AUSTRALIAN NATIONAL UNIVERSITY

# **Regional Service Delivery among Small Island Developing States of the Pacific: An Assessment**

Matthew Dornan & Tess Newton Cain

Small Island Developing States (SIDS) of the Pacific 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 paper presents the findings from the first comprehensive study of pooling initiatives in the Pacific. It draws on a review of the literature pertaining to all 20 pooling initiatives identified in the region, and on interviews of stakeholders involved in many of those initiatives. The study finds that experience with pooling among Pacific SIDS 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, political economy factors, and issues of accountability and legitimacy. The analysis suggests that expansion of regional service provision in the Pacific will be slow, although prospects at the sub-regional level are more positive.

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## **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. An important type of regionalism involves countries pooling services that are normally provided at the national or sub-national level. Pooling can occur in a range of areas, including fisheries management, higher education, transport services, central banking, and procurement. The last ten years has seen renewed interest in pooling among Pacific leaders and development partners.

Particularly important has been the Pacific Plan for Regional Integration and Cooperation (the Pacific Plan), which has promoted regional service delivery (Pacific Islands Forum 2005).

Establishment of the Pacific Plan was supported by an Asian Development Bank (ADB) and Commonwealth Secretariat study, *Toward a New Pacific Regionalism*, commissioned by the Pacific Islands Forum Secretariat in 2005. That study assessed the costs and benefits of past pooling initiatives in the Pacific, concluding that regional approaches to service delivery could achieve economies of scale and overcome capacity constraints among island states. The Pacific Plan subsequently proposed pooling in four areas as a matter of priority: bulk procurement of fuel, aviation, shipping between small island states, and vocational education. It also identified five areas where there should be further analysis of whether pooling would be appropriate.<sup>1</sup>

Surprisingly, since the 2005 study there has been no further research published on pooling across different areas 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 ongoing Independent Review of the Pacific Plan,<sup>2</sup> reviews of a number of regional organisations, and efforts to pool resources in areas identified by the Pacific Plan. It is also important given the focus on regional approaches among development partners.

This paper presents the findings from a study of pooling initiatives in the Pacific. It draws on a review of the literature pertaining to all 20 pooling initiatives identified in the Pacific by this study, and on interviews of stakeholders involved in many of those initiatives. The focus of the paper is pooling *initiatives*, not the regional organisations that implement them (although in some cases, names are the same).<sup>3</sup> Regional organisations are nevertheless discussed, given their impact on the success of pooling initiatives. The paper commences by establishing the background and rationale for pooling among SIDS of the Pacific. It proceeds to highlight the challenges associated with pooling, with reference to literature on club theory, political economy, state legitimacy and the principal-agent problem. Experience in the Pacific with pooling is discussed in section four. Factors determining the relative success

of pooling initiatives, broader trends in pooling, and the implications of these for future regional (and sub-regional) approaches, are discussed in section five.

## **2. Background**

The challenges faced by Small Island Developing States (SIDS) of the Pacific are well documented. Pacific SIDS, commonly known as Pacific island countries, have among the smallest populations in the world, narrow resource endowments, are distant from major markets, and are both vulnerable and susceptible to natural disasters.<sup>4</sup> 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 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 Pacific Department 2011).

Pacific SIDS suffer from capacity constraints in many areas, ranging from public financial management and government procurement, to infrastructure maintenance among state-owned agencies (Dornan, et al. 2013b; Haque, et al. 2012; Saitala, et al. 2010). Capacity constraints are in part the product of education levels, the very recent independence of most Pacific SIDS, and (in some cases) corruption. The size of Pacific island countries is also important. The high fixed cost of many public goods is a barrier to their provision.<sup>5</sup> Pacific island governments are often unable to perform the same functions as governments 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. Similarly, the high cost of establishing an independent regulator to oversee prices in the power sector can be prohibitive.<sup>6</sup>

These impediments have led Pacific island governments, development partners, and metropolitan powers to search for regional solutions (Chand 2005). The Australian Prime Minister John Howard first used the term “pooled regional governance” in 2003 when

announcing *Operation Helpem Fren*, the Regional Assistance Mission to the Solomon Islands. His 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” (Fry 2005). 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 (Fry 2005).

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. The use of metropolitan currencies by independent states is another example; three Pacific SIDS use the US Dollar, three use the Australian Dollar, and two use the New Zealand Dollar. The use of these currencies allows SIDS to “free-ride” on the investment in central banking made by metropolitan powers.<sup>7</sup> “Free-riding” also occurs between small and large Pacific SIDS. Tuvalu, for example, uses the Fiji Government’s procurement arrangements for pharmaceuticals.

Recent efforts to promote regionalism have focused on cooperation and pooling of resources *among* Pacific island countries and territories. 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. Other organisations work across a broader range of areas, such as the Secretariat of the Pacific Community (established as the South Pacific Commission in 1947) or the Pacific Islands Forum Secretariat (established in 1972 as the South Pacific Bureau for Economic Cooperation in order to support the recently created South Pacific Forum).

Efforts to strengthen Pacific regionalism led to the establishment in 2005 of the Pacific Plan. 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. The Pacific Plan remains in force today, although it is currently under 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). This enthusiasm is not shared by all. The 2005 ADB and Commonwealth Secretariat study 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 accepts the role of cooperation but also supports 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 consideration of benefits and costs." (Pacific Islands Forum 2005)

The Pacific Plan in 2005 proposed that pooling be developed in four areas as a matter of priority, and identified five areas for further analysis. The plan established numerous tests<sup>8</sup> in order to ensure that pooling initiatives are targeted toward provision of goods and services that are not already provided adequately by the private sector or by national and local level governments.

[Figure 1]

### **3. Challenges of Pooling**

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. There are also other challenges. Political factors at the domestic and regional levels hinder regional service provision, affecting the legitimacy and effectiveness of pooling initiatives. These issues are explored in the section below with reference to literature on club theory, political economy, state legitimacy and the principal-agent problem.

### *Club Theory*

The club theory literature demonstrates that it is difficult to negotiate and design durable “clubs” for pooled service delivery where participation is voluntary. Compare regionalism in Pacific SIDS with the situation in Australia or the United States, where states are obliged to cede control over certain areas (e.g. defence, taxation, quarantine, census and statistics, currency and external affairs). In the Pacific, there is no federation and no constitution mandating that countries pool any functions. This means that the design, implementation and maintenance of pooling initiatives must all be negotiated. Each member needs positive net benefits to join and remain in a “club”. 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 & Commonwealth Secretariat 2005).

Additional conditions also need to be met for pooling to succeed. If a club is to function effectively in the long run, benefits must be perceived to be shared fairly. A number of pooling initiatives in the Pacific have failed as a result of perceived inequity. Sharing benefits has also been an ongoing challenge even where pooling has been effective, as discussed later. For a country to join a club, benefits must also be high enough to offset the short-term adjustment costs associated with pooling of services. Adjustment costs include the cost of



harmonising policy settings, which is often a precondition 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 & Commonwealth Secretariat 2005). Sovereignty benefits are significant in SIDS of the Pacific, as articulated in the Migration Remittances Aid Bureaucracy (MIRAB) model (Bertram & Watters 1985; World Bank Pacific Department 2011).<sup>9</sup>

### *Political Economy*

Political factors play a strong role in determining the actions of leaders at the regional level. One reason that the benefits of regionalism must be shared fairly for a club to effectively function is that leaders are mindful of domestic constituencies. There are political ramifications where a government fails to secure its “fair share” of benefits from an international agreement or club.<sup>10</sup> Concerns about sovereignty are another factor that reduces enthusiasm for regional service delivery. Such concerns are understandable given the recent colonial history of Pacific SIDS, the majority of which gained independence in the 1970s and 1980s. Advocacy of regional solutions to domestic capacity constraints, although well-founded and (normally) well-intentioned, may be opposed by governments as a result. Individual ministers and senior public servants in turn are often unwilling to cede power or allocate resources from limited budgets to regional organisations. This is evident in attempts to establish bulk procurement among Pacific SIDS in various areas; governments have been slow to implement necessary reforms, as discussed below. The fact that some countries are in arrears in their membership contributions to regional agencies, often resisting payment of trivial amounts, also suggests limited enthusiasm for regionalism among certain government officials (for example, various Pacific SIDS have resisted payment of \$1,000 toward to the Pacific ICT Regulatory Resource Center, or PIRRC).

Public choice theory provides a useful analytical lens for considering political economy factors at the domestic level (Mueller 1979; Mueller 1989). Regional service delivery involves the loss of sovereignty benefits such as donor-funded employment. The loss of

these benefits affects a small group of people: civil servants, their families, and others whose employment is linked to national service provision. This contrasts with the benefits of regional service provision, which accrue to the wider population. The small group of civil servants that has a vested interest in national service provision is in a strong political position. It has the incentive and organisational capability to pressure government. The wider population that benefits from regional service provision, on the other hand, is unlikely to organise politically to support regional service provision.

A number of other factors also make pooling a political challenge. One issue is that benefits from pooling are generally attributed to regional agencies, not national governments that support regional service provision. Another is that the benefits of regional service provision are highly uncertain; regional service provision may fail to deliver promised benefits for a range of reasons that are beyond the control of beneficiaries. Confidence in regional organisations therefore plays a role in whether pooling receives political support, as discussed below. A third issue is that benefits from improved service delivery may take years to materialise, given the time involved in developing institutional arrangements and organisational capacity to deliver services. The result is that, politically, governments face great risk and have much to lose, but little to gain, from subscribing to regional service provision.

### *Legitimacy and Accountability*

An issue that is closely linked to political economy concerns is the legitimacy of regional initiatives and the organisations that implement them. There is a considerable literature on how states, to govern effectively, must be considered legitimate by citizens (North, et al. 2012; Weingast 1997). 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. But this virtuous cycle takes time and is not pre-determined.

The concept is relevant to regional service provision in two ways. On the one hand, legitimate and effective states support regional service provision, with regional initiatives and organisations generally utilising or interacting with the state apparatus. Many Pacific SIDS, especially in Melanesia, are neither fully legitimate nor effective, given lack of national identity and the fact that the state is largely absent in rural communities. This is linked to the very recent history of most Pacific island nations; the concept of the nation was imported in many countries, especially in Melanesia and Micronesia, and did not exist in its present form in the pre-colonial period.<sup>11</sup> The lack of state effectiveness and legitimacy make the provision of services difficult. In the case of the Regional Assistance Mission to the Solomon Islands (RAMSI) there has been great progress in the military and policing components of the mission, but efforts to improve the “machinery of government” and widen service provision have been much more challenging. Powell is critical of attempts by metropolitan countries to promote regionalism in the Pacific as a result:

“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” (Powell 2005).

The concept of legitimacy is also directly relevant to regional initiatives and the organisations that implement them. To be effective, regional service provision must be considered legitimate by participating governments, civil servants, and other recipients of regional services. But regional initiatives and their implementing organisations are generally foreign concepts, much like nation-states in the region, and their establishment is often driven by development partners rather than Pacific SIDS. This is evident in the discussion of pooling initiatives below. Powell (2005) argues that “transnational integration of institutions among Pacific islands is a concept intellectually imported ... with no precedent.” The delivery of services at the regional level therefore does not address a fundamental constraint on service provision.

Legitimacy can be developed over time by meeting the needs and expectations of stakeholders. The legitimacy of regional initiatives is partly determined by accountability arrangements. Pooling in the region is generally delegated to regional organisations. But how can countries ensure that regional organisations meet their expectations and deliver services effectively? Hughes (2005) in a review of the regional architecture identified “management capture” as a problem for Pacific regional organisations. He argued that regional organisations in the Pacific commonly pursued their own objectives, and that these sometimes conflicted with the objectives of member states. “Management capture” is essentially a principal-agent problem. Principals (Pacific island governments) cannot be certain when delegating a task to an agent (a regional organisation) that the agent shares their objectives and will perform the task. The problem arises because agents have access to greater information than principals (Ostrom, et al. 2001).

There are reasons for thinking that international and regional organisations are especially susceptible to principal-agent problems (Beattie 2013). The focus on public administration makes it difficult to measure performance, which cannot simply be assessed in terms of financial returns, as in the private sector (Barder 2009). This augments the information asymmetries between principals and agents. Regional organisations also have multiple principals, 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 2) (Beattie 2013).

[Figure 2]

As noted earlier, the situation in the Pacific is complicated further by the fact that the bulk of funding for regionalism comes from development partners and not Pacific island states. Financial revenue data for key regional organisations are provided in Table 1. 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. This is because regional organisations are not reliant on members for funding, and because Pacific island governments place less pressure on regional organisations that they consider a “free” service.<sup>12</sup> Reliance on donor funding for pooling

initiatives can therefore lessen 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.

[Table 1]

#### **4. Regional Service Delivery in the Pacific**

The purpose of this paper is to assess efforts to pool service provision among Pacific SIDS. When the Pacific Plan was drafted, pooling had been attempted in a range of areas, including higher education (USP, est. 1968), fisheries management (FFA, 1979 and PNA, 1982), aviation (Air Pacific, 1971), shipping (Pacific Forum Line, 1977), trade promotion (Pacific Trade and Invest, 1978), and tourism (South Pacific Tourism Organisation, 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. Have these pooling initiatives achieved their objectives? Have the challenges of pooling discussed earlier adversely affected their implementation?

Experience with pooling initiatives in the Pacific has been mixed. This study examined all initiatives in which pooling of services between Pacific SIDS was identified as a component (a list of these pooling initiatives is provided in Table 2). 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. Eight initiatives were found primarily to be failures, and one could not be evaluated given its recent establishment. Initiatives were assessed on the basis of whether *pooling* was effective; some initiatives that were failures in this respect were nevertheless successful examples of cooperation between states. This section discusses experience with some of these initiatives. The discussion is not an exhaustive account of pooling in the region. Its purpose is to provide a general account of pooling among Pacific island countries, highlighting initiatives that are especially important, or which are used later to identify lessons for the region.

[Table 2]

Pooling initiatives have been more successful where focused on providing a service that is non-commercial. The University of the South Pacific (USP) is a good example. The university was established in 1968 and has twelve Pacific island countries that are members. The rationale behind its establishment was that Pacific SIDS were too small to support national universities, while universities in metropolitan powers did not cater to the needs of students from Pacific island countries (Chand 2010).<sup>13</sup>

Fisheries management is another example of pooling which has achieved considerable success. The delivery by the Forum Fisheries Agency (FFA) and Parties to the Nauru Agreement (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 SIDS sought to provide those services. Scientific research by 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.

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 Forum Island Countries, provides advice in the negotiations for a Pacific Agreement on Closer Economic Relations Plus (PACER Plus) with Australia and New Zealand.<sup>14</sup> 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 been one of several factors that have hampered the work of the organisation until very recently.

In the case of the Pacific Regional Audit Initiative (PRAI), a series of regional performance audits focused on key sectors across Pacific SIDS 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. The PRAI, like the OCTA, is dependent on development partners for funding. Some PRAI projects have suffered as a result, with a clear lack of commitment from member states.

A number of pooling initiatives have achieved success in niche areas. Pacific Trade and Invest (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 these national staff, minimising conflicts of interests between PT&I members. The South Pacific Tourism Organisation (SPTO) is another example. 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 initiatives with a commercial focus have generally not fared so well. The history of Air Pacific in the 1970s-80s 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. Nauru and Samoa took the additional step of establishing their own regional airlines, leading to 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 (Asian Development Bank 2007a; Vitusagavulu 2005).<sup>15</sup>

There are many parallels between the history of Air Pacific and that of Pacific Forum Line (PFL). PFL was established in 1978 to provide Pacific SIDS with shipping services considered necessary for economic development. At the time, there were concerns that the “containerisation” trend within the international shipping industry risked leaving Pacific island states without shipping services. 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 abolishing services to non-commercial routes, adversely affecting some member countries (Asian Development Bank 2007b; Vitusagavulu 2005). PFL was sold by its shareholders to the Government of Samoa in 2012 following continued financial troubles, with the Prime Minister of Samoa (strangely) justifying the purchase by describing PFL as a: “sick pet that needs to be fed well” (Huch 2012). Since, the Government of Samoa has announced it will sell a 50 percent stake in PFL to Neptune Pacific Line, without any compromise in service (Fairfax NZ 2013). This raises the question of whether government ownership was required in the first place to safeguard the shipping services of Pacific SIDS.

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 was purchased in bulk.<sup>16</sup> Leaders gave bulk procurement of fuel priority under the Pacific Plan, however only five Smaller Island States (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 become a regional “hub” for fuel storage (which would mean lower prices for fuel and attracting donor funding for storage capacity). 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.<sup>17</sup>



## 5. Discussion

The cases considered in the previous section demonstrate that experience with pooling among Pacific SIDS is mixed. Some initiatives have succeeded, others have failed, and some were never established. What is clear is that pooling has not met the optimistic expectations for regionalism articulated in the Pacific Plan, or held at the time the Pacific Islands Forum was established. Pooling in the Pacific is also not as advanced as in other regions, including the European Union or the Caribbean (Castalia 2007; Warner 2012).

### *Individual Pooling Initiatives*

The success or failure of individual pooling initiatives can be attributed to a number of factors. Pooling initiatives have been more likely to succeed where they fill a clear gap in service delivery. This usually involves the provision of a good traditionally provided by governments (whether a public good or a private good with significant positive externalities), or management of a common pool resource. Successful initiatives avoid service delivery in areas where national governments or the private sector are already operating effectively and efficiently. 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 SIDS 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. Conflicts of interest were the main reason that Air Pacific and Pacific Forum Line 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.

Conflicts of interest have also affected organisations frequently cited as a success. At USP, there has been ongoing tension over decisions about whether to invest resources in the Suva campuses, or to prioritise regional campuses and centres (Chand 2010). There is a clear perception of “Suva bias” among staff in campuses and centres outside of Fiji. The PNA has also suffered from conflicts of interest between members. Tuvalu helped defeat a PNA-proposal at the Western and Central Pacific Fisheries Commission to extend the ban on Fish Aggregating Devices; a measure considered necessary for sustainability of the industry, but one that disproportionately affects fishing in Tuvalu’s exclusive economic zone. Similarly, dissatisfaction with the distribution of fishing days among PNA members has led Kiribati to issue more fishing days than allocated, and to enter into separate agreements with distant water fishing nations; both actions which undermine the vessel day scheme established by the PNA (Johnson 2013; Marianas Variety 2013; Matau 2013).

The issue of leadership and management has loomed large as a factor in how pooled entities performed (or were perceived to perform). For example, after a difficult period, USP has stabilised under the leadership of the current Vice Chancellor, who has the support of member countries and development partners, and who has worked to a sound strategic plan over several years. In contrast, organisations such as the Pacific Aviation Safety Office (PASO) and Pacific Islands Private Sector Organisation (PIPSO) (summaries of which are in Table 2), as well as Pacific Forum Line, have struggled when management lost the support of stakeholders.

An important aspect of good management is effective consultation. Successful initiatives 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.

### *A Patchwork Approach*

The 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 eight. In trade, the OCTA represents 13 countries in negotiations with Australia and New Zealand, while the Pacific Islands Forum Secretariat represents the interests of 14 countries in negotiations with the European Union. The Micronesia Shipping Corporation has three 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* (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 after 2005 to reduce the number of regional organisations through the Regional Institutional Framework process; a process that achieved limited change given political economy factors (Chand 2010). It would probably be more efficient to coordinate pooling in a more uniform way under a single supra-national organisation, such as is the case in the Caribbean or in the European Union. A centralised arrangement would give greater clarity of political purpose. Reporting and governance would be streamlined if all pooled service delivery was implemented and/or governed by the one organisation.

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. Rather than following any detailed design, requiring a grand bargain among Pacific island countries and with development partners (as is the case for PACER Plus, negotiations for which are ongoing), pooling progresses where demand is greatest and resistance is least. This gradualist approach makes sure that pooled service provision proceeds where the benefits outweigh the costs for all participating countries. It helps to ensure that wasteful and unwarranted initiatives cease, although the demise of such initiatives can be delayed by

development assistance. It can also help to maintain support for pooling among Pacific policy-makers. The patchwork approach by restricting membership, providing a clear purpose, and maintaining flexibility, helps build the legitimacy of regional initiatives and the organisations that implement them.

The strength of this approach for Pacific island countries and development partners is its flexibility. If a particular initiative is not working, for example because the delivery of a service is proving overly expensive, that service can be restructured or even discontinued without calling into question other regional initiatives. The purchasers and beneficiaries of services are not locked into a service provider, and can turn to alternative service providers/regional organisations where existing arrangements are not adequate. This enables Pacific SIDS to avoid the famous “cartel of good intentions” (Easterly 2002). Pacific SIDS join clubs that best meet their requirements; potentially creating duplication, where one regional organisation occupies the “area” of another, but also ensuring that regional service provision meets the demands of beneficiaries.

There is also potential for organisations and clubs working in the same area to complement one another. This is evident for fisheries management in the interaction between the PNA and FFA. 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 PNA-driven 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.

### *Other Features of Pooling*

Two other features are evident when examining pooling initiatives across the Pacific. The first is the reliance on donor funding for the majority of pooled services. This sets the Pacific experience apart from other regions, and marks a departure from club theory. On average,

the initiatives we examined received over 80 percent of their funding from development partners. USP receives 21 percent of its income from development partners, which also fund scholarships that form part of the 25 percent of revenue received in tuition fees. The PRAI receives only NZ\$2,600 in membership fees towards its NZ\$3.2 million budget. The FFA receives over 60 percent of its budget from development partners; over 35 percent is income it generates through registering foreign fishing vessels and other schemes.

Reliance on donor funding has positive and negative impacts. On the plus side, the provision of funding by development partners has enhanced financial viability. The injection of donor funding has, in many cases, avoided a situation in which a pooled service ceased to exist owing to under-capitalisation. This was evident in the case of Pacific Forum Line. On the negative side, development assistance can act as a price distortion, funding 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. Reliance on funding from development partners can thereby indicate a lack of legitimacy. The prevalence of development assistance also inevitably affects the incentives of regional organisations, reducing their accountability to Pacific island states, and in turn their legitimacy (as discussed in section three) (Chand 2010). The different incentives driving agents and principals are visible on occasions where regional organisations have competed with Pacific island governments for donor funding (Hughes 2005).

A second distinctive feature of pooled service provision in the Pacific, and one not discussed previously, is the strong focus on capacity building at the national level. Almost 60 percent of initiatives examined as part of this study involved a national capacity building element, with capacity building of national governments being the main component in 20 percent of cases (these figures do not include initiatives in Table 3 which were not classified as examples of pooled service provision). Capacity building initiatives may be warranted. But they also contradict the central purpose of pooling, which is to deliver services at a regional level in order to overcome national capacity constraints.

[Figure 3]

The contradictions inherent to regional service provision that is designed to improve national government capacity are rarely acknowledged. This partly reflects the priorities of development partners, which see aid as a temporary measure, and are consequently reticent to label projects as involving ongoing “capacity supplementation” (Haque, et al. 2012; Herr & Bergin 2011). These priorities explain the tendency for donor-funded pooling initiatives to involve capacity building elements (see Figure 3). However, interviews with regional organisation indicate that the emphasis of pooling initiatives on building national capacity also reflects the demands of Pacific island governments. It is common for Pacific island governments to insist on using the term “capacity building” when describing aid projects that actually involve capacity supplementation. This could reflect attempts to bolster legitimacy. It certainly suggests reluctance on the part of Pacific island governments to commit to pooling initiatives by ceding government control over service provision.

## **6. Conclusion**

There has been a significant increase in the number of investigations and attempts at regional service delivery among Pacific SIDS 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 SIDS 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 all 20 pooling initiatives identified 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, which are linked to the challenges inherent to voluntary regionalism. The remoteness, small size, and diversity of Pacific SIDS lessen 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 SIDS. The limited capacity of under-

resourced and over-burdened 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 paper has argued that these factors, which constrain national service provision, are obstacles to regional service delivery.

Political economy factors also work against regional service delivery. Civil servants with a vested interest in national service provision are in a strong political position. This makes the pooled provision of services a political challenge. Political leaders are also 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.

A number of factors have contributed to the success or failure of individual pooling initiatives. 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 paper has argued that on balance, this is a positive development. The patchwork approach, although in some cases resulting in duplication, does help to ensure that pooling proceeds where it provides net benefits to members. However, two other features common to regional service delivery are not so positive. The majority of initiatives are reliant on funding from development partners, making pooling in the Pacific distinct to 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. Both these features suggest reluctance on the part of Pacific SIDS to cede responsibility for service provision through pooling.

The challenges to pooling identified in this paper, 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 Pacific Plan is unlikely to materialise in the near or medium term. Cooperation will instead continue to dominate. 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 the governments and populations that they serve. 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.

Immediate prospects for pooling are more positive at the sub-regional level, although here too there are challenges. The last decade has seen strong political support for sub-regionalism among Pacific island governments, especially in Melanesia. The financial commitments made by Pacific island governments toward pooling initiatives at this sub-regional level are especially promising. However, sub-regional pooling initiatives also face many of the challenges inherent to regional pooling, such as smallness and remoteness. The extent to which political support for sub-regionalism can overcome such barriers remains to be seen. Sub-regional initiatives that do proceed will expand the patchwork of pooled service delivery that exists in the Pacific, bringing with them both costs in terms of duplication, and benefits in the form of services that meet the demands of Pacific island states. The immense diversity in the region, in terms of size, levels of development, cultural background, and constitutional frameworks, suggest that this incremental patchwork approach to regional service delivery is appropriate at the present time.



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## **Authors**

Matthew Dornan is a research fellow in the Development Policy Centre at the Australian National University. The majority of his research relates to aid and economic development in Pacific island countries. Matthew previously worked in the Pacific for the Australian aid program.

Tess Newton Cain is an independent development consultant based in Port Vila. She is a research associate of the Development Policy Centre and a Departmental Visitor to the Crawford School of Public Policy.

## Notes

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<sup>1</sup> These included research into: bulk procurement of pharmaceuticals, a regional audit service, a regional sports institute, regional ombudsman and human rights mechanisms, and a regional intellectual property rights organisation.

<sup>2</sup> Details available at [pacificplanreview.org](http://pacificplanreview.org)

<sup>3</sup> The distinction between pooling initiatives (listed in table 2), donor-pooled technical assistance or capacity building efforts (some examples of which are listed in table 3), and the regional organisations that implement them, inevitably involves a degree of subjectivity. Some of the initiatives considered pooled capacity building and placed in table 2 could be judged by some (but not the authors) to involve an element of pooled service provision. In this paper, pooling among Pacific SIDS is differentiated from pooling of donor efforts on the basis of whether development partners or Pacific island countries are the drivers and funders of initiatives; and on whether initiatives are designed to provide a service, build national capacity, or enhance cooperation between countries.

<sup>4</sup> 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 paper.

<sup>5</sup> Public goods are defined in economics as goods (or services) which are (a) non-rival, meaning that one person's consumption of them does not affect their consumption by others, and (b) non-excludable, meaning that individuals cannot be prevented from consuming the good or service once it is provided (Ostrom & Hess 2006).

<sup>6</sup> A number of Pacific SIDS have established regulators that are responsible for multiple sectors as a means of lowering costs. Pacific micro-states are generally without a regulator. See Dornan *et al.* (2013a) for discussion of power sector regulation and its impact in the Pacific. Castalia (2007) discusses regional options for regulation among Pacific SIDS.

<sup>7</sup> In some cases, independent states opt of their own volition to use the currency of a metropolitan country, whereas in others this is a "by-product" of an agreement of free association, which forms the basis for aid flows and other relations with a metropolitan country.

<sup>8</sup> 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.

<sup>9</sup> This is especially evident in the case of micro-states; development assistance regularly accounts for over 30 per cent of government expenditure in Kiribati, approximately 50 per cent in Nauru, and 65 per cent in Tuvalu (Dornan, et al. 2013b).

<sup>10</sup> One area where this is evident is in competition between states to host regional organisations. The economic benefits and employment opportunities presented as a result of hosting regional organisations are significant. Chand (2010) argues that they are an important explanation for the success or failure of various regional organisations.

<sup>11</sup> Leach et al. examine attitudes to national identity in various Melanesian countries using a survey approach (Feeny, et al. 2012; Leach, et al. 2012).

<sup>12</sup> This argument has parallels with literature linking taxation with government accountability (North, et al. 2009; Tilly 1990).

<sup>13</sup> Some larger member states have since established national universities.

<sup>14</sup> "Forum Island Countries" include all Pacific SIDS that are full members of the Pacific Islands Forum. This currently includes 13 states, with Fiji excluded as a result of its suspension from the Forum.

<sup>15</sup> Air Pacific in 2013 changed its name to Fiji Airways, the title it had used before becoming a regional airline.

<sup>16</sup> 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).

<sup>17</sup> SPC is continuing to promote bulk fuel procurement with limited resources, and has indicated that an additional country is now interested (Kiribati). However, commitment from larger Pacific SIDS will be needed for bulk fuel procurement to proceed.

## Figures

Figure 1. Types of regionalism identified in the Pacific Plan

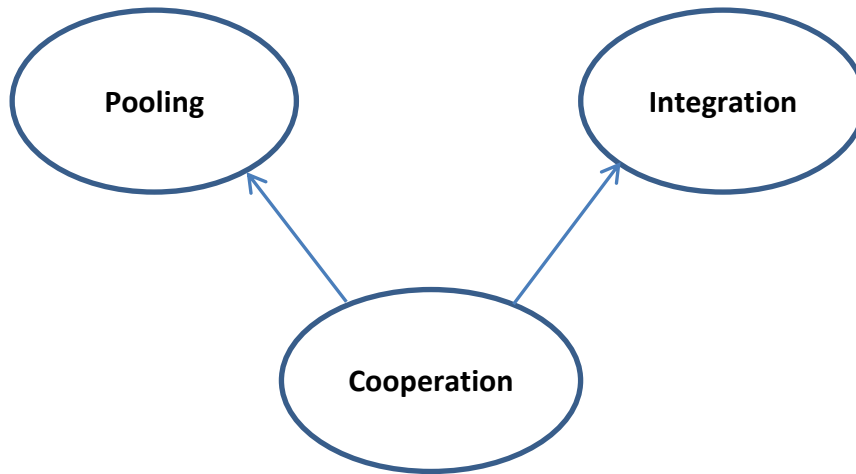
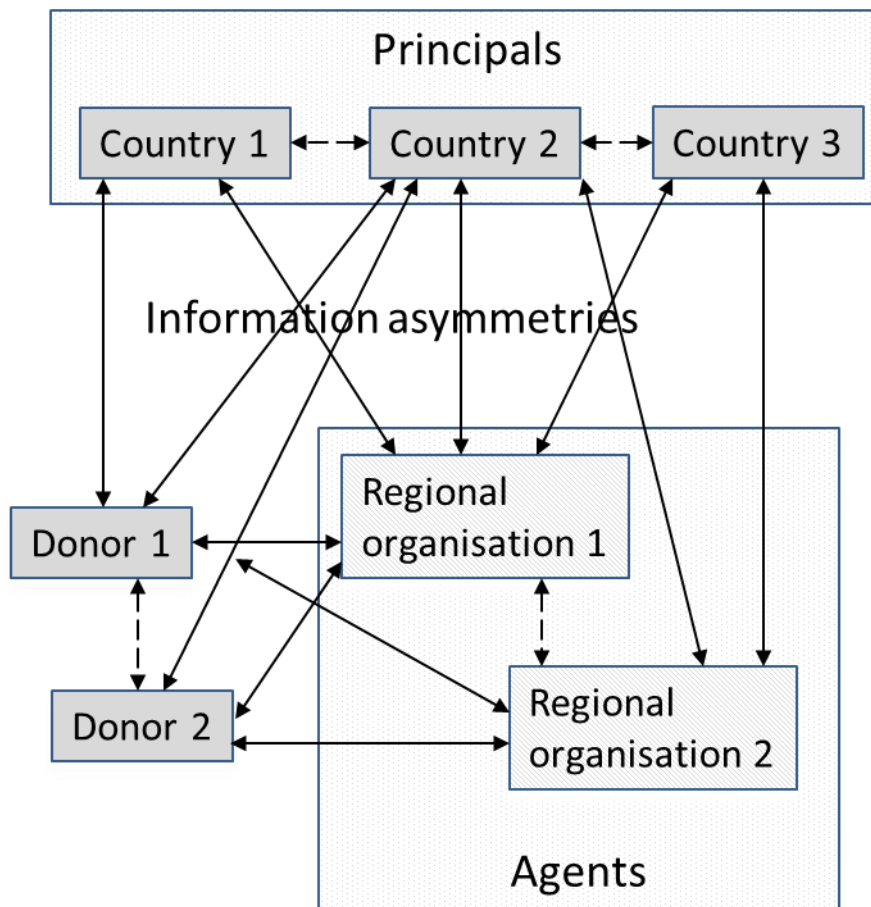
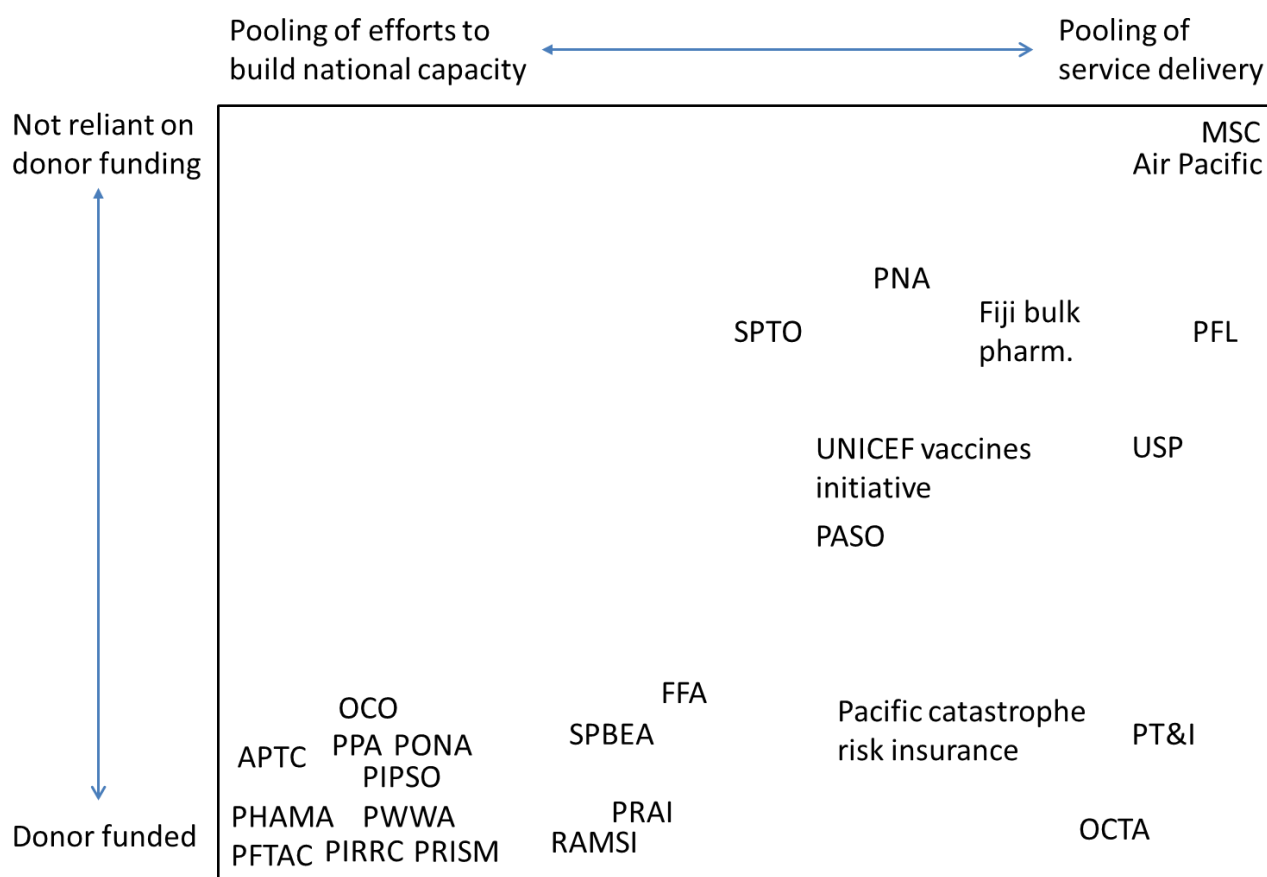


Figure 2. Principal-agent issues in Pacific regional organisations



**Figure 3. National-level capacity building and donor funding in regional initiatives**



Note: acronyms are explained in Tables 2 and 3.

## Tables

**Table 1. 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	n/a	17,312,663	44.9	21	n/a

Data collected by PIFS from the following sources: 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. Currencies have been converted to Australian Dollars for ease of reference (exchange rates dated 27 August 2013).

\*FFA annual reports for 2010 and 2011 do not breakdown membership fees by country. Data for 2009 have been used instead.

**Table 2. List of pooling initiatives**

Initiative	Established	Members (number)	Member countries	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	Cook Islands, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu	Suva  Campuses and centres/ sub-centres in all member countries.	USP was established in order to provide higher education to citizens of member countries. The rationale behind its establishment was that Pacific SIDS were too small to support national universities, while universities in metropolitan powers did not cater to the needs of students from Pacific island countries. USP also provides research and consultancy services.	Yes	An objective	Yes	\$82m
Air Pacific	1971	1 country since 1990s  7 countries in the 1970s-80s	Fiji since 1990s.  In the 1970s-80s: Fiji, Tonga, Samoa, Nauru, Solomon Islands, Kiribati, Tuvalu (plus New Zealand TEAL, Qantas, British Overseas Airways Corporation)	Nadi	Air Pacific was established in order to provide air services to member states. Seven Pacific island governments held shares in Air Pacific, as did QANTAS, New Zealand's TEAL and the British Overseas Airways Corporation (forerunners of Air New Zealand and British Airways). 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	\$360m
Pacific Forum Line (PFL)	1977	1 country since 2012.  12 in past	Samoa since 2012.  Before 2012: Cook Islands, Fiji, Marshall Islands, Nauru, New Zealand, Niue, PNG, Samoa, Solomon Islands, Tonga, Kiribati and Tuvalu.	Auckland	PFL was established to provide shipping services and act as an instrument of regional development in Pacific SIDS. A principal objective was guaranteeing shipping services to small island states. These services were threatened at the time. Member countries had equal representation on the board, despite owning different shares. PFL was bought by the Samoan Government in 2012.	No	Not an objective	Yes	\$32m

Initiative	Established	Members (number)	Member countries	Location	Purpose	Success as a pooled service?*	National capacity building an objective?	Significant donor funding	Annual Budget (AUD)
Pacific Islands Trade and Invest (PT&I)	1978	14	Cook Islands; the Federated States of Micronesia; Fiji; Kiribati; Marshall Islands; Nauru; Niue; Palau; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.	Suva  PT&I has offices in Beijing, Auckland, Sydney, Tokyo	Pacific Islands Trade and Invest provides export facilitation and investment promotion services. PT&I has offices in Australia, China, Japan and New Zealand. These are led by Trade Commissioners, who report separately to the Pacific Islands Forum in Suva.	Yes	Not an objective	Yes	\$3m
Forum Fisheries Agency (FFA)	1979	17	Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Marshall Islands, New Zealand, Samoa, Solomon Islands, Tonga, Tokelau, Tuvalu, Vanuatu	Honiara	FFA works across a number of areas, including (i) provision of high level advice to regional/ international agencies, (ii) advice, coordination and technical assistance in fisheries management to member states, (iii) promotion of fisheries development in member states, and (iv) assistance and services in fisheries operations to member states.	Yes	Main objective	Yes	\$18m  (up from \$13m in 2009)
Secretariat of the Pacific Board for Education Assessment (SPBEA)	1980	11	Fiji, Kiribati, Nauru, Tokelau, Tonga, Tuvalu, Samoa, Solomon Islands, Vanuatu, Australia, New Zealand	Suva	SPBEA was established to assist Pacific SIDS develop assessment procedures for high school qualifications. In 2013, form 6 qualifications are administered by member countries, while form 7 qualifications are administered by SPBEA. SPBEA is involved in various national capacity building initiatives, and acts as a custodian of quantitative and qualitative educational data on behalf of Pacific SIDS. SPBEA became part of SPC in 2010.	Yes	Main objective	Yes	n/k  (within SPC budget)

Initiative	Established	Members (number)	Member countries	Location	Purpose	Success as a pooled service?*	National capacity building an objective?	Significant donor funding	Annual Budget (AUD)
Parties to Nauru Agreement (PNA)	1982  PNA Office established 2010	8	Federated States of Micronesia, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Tuvalu	Majuro	The PNA is primarily a coordination mechanism for placing limits on commercial fishing among members, which control a large portion of world tuna production. The FFA acted as the secretariat to the PNA until 2010, when a PNA office was established. The PNA Secretariat administers the vessel day scheme.	Yes	Not an objective	No	<\$1m
South Pacific Tourism Organisation (SPTO)	1983	15	Cook Islands, Fiji, French Polynesia, Kiribati, Nauru, Marshall Islands, New Caledonia, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, and the People's Republic of 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	\$0.6m
UNICEF Vaccines Initiative	1997	13	Cook islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Samoa, Solomon Islands, Tonga, Tuvalu, Tokelau, Vanuatu.	Suva	A regional vaccine initiative managed by UNICEF, with technical input from WHO, involves the bulk procurement, warehousing and distribution of vaccines to Pacific island countries. Vaccines are ordered annually by UNICEF on behalf of Pacific Governments and the supplier ships to a Regional Vaccine Cold Store facility in Fiji. Vaccines are then repackaged and distributed to the Pacific island countries.	Mixed success.  Payments from Pacific SIDS are often late and delivery can be delayed.	Not an objective	No	n/k



Initiative	Established	Members (number)	Member countries	Location	Purpose	Success as a pooled service?*	National capacity building an objective?	Significant donor funding	Annual Budget (AUD)
Micronesia Shipping Commission (MSC)	1997	3	Federated States of Micronesia, Marshall Islands, Palau	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, in recognition of the importance of shipping to Micronesian countries.	Yes	Not an objective	No	<\$1m
Regional Assistance Mission to Solomon Islands (RAMSI)	2003	15	Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Marshall Islands, New Zealand, Samoa, Tonga, Tuvalu, Vanuatu	Solomon Islands	RAMSI was an Australian-led response to the deteriorating law and order situation in Solomon Islands resulting from the period of civil conflict known as the 'Tensions'. It was mounted in response to a request for intervention from the Solomon Islands Government, and 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	\$1,000m over six years (2003-9)
Pacific Aviation Safety Office (PASO)	2003	8	Cook Islands, Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu	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 a large capital injection when established	n/k
Pacific Islands Private Sector	2007	14	Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall	Suva	PIPSO is the peak lobby group for the private sector in the Pacific. It coordinates the activities of national level private sector bodies, and is	No	An objective	Yes	\$2.6m

Initiative	Established	Members (number)	Member countries	Location	Purpose	Success as a pooled service?*	National capacity building an objective?	Significant donor funding	Annual Budget (AUD)
Organisation (PIPSO)			Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.		involved in building the capacity of the private sector in member countries.				
Bulk procurement of essential medicines	Studied 2007-2009	14	Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.	Suva	Bulk procurement of essential medicine has long been considered among Pacific SIDS 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.	No (not implemented)	An objective	Yes	<\$0.5m
Office of the Chief Trade Advisor (OCTA)	2008	13	Cook Islands, Federated States of Micronesia, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.	Port Vila	The OCTA provides independent advice and support to the members in the negotiations of the PACER Plus agreement with Australia and New Zealand. The OCTA assists members to analyse trade policy issues, develop and coordinate negotiating positions, build trade negotiation capacity, and advance their positions in trade negotiation meetings.	Yes  Funding arrangements with donors have adversely affected OCTA operations	An objective	Yes	\$1.4m
Pacific Region Audit Initiative (PRAI)	2008	20	American Samoa, Australia, Cook Islands, Federated States of Micronesia, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Nauru, New	Auckland	The Pacific Association of Supreme Audit Institutions (PASAI) 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	Yes  Mixed success with the sub-regional audit initiative	Main objective	Yes	\$1.8m  (PASAI budget)

Initiative	Established	Members (number)	Member countries	Location	Purpose	Success as a pooled service?*	National capacity building an objective?	Significant donor funding	Annual Budget (AUD)
			Caledonia, New Zealand, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.		number of sectors. A sub-regional audit initiative involving Nauru, Kiribati and Tuvalu has also been implemented, with mixed success.				
Pacific petroleum project	Studied 2008-2012	5	Cook Islands, Nauru, Niue, Marshall Islands, Tuvalu.	Suva	Bulk procurement of fuel was highlighted as a matter of priority in the Pacific Plan. It has been advocated for decades on the grounds of economies of scale. The Pacific petroleum project implemented by the Forum Secretariat and SPC explored arrangements for bulk fuel procurement. However, only five states subsequently signed a Memorandum of Understanding to advance the project, which ceased in 2012.	No (not implemented)	An objective	Yes	<\$0.5m
Small Island States (SIS) Shipping Initiative	Studied from 2010	5	Fiji, Kiribati, Nauru, Tuvalu, Wallis & Futuna	Suva	As part of the initiative, SPC and Forum Secretariat are studying the scope for a centralised regulatory commission, like the Micronesia Shipping Commission, for other countries in the region. The initiative has established an agreement which ensured regular short-term shipping services using Kiribati Shipping Services Limited (KSSL) vessels to Fiji, Kiribati, Nauru, Tuvalu, Wallis & Fatuna	No (Partially implemented to date)	Not an objective	Yes	<\$0.5m

Initiative	Established	Members (number)	Member countries	Location	Purpose	Success as a pooled service?*	National capacity building an objective?	Significant donor funding	Annual Budget (AUD)
Pacific Catastrophe Risk Insurance Pilot	2013	5	Marshall Islands, Samoa, Solomon Islands, Tonga, Vanuatu.		The pilot aims to reduce the financial vulnerability of members to natural disasters through insurance coverage against earthquakes and tropical cyclones. Initial funding for the project comes from the World Bank.	Not yet evaluated	Not an objective	Yes	\$1.5m
Fiji bulk procurement of pharmaceuticals		3	Fiji, Tuvalu, Kiribati.	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	<\$0.5m

\*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.

**Table 3. List of some initiatives that facilitate coordination or pool national capacity building efforts\*\***

Initiative	Established	Purpose
Fisheries, Aquaculture, and Marine Ecosystems (FAME)	1954	An initiative of SPC, FAME assists Pacific SIDS 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 the areas of 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	1998	OCO provides technical assistance and implements trade facilitation and customs cooperation projects. It also services 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 AusAID-funded initiative that provides vocational training services in Pacific SIDS.
Pacific Regional Information System (PRISM)	2003	An initiative of SPC, PRISM assists Pacific SIDS to provide statistical information more cheaply and effectively.
Pacific Ombudsman Network Alliance (PONA)	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 AusAID-funded project based at the Fiji School of Medicine is aimed at strengthening coordination and management of specialised medical care (nurses with specialist skills, surgery, other specialist care).
Pacific Horticulture and Agricultural Market Access Program (PHAMA)	2011	PHAMA is an AusAID-funded initiative designed to assist Pacific SIDS 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. Pooled service provision is not the central element in any of these initiatives, although it (arguably) is a feature in some cases (especially in FAME and PRISM). Initiatives in this list are primarily donor-driven and donor-funded.

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