Australian and Solomon Islands flags flying at Solomon Islands National Parliament

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Aid and sovereignty:

Neostructuralism, retroliberalism, and the recasting of relationships in Oceania

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ABSTRACT

International development assistance has undergone significant shifts in ideology, allocation, and modes of delivery in the past 50 years. This paper examines aid in the Pacific Islands region since 2000 and what we identify as two particular paradigms of aid determined and shaped by the major metropolitan donors. From about 2000, and associated with both the Millennium Development Goals and the post 9/11 concern for failing states, there was a "neostructural" period, focused on poverty alleviation and the rebuilding of state capacity. Then, following the Global Financial Crisis of 2007–08 and with an eye on the *example of Chinese aid, we have seen a "retroliberal" approach to aid. This has involved much more overtly self-interested aid, with open support for donor economic interests, more of an interest in infrastructure, and a retreat from long-term state-centred programs, particularly in education and health. For the states and territories of the Pacific islands, we trace the volumes and direction of aid from 2000 to 2015. We see a neostructural interest in the more independent and larger states with apparently more pressing poverty and security concerns and a relative pull-back from the smaller, better-off, and more closely associated territories. Since about 2008, however, retroliberalism has been associated with a turn back to dependent territories with significantly increased aid volumes, and a shift from state-centred programs to support for the (donor) private sector and relative declines in aid in the larger Pacific recipient states. Finally, however, we suggest that aid relationships in Oceania have not simply been a matter of these top-down donor policy shifts. On the contrary, we suggest that many Pacific officials and politicians have proved adept at reading the signals in the changing donor environment, used their diverse sovereignty "resources" strategically, and acted effectively to negotiate new aid and development strategies.*

INTRODUCTION

Aid — international development assistance — typically is a key component of island economies in the developing world. Donors seem willing to commit relatively large sums from their aid budgets to support both development programs and the general costs of government in island states and territories. In addition, those island jurisdictions which have closer constitutional ties to a metropolitan power, whether as an incorporated or dependent territory or as a "free association" or "compact" state, in general receive significantly higher levels of aid per capita (together with benefits from easier access to metropolitan labour markets) than more independent island states. This situation is certainly borne out in the Pacific Islands region (Oceania) where a number of island economies, with a wide variety of populations and natural resource endowments, experience a wide variety of constitutional and political ties with larger metropolitan powers.

Yet whilst higher levels of aid bring financial benefits, it also comes with costs in terms of conditions over the use of such resources and an implied — and real — loss of sovereignty over economic and development policy. In particular, we suggest that changes in donor aid strategies and policies are conceived largely without the involvement of recipients but have considerable consequences for the latter countries. Aid, in this sense, is very much a top-down, imposed economic and political relationship that trades off effective sovereignty for economic benefit. In this paper, which draws on a recent research project on aid and sovereignty in the Pacific (Murray & Overton, 2011b; Overton et al., 2012; Overton et al., in press; Prinsen et al., 2018 forthcoming; Ulu, 2013), we explore this relationship and focus on changes in donor aid policy over time. However, whilst we see strong evidence for donor-led shifts in aid practices, changes in patterns of distribution and the imposition of aid "conditionalities" (Gould, 2005), we also discern a noticeable counter process of recipient agency whereby island sovereignty can be defended and asserted through informed, clever, and strategic engagement in aid relationships.

Before continuing, it is important to note some key features of the aid environment in Oceania. Table 7.1 (following page) provides an overview of island states and territories in Oceania. We see great variation across the region: it includes both aid recipients and aid donors; populations range from 45 in Pitcairn to over 7 million in Papua New Guinea; and aid receipts vary enormously in both total and per capita terms.

Aid itself is a problematic term and difficult to measure. Development assistance includes not only financial grants and concessionary loans, but also, particularly in the past, trade concessions and preferences, special migration access, and transfers straight to the coffers of government for ordinary administrative expenses. For this chapter, we draw primarily upon the OECD/DAC definition of aid as "Official Development Assistance" (ODA). In doing so, we acknowledge the limitations that this brings, through excluding other forms of assistance, and also the way it does not count some non-OECD donors (especially the People's Republic of China) and some recipients (French Polynesia, New Caledonia, US-incorporated territories, and Rapa Nui as part of Chile, as well as Pitcairn and Norfolk Islands). We also note that the emphasis on ODA disguises from analysis the considerable reverse flows of resources from the islands to the metropoles: labour, remittances, investment, profits, skills, etc.

With a focus just on ODA flows, Figure 7.1 shows the volume of ODA given by the main donors in Oceania (see also Table 7.2). Without aid data for French Polynesia and New Caledonia, this depiction much underrepresents the actual volume of French assistance to the region and, similarly, we have no reliable comparative data for the US territories of American Samoa, Guam, and Northern Mariana Islands. However, we can draw two main initial points. Firstly, five donors dominated aid flows to the region in the past 20 years. In absolute terms, Australia was by far the largest, followed by New Zealand, US, France, and Japan. Multilateral donors — the EU, the World Bank, and the Asian Development Bank — were important but far from dominant. Secondly, we can see that real aid volumes have fluctuated over the years. There was variability in the late 1990s, then a period of sustained increase from about 2002 to 2011, and then recent stabilization or fluctuation. The apparent decline in real aid levels since 2011 was reversed by an increase in Australian aid in 2015. However, whilst a first reading of these data may lead to a relatively sanguine view of increasing aid, beneath these aggregate patterns lie some significant shifts in the source, direction, and motivations for aid, with subsequent implications for different Pacific Island economies.

	Population (estim. 2013)	Land area (sq. km)	Net ODA (2013 USD mill)	ODA per capita (USD)
American Samoa	56,500	199	n.a.	n.a.
Cook Islands	15,200	237	15.29	1,006
Federated States of Micronesia	103,000	701	143.16	1,390
Fiji	859,200	18,333	91.24	106
French Polynesia	261,400	3,521	n.a.	n.a.
Guam	174,900	541	n.a.	n.a.
Hawai'i	1,374,810	16,634	n.a.	n.a.
Kiribati	108,800	811	64.58	594
Marshall Islands	54,200	18	93.91	1,733
Nauru	10,500	21	28.78	2,741
New Caledonia	259,000	18,576	n.a.	n.a.
New Zealand	4,439,000	268,107	-457.31	-103
Niue	1,500	259	18.30	12,200
Norfolk Island	1,895	35	n.a.	n.a.
Northern Mariana Islands	55,700	457	n.a.	n.a.
Palau	17,800	444	35.46	1,992
Papua New Guinea	7,398,500	462,840	656.54	89
Pitcairn	45	47	n.a.	n.a.
Rapa Nui	5,700	164	n.a.	n.a.
Samoa	187,400	2,934	118.18	631
Solomon Islands	610,800	28,000	288.32	472
Tokelau	1,200	12	24.06	20,050
Tonga	103,300	749	81.15	786
Tuvalu	10,900	26	26.80	2,459
Vanuatu	264,700	12,281	90.89	343
Wallis & Futuna	12,200	142	105.53	8,650

TABLE 7.1: **Countries and territories of Oceania**

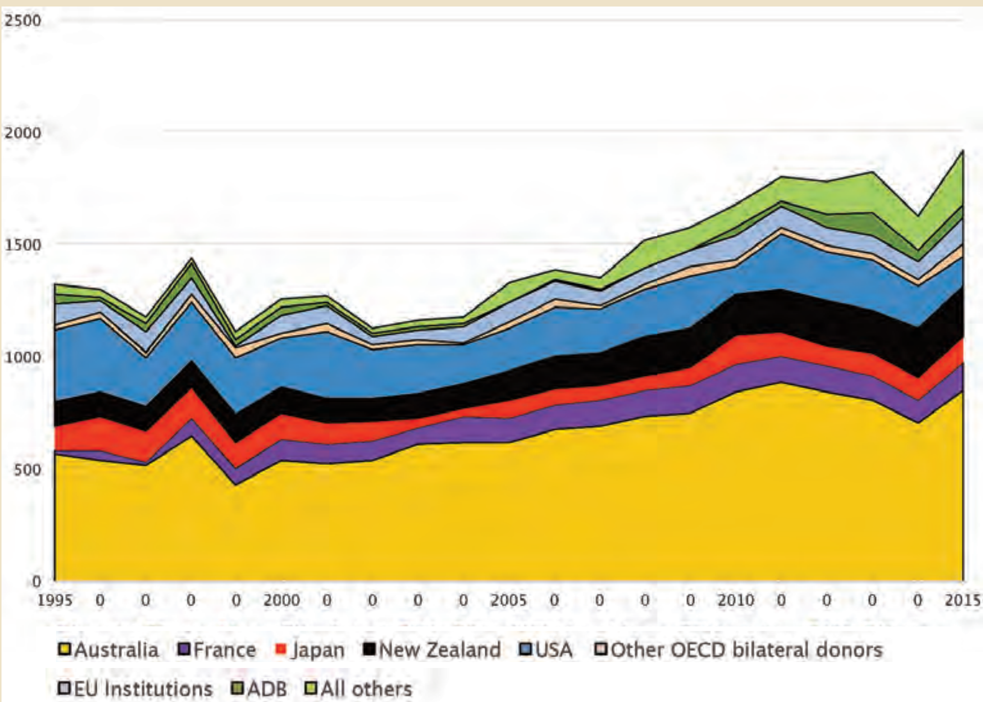
Source: OECD:Stat for ODA data; South Pacific Commission (http://www.spc.int/sdd/ accessed 11/11/15) for population data. Official Development Assistance (ODA) as measured by the OECD. Negative values represent a net donor.
Notes: n.a. = not available or not applicable

Bilateral	
Australia	852.11
New Zealand	227.70
US	130.38
France	123.09
Japan	111.61
Germany	26.57
UK	12.67
Other OECD/DAC bilateral donors	21.59
Non-DAC donors	28.03
Multilateral	
EU institutions	110.77
World Bank	91.27
Asian Development Bank	62.88
United Nations	38.06
Global Environment Facility (GEF)	33.89
Global Fund	23.82
Other multilateral	19.06
Private donors (Gates Foundation)	2.38
TOTAL	1915.88

At left
TABLE 7.2:
Main ODA donors to Oceania 2015 (USD mill)
Source: OECD:Stat

With this background in mind, below we explore aid flows and relationships in more detail. We begin by outlining key changes in donor aid "regimes" in the past 20 years. Then we examine the details of aid flows in the region and the way changes over time both reflect these regimes and have implications for different types of island polities. Finally, we discuss several implications of these aid patterns for relationships and development prospects for island states and territories in the Pacific.

FIGURE 7.1: **Total ODA to Oceania 1995-2015 by donor (current USD mill, 2015)**



Source: OECD:Stat

AID REGIMES

Aid policies change. Donor governments review, redirect, and restructure their aid programs over time, sometimes in response to domestic political pressures and shifts, sometimes in line with global agreements and accepted practices of the time, and sometimes (though rarely) in response to the requests and suggestions of recipients. It is possible to discern times when certain aid "regimes" are in place — periods of relatively stable aid policy with an underpinning ideological or theoretical base, stable institutional structure, accepted sets of practices, and established relationships. Although they may take some time to put in place and some time to dismantle, such aid regimes have marked the history of aid both globally and at the national (donor) level.

One of the most dramatic aid regimes was that of neoliberalism and the so-called "Washington Consensus" of the late 1980s and 1990s. This drew from monetarist economic theory and a strong desire to "roll back" the state and replace it with market forces as the key driver of development. It was put in place first, following a move to the right politically in donor countries, especially the Reagan and Thatcher governments of US and UK, but then later flourished in the post–Cold War world when Western powers no longer had to compete with their Soviet rivals as aid donors. Neoliberalism was put in place in international institutions — the World Bank and IMF, in particular — but was replicated through the bilateral aid programs of many OECD donors. It led to the institution of Structural Adjustment Programmes (SAPs), using aid, through "conditionalities," to force recipients to institute deep and harsh economic reforms.

Although this neoliberal aid regime was felt in the Pacific region in the 1990s, our concern in this chapter is with the two regimes that followed it after about 2000: neostructuralism and what we have termed "retroliberalism" (Mawdsley et al., in press; Murray & Overton, 2011a, 2016). It is our contention that these two approaches to aid were ushered in by donors with little or no consultation with recipients and they had major impacts on development programs and prospects in the Pacific region.

Neostructuralism

"Neostructuralism" takes its name from a political turn in Latin America in the late 1990s and early 2000s (Leiva, 2008). It indicates a move away from the rigid market-centred approach of neoliberalism and, in part, back to the structuralist development strategies of the 1950s and 1960s, in Latin America and elsewhere, which put emphasis on economic growth, welfare provision (particularly in education and health), and a leading role for the state in planning and regulating development. Yet, in other ways, it was much less interventionist (or Keynesian) than the earlier structuralist approaches and it shared the concern of neoliberalism to promote globalization and allow market forces to operate freely. Like neoliberalism, it took its global lead from political shifts to the centre: the "Third Way" Clinton Administration of the late 1990s in the US and the Blair New Labour government of the UK; and many centre-left governments in Latin America, Europe, and Australasia. Whilst supporting capitalism and market-led economic growth, neostructuralism had an overt mission to address poverty, inequality, and social justice (Murray & Overton, 2011a).

In terms of aid, changes had been afoot in the late 1990s with the recognition by the World Bank and other agencies that harsh neoliberal reforms had gone too far and done damage: the state was still crucial to providing the stability and order required by society and the market; "good governance" and institutional reform was needed; and poverty had to be addressed to prevent social disorder and allow more people to participate in a growing economy. SAPs were to be replaced by Poverty Reduction Strategy Papers (PRSPs) with the key strategic objective of poverty reduction through economic growth. The real marker for the regime, however, was the launch of the Millennium Development Goals (MDGs) by the United Nations in 2000. These set some priorities for aid delivery and focused attention on poverty alleviation in particular.

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The MDGs gave neostructuralism its poverty focus in aid but it was the Paris Declaration of 2005, brokered by the Development Assistance Committee (DAC) of the OECD, which gave it its organizational shape and methods. The Paris Declaration marked a clear break from neoliberalism. It positioned recipient governments as the key agencies in the pursuit of aid effectiveness. Its five principles included the key concept of recipient ownership of development (Buiter, 2007), the need to align with recipient institutions, systems and strategies, and the call for donors to "harmonize," to act in concert to provide substantial resources so that recipient agencies could lead development programs. In practice, the Paris Declaration meant a move away from the project modalities and donor control of 1990s neoliberalism, and instead the use of higher-order modalities — Sector Wide Approaches (SWAps) and ultimately General Budget Support (GBS).

For Oceania, neostructuralism was to be a mixed blessing. The heavy-handed conditions of neoliberal SAPs were replaced with greater consultation and respect for the role of Pacific governments. Governments in the region, which had suffered from severe cuts to their budgets in the 1990s, were now apparently in the lead and facing the prospect of large increases in aid support. The poverty focus was a double-edged sword, however. The MDGs focused attention on a number of key poverty indicators:

income levels, infant and maternal mortality rates, literacy and school participation rates, gender equity, etc. (Naidu, 2009). These pointed to some severe poverty-related concerns in the region, especially in Melanesia — Papua New Guinea and Solomon Islands, in particular (AusAID, 2001). Here also, there were concerns that states were failing. In the post 9/11 environment, donors such as Australia became very concerned that failing states in the Pacific "arc of instability" (Fry, 1997) posed a threat to global security as well as to economic and social progress (Dinnen & Firth, 2008; Howell & Lind, 2008). So there was a clear need to increase support for these larger island states. However, for many of the smaller island territories, particularly those closely tied to a metropolitan "hinterland" (Baldacchino, 2006a), poverty indices looked relatively favourable and governments seemed stable and capable enough. Such governments had often taken a hit in the 1990s with neoliberalism exposing their vulnerability to a large single donor — cutbacks in funding local bureaucracies were severe in places such as Cook Islands — yet decades of close association for these states had helped build relatively well-educated and healthy populations with diverse sources of income. It seemed unlikely that the neostructural aid environment would favour them. Whatever the different prospects for engaging with this new aid regime across the region, the aggregate picture was one of marked improvement over the previous decade. Figure 7.1 shows a significant and sustained increase in aid volumes to the region after the turn of the millennium, from Australia, in particular.

Retroliberalism

The neostructural aid regime flourished during the early years of the 2000s at a time when the global economy was in good health and Third Way and centre-left governments in many donor countries supported the global project embedded in the MDGs and related agreements. Such a context changed dramatically with the Global Financial Crisis of 2007–08. North American and European economies contracted sharply, though the Chinese economy was much less directly affected. In response to the crisis, many governments resorted to policies to prevent large companies from collapsing and their bailouts amounted to Keynesian-inspired stimulus packages. There was a partly consequent shift to the political centre and centre-right about the time as well. With particular relevance for Oceania, new right-leaning governments came into power in New Zealand (Key in 2008), Japan (Abe in 2012), and Australia (Abbott in 2013) (Banks et al., 2012).

Recession led to government expenditures being cut in most Western economies. It would seem as if aid budgets — spending on others rather than reviving their own economies — would be an early target for donors. Yet this did not happen. Post-GFC governments, with few exceptions such as Japan, did not radically reduce aid budgets and some, notably UK, increased their aid allocations. But whilst aid budgets were not slashed, aid policies, priorities, and institutions experienced great change. New

Zealand, under Foreign Minister McCully after 2008, was one of the first to institute such changes, but his agenda was replicated remarkably closely later in Canada and Australia (Banks et al., 2012).

Firstly, the poverty focus of aid was dropped in favour of "sustainable economic growth" as the new mission. This later morphed into the new "shared prosperity" mantra of the World Bank and most aid agencies. Infrastructure provision was seen as a key to promoting economic growth, rather than longer-term programs in education and health, though education budgets were maintained overall by shifting spending to tertiary education scholarships offered to study in donor institutions. Secondly, there was a push to promote (and rebrand) aid to become part of a new strategy to promote (donor) national self-interest, and separate aid agencies (NZAID, AusAid, CIDA) were disestablished and rolled into wider ministries of foreign affairs and trade. And whilst there was no overt attack on the competencies of recipient states to lead aid programs, donors seemed to favour new modalities that involved the private sector — particularly enterprises from the donor's own country — in aid delivery. Thirdly, in recent years, this has shifted further in the search for new public-private-partnership models in development funding, such as public-private consortia, development impact bonds, "viability gap funding," and the greater use of private contractors. Finally, the language of aid has changed: poverty survives as an objective but is fading, and now we see terms such as "investment priorities" or "shared prosperity" given greater priority.

. . . these changes in aid were substantial and significant and marked a departure from the former neostructural regime, even if many of the former neostructural programs continued to operate. We have termed this new regime "retroliberalism."

Taken together, these changes in aid were substantial and significant and marked a departure from the former neostructural regime, even if many of the former neostructural programs continued to operate. We have termed this new regime "retroliberalism" (Mawdsley et al., in press; Murray & Overton, 2016). The term implies a connection with neoliberalism — principally the adherence to globalization and economic growth — yet its strategies are rather more "retro": Keynesian stimulus, infrastructural development, explicit and assertive donor self-interest, and a theoretical basis more aligned to late colonial and early post-colonial modernization than neoliberal economics.

For Oceania, the retroliberal regime was felt quickly but unevenly following the GFC. Commitments for SWAps and some limited GBS made earlier were continued, but few new programs were started, and, instead, there was a return in part to project modalities, to build airports or renewable energy plants or roads (see, for example, New Zealand Parliament, 2010; New Zealand MFAT, 2015a; MFAT, 2015b). Overseas scholarships were expanded, and there was more talk of expanded trade between donor and recipient countries. In addition, regulated labour migration schemes (such as New Zealand's Recognised Seasonal Employer [RSE] or Australia's Seasonal Work Program [SWP]) were strengthened and placed within the aid and development sphere. On the surface, the retreat from the MDG poverty agenda and the Paris Declaration targets for strengthening recipient government systems may signal a pull back from countries such as Papua New Guinea and Solomon Islands. Australia has done just this, indicating that it has achieved a poor "return on invesment" in its support for RAMSI and reconstruction in Solomon Islands (DFAT, 2014; Hayward-Jones, 2014). Yet retroliberalism would also suggest that "exporting stimulus" (Mawdsley et al., in press) would lead it to those economies in the Pacific where the prospects for economic growth and investment were greatest. Here the resource-rich islands of Papua New Guinea, Solomon Islands, and Fiji would offer good prospects — and the revival of aid to Fiji following putatively democratic elections in 2014 fits this new strategy.

Thus we contend that these new aid regimes — neostructuralism and retroliberalism — have been visible features of aid strategies, policies, and practices in Oceania as elsewhere. They have been constructed by donors, with varying levels of explicit global engagement and agreement, and they have been largely foisted upon recipients as a result of political and economic changes within donor countries. For retroliberalism, in particular, this is a sign of "supply-led" aid (Wood, 2015) rather than a measured response to recipient needs, capabilities, and requests. But to what extent have these rhetorical shifts at the political level been translated into real flows of resources? From the above discussion we hypothesize that the neostructural aid regime would lead to a redirection of aid in Oceania towards those countries with marked poverty needs (as defined by the MDGs) and with government systems in need of support and strengthening. This would focus on the larger independent states of the region, especially Papua New Guinea, Solomon Islands, and Vanuatu, rather than the smaller island states and territories closely aligned to a metropole. For retroliberalism, our hypothesis would be that a counter move may take place, away from state-building and poverty-alleviating goals and locations towards those that offer business opportunities, with good prospects for economic growth and where closer relationships can be forged to link recipients with the wider foreign policy and economic goals of the donor. We now turn to analyse ODA data in Oceania in more detail.

ODA FLOWS IN OCEANIA

The profile of aid donors revealed in Figure 7.1 indicates that there are five major bilateral aid donors (Australia, France, US, Japan, and New Zealand) and three crucial multilateral donors (EU, World Bank, and Asian Development Bank or ADB). Thus, we will briefly review the ODA programs and flows of the major multilateral donors first, then US, France, and Japan, before focusing most attention on New Zealand and Australia.

Bridge and highway construction in rural Fiji

New airport building, Funafuti, Tuvalu

MULTILATERAL DONORS: EU Institutions, the World Bank, and the Asian Development Bank

As multilateral donors, the EU, World Bank, and ADB operate in quite different ways, though the scale of their ODA to Oceania is similar. The EU institutions, in effect, are conglomerations of several donors and act more like a large bilateral donor, influenced by historical ties to the region (as well as France, the UK, and Germany which had colonial territories in the Pacific but they do not maintain large separate bilateral programs). The ADB and World Bank, on the other hand, are development banks which range rather more widely in the region. Their ODA is comprised of both grants (usually smaller grants given alongside their development loans) and the concessionary element of their loans. The total volume of loans is not analyzed here, only the ODA component.

Figure 7.2 presents two graphs showing the ODA disbursements of these three donors. Firstly, in terms of total volumes over the past 21 years, there are marked contrasts. ADB grants and loans were quite small in volume and declined in real terms up until 2010, then increased sharply. The World Bank had very little presence in the region until about 2009; then its activities rose sharply. The EU, on the other hand, had some large variations from year to year, but there was perhaps a slow increase over the period. When we look at the geographical distribution of this aid, the differences are even more marked. The ADB was active across the region, but, after 2010, its increases were focused particularly on PNG and the smaller Polynesian countries (notably Samoa). This pattern was even more marked for the World Bank with its recent engagement with the region involving significant increases to Melanesia (PNG, Vanuatu, and Solomon Islands), Polynesia (Samoa and Tonga), and Kiribati and Tuvalu. The EU, however, had an early concentration on PNG, Vanuatu, and Solomon Islands, but this gradually wound down, with more attention being given recently to Fiji, Samoa, and Tonga.

So, in the case of these multilateral agencies, there seems to be no clear imprint of the changing aid regimes. The strong EU support to the larger independent Melanesian states throughout the 2000s might be interpreted as being related to the MDGs and state-building projects, though this would not explain why aid to PNG, Solomon Islands, and Vanuatu was gradually decreased. Perhaps the most striking feature of Figure 7.2, however (the rapid rise in ADB and World Bank funding to PNG, particularly after 2010), could be seen in retroliberal terms. This activity was related to a very large increase in loans to PNG to support infrastructure-related loans (and related capacity-building). Also, these increases should also be seen alongside a much-enlarged Chinese presence in the region with similar loans being offered.

FIGURE 7.2A: **ODA to Oceania by major multilateral donors, 1995–2015 (current USD mill, 2015)**

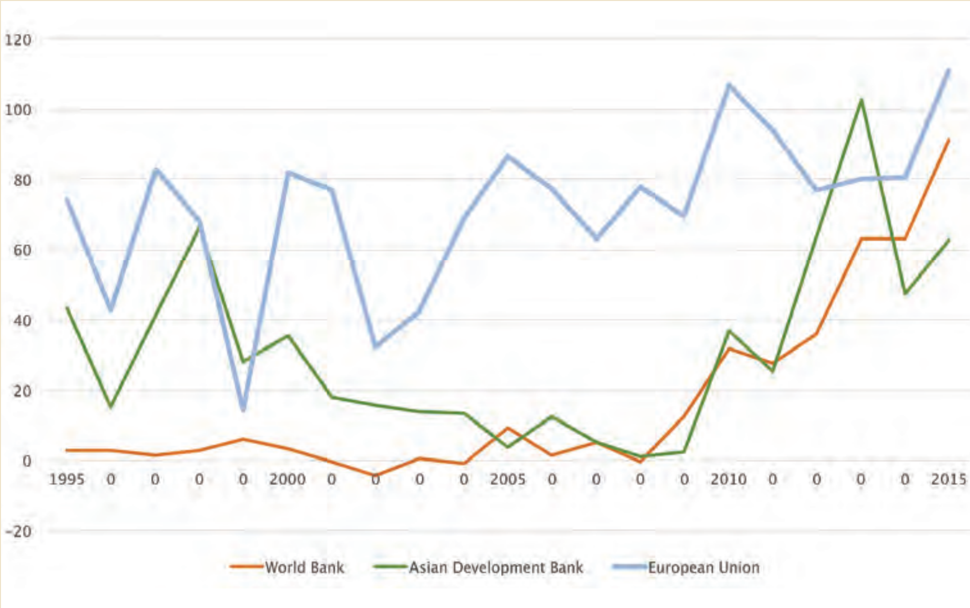
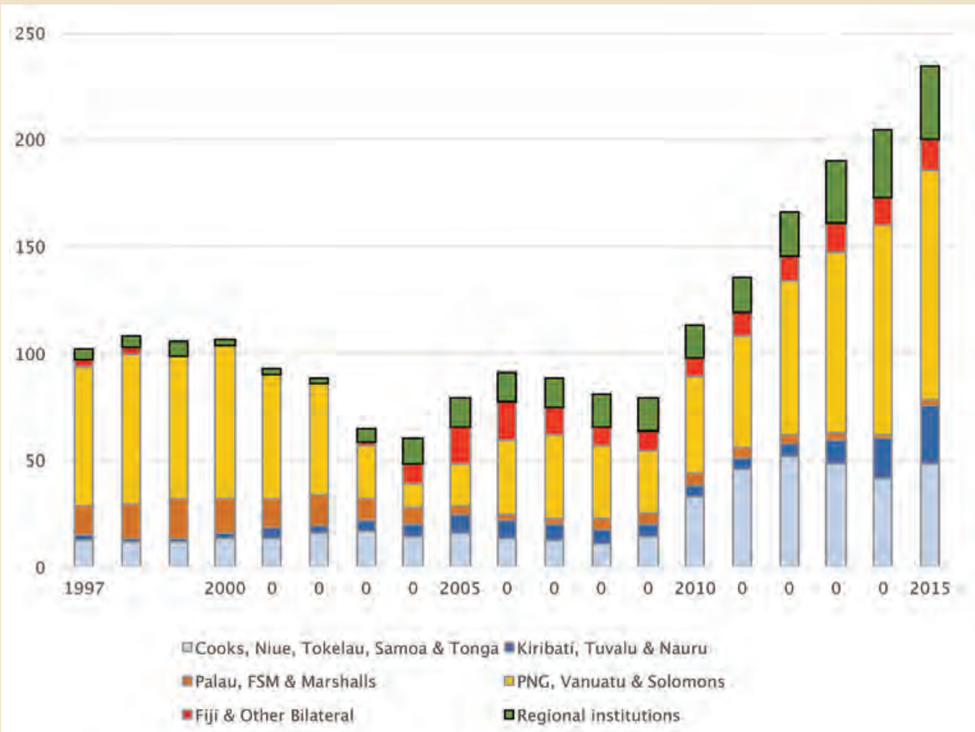


FIGURE 7.2B: **Major multilateral ODA to Oceania by recipient, 1995–2015 (current USD mill, 2015, rolling three-year average) 2015)**



Source: OECD:Stat

BILATERAL DONORS: The global players (France, US, Japan)

France, the US, and Japan are amongst the top ten bilateral donors world-wide and their aid portfolios spread across the globe. For all three, Oceania comprises a small share of their total aid budgets. Yet their impact here is significant. All three are now similar-sized donors to the region (at about 100 million USD per year — again noting that much US and French aid to their dependent territories is not counted as ODA), but there have been major differences over time.

As indicated in Figure 7.3, France's ODA, dominated by its support for Wallis & Futuna, has increased, whereas USA's ODA, again dominated by its compact partners (Palau, Micronesia, and Marshall Islands), has declined. Japan has a quite different profile. Its aid fell until about 2008 then rose, and its distribution changed markedly from a heavy concentration on PNG, Solomon Islands, and Vanuatu to now a more evenly dispersed portfolio.

In terms of the aid regimes model, none fit the neostructural or retroliberal distinction clearly, though there are some interesting echoes of both. The French increases during the first decade of the 2000s fits the global neostructural commitments to the MDGs, etc., though Wallis & Futuna hardly fits the mission, giving priority to high poverty levels and failing states. Japanese and American aid never quite matched the enthusiasm of European donors for neostructuralism in a general sense, and their declines reflected a lack of strong political commitment for the MDGs and the Paris Declaration. It may be, however, that Japan with its resuscitation of aid to the region (and particularly to Melanesia) after about 2008 does match a new retroliberal concern for building economic opportunities through aid. Notable, too, is the fact that Japan is the major donor to the Asian Development Bank, and its bilateral changes after 2008 align with the ADB's turn to Melanesia.

BILATERAL DONORS: The regional players (Australia and New Zealand)

Australia and New Zealand were the two largest ODA donors to Oceania in 2015, together accounting for 56% of total ODA to the region in that year (see Table 7.2). Australia is particularly dominant, with its aid to PNG still representing by far the largest single ODA flow. Their aid policies are therefore of particular interest and relevance to island states and territories in Oceania and only the French and American territories are immune to how these donors operate (assuming limited intra-Pacific multipliers, that is). We should also note that the Australian and New Zealand aid agencies work closely together, often adopting a "lead donor" role for one or the other in different Pacific countries, with the secondary donor falling in behind and helping to fund what the lead donor negotiates.

FIGURE 7.3A: **Bilateral ODA to Oceania by USA, France, and Japan, 1995–2015 (current USD mill, 2015)**

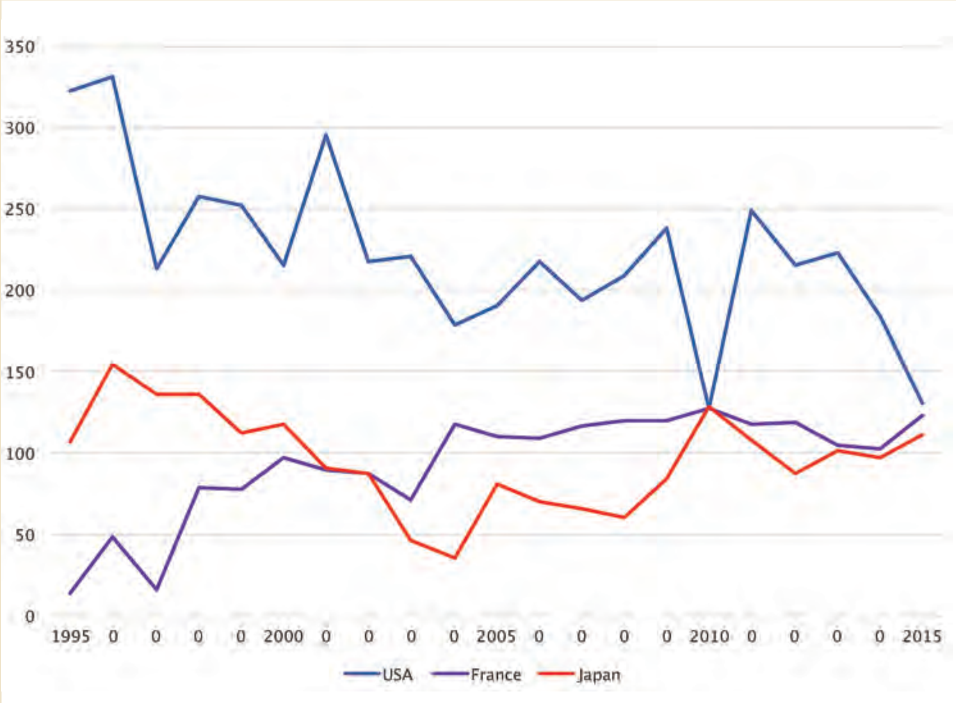
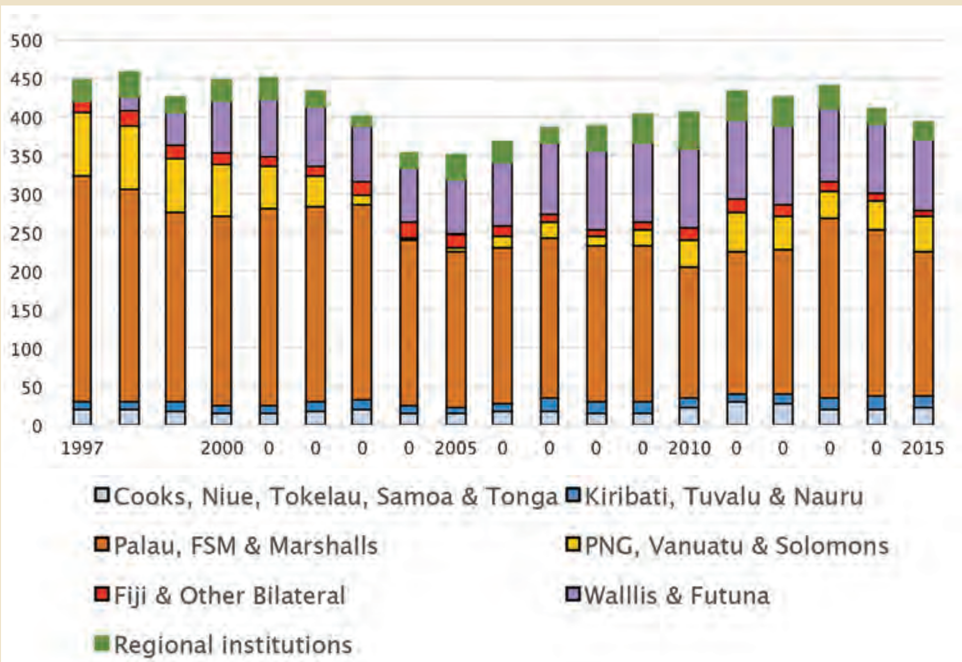


FIGURE 7.3B: **Bilateral ODA to Oceania from US, France, and Japan by recipient, 1995–2015 (current USD mill, 2015, rolling three-year average)**



Source: OECD:Stat

Figure 7.4 presents data on these two major donors. Firstly, we can note that aid levels rose steadily and significantly through the first decade of the 2000s. For New Zealand, this represented a more than doubling of its aid to Oceania, in real terms, between 2002 and 2015. Over that time, it surpassed France, US, and Japan in volume of ODA to the region. Australia also oversaw a doubling of its aid between 1999 and 2011. Throughout this time, both made strong policy commitments to the region and Oceania's share of the respective aid budgets grew markedly. Both embraced the poverty focus of the MDGs in the region before 2008, and both, with Australia in the lead, took a deep interest in efforts to rebuild and strengthen governance in Solomon Islands and PNG. But both also changed politically with a shift to the centre-right (New Zealand in 2008 and Australia in 2013), with implications for aid policies. However, it is interesting to note that the GFC, whilst leading to a small temporary drop in New Zealand's ODA, did not greatly interrupt the continued growth of the aid budgets. Australia began to cut its aid budget after 2012 (though there has been a rise again for 2015) and New Zealand's commitments have largely continued to rise.

Beneath these aggregate patterns, however, there have been some significant changes. For Australia, the most dramatic shift occurred in the wake of the RAMSI intervention in Solomon Islands after 2003 (with a similar shadow cast on New Zealand's allocations at the time). RAMSI accounted for a major share of both countries' aid allocations for several years but has begun to tail off recently, especially marked for Australia. Papua New Guinea has remained Australia's and the region's largest recipient (though smallest on a per capita basis; see Table 7.1). There was a marked fall in aid allocations to PNG from Australia through to 2007 (perhaps as allocations were shifted to RAMSI), but a gradual recovery since. Elsewhere for Australia, ODA disbursements were maintained. Fiji fell and rose in line with its volatile political situation, Samoa and Tonga rose then tailed off, and there has been a steady increase for Vanuatu and Kiribati, Tuvalu and Nauru (the latter related strongly to Nauru's role in hosting refugees seeking to land in Australia).

For New Zealand, what is notable is the prominent position of the supposed "realm states" (Cook Islands, Niue, and Tokelau) and its close relationships with Samoa and Tonga. Despite some falls in the early 2000s, these states and territories have received a substantial and growing share of New Zealand aid. Elsewhere, as noted, the commitment to RAMSI led to major increases for several years and aid to PNG rose significantly since 2005, then tailed off somewhat. Recent new features have been the increases to Vanuatu, Kiribati, and Tuvalu.

In terms of aid regimes, Australia and New Zealand seem to fit the models quite closely. The neostructural agenda to alleviate poverty and build the capacity of states to manage their own development seems to have been a factor behind the rises in allocation to PNG and Solomon Islands up to about 2010. This also may have contributed to the views of, and support for, places such as Kiribati and Tuvalu.

FIGURE 7.4A: **Bilateral ODA to Oceania by Australia and New Zealand, 1995–2015 (current USD mill, 2015)**

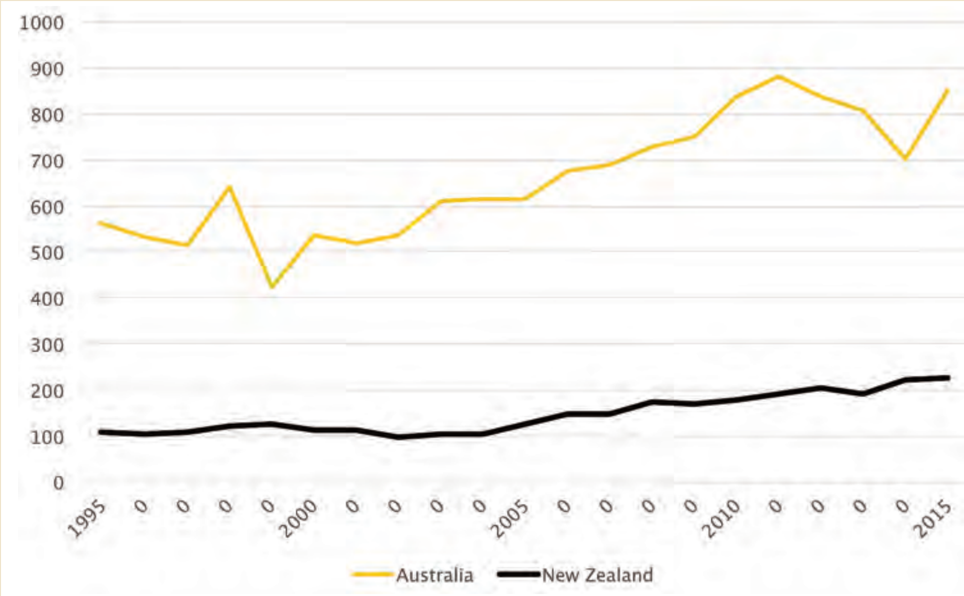
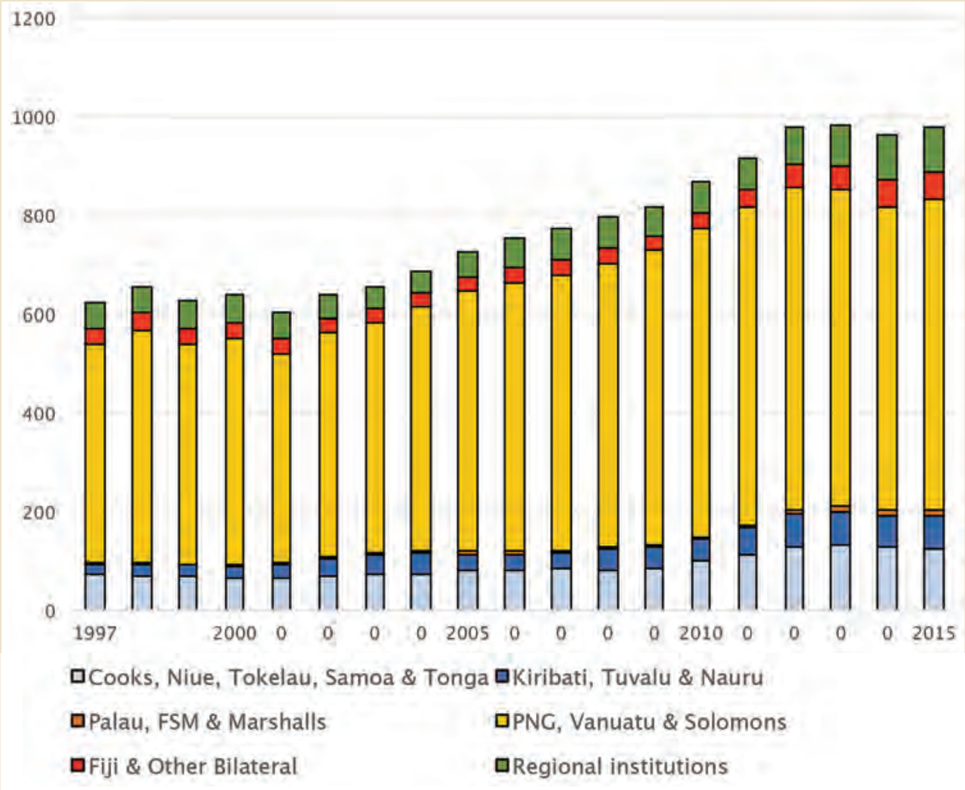


FIGURE 7.4B: **Bilateral ODA to Oceania from Australia and New Zealand by recipient, 1995–2015 (current USD mill, 2015, rolling three-year average)**



Source: OECD:Stat

Importantly, much of this aid prior to 2010 was directed towards program funding arrangements, the higher-level modalities of SWAps which saw recipient governments as lead agents for development. This neostructural model, however, does not explain the increases in New Zealand's support for the relatively well-off and stable Polynesian countries. After the GFC, as noted, there was no immediate cut in aid and forward commitments to SWAps and the like were continued. However, it seems as if a retroliberal approach has been adopted in some ways. More state-centred programs have been scaled back, especially in Solomon Islands and PNG, and more projects involving private enterprise have been supported across the region.

Of key interest is the connection between a retroliberal aid approach and the apparent strengthening of close association relationships. We have seen that New Zealand has increased aid to its "free association" territories (Cook Islands, Niue, and Tokelau) and to Samoa and Tonga with whom it has special and historical ties. Australia has fewer direct relationships of this kind, though it has supported PNG as a former colonial territory, and Nauru, Kiribati, Tuvalu, and Solomon Islands where, it seems, it adopted a patronage role following the withdrawal of the UK from its colonial ties in Oceania. Retroliberalism, as we have argued, ties aid closely to the wider economic and strategic interests of the donor. Aid helps build a national brand, it gathers support for the donor in diplomatic arenas (such as the UN), it helps counter the growing influence of other powers (such as China), and it helps promote the business interests of donor companies. In this sense, the concentration and increases of aid to smaller island states and territories as part of a wider foreign affairs remit makes much sense under retroliberalism. Donor states use aid to buy prestige and influence and to promote economic relationships — as they have done for many years.

OUR ANALYSIS of aid flows in the Pacific over the past 20 years perhaps conceals as much as it reveals. Aid in the form of ODA is but a part of the resource flows that occur between island and metropolitan economies . . .


Capitol building, Ngerulmud, Palau

GEOGRAPHICAL AND POLITICAL-ECONOMIC IMPLICATIONS OF AID REGIMES AND ODA FLOWS IN THE PACIFIC

Our analysis of aid flows in the Pacific over the past 20 years perhaps conceals as much as it reveals. Aid in the form of ODA is but a part of the resource flows that occur between island and metropolitan economies: we do not analyze non-ODA forms of assistance (such as opportunities to migrate and work), nor do we see important resource flows from islands to places such as Auckland, Sydney, Los Angeles, or Paris. An overly ODA-focused analysis such as this also can lead to a myopic perspective that sees all the initiative, resources, and power coming from the metropole and being "given" to a set of grateful and passive island recipients. Yet analysis of aid is still important. It shows us how and where metropolitan powers focus much of their foreign policy and geo-economic objectives in the region, and it provides an index of the weight and direction of those foreign policy "investments."

However, despite signs that the two aid regimes have left a marked imprint on the aid landscape of the region, the picture is not overwhelmingly clear. We have found support for our hypotheses concerning neostructuralism and retroliberalism, but only in part and really only clearly with regard to Australia and New Zealand. What is most interesting now is to speculate on why this aid environment in Oceania is not playing out as clearly as the regimes might predict.

The role of Pacific agency in aid regimes and flows

In spite of the assumption often made that the aid industry operates in a top-down fashion, the variable unfolding of regimes across the Pacific are in part explicable in terms of considerable and critical Pacific "agency" in the process. The top-down, donor-driven nature of aid funding is certainly evident in terms of the imposition of what we term "process conditionalities" (Overton et al., in press). Recipients have to make institutional reforms, they are told to consult widely, they have to comply with complex planning and reporting mechanisms, and their financial management systems have to comply with donor norms (Larmour, 2002). As part of a research project on aid and sovereignty in the Pacific, our researchers found strong evidence of the difficulties Pacific officials and agencies faced in meeting these demands (Wrighton & Overton, 2010), but they also revealed the way these same agencies and officials were also able to succeed in "working the system," very effectively in many cases.

Ulu's study of Samoa (Ulu, 2013), for example, showed that the Government of Samoa, well-led at the political and bureaucratic levels, adapted particularly well. Its officials engaged strongly in global meetings and agreements over aid effectiveness and the like; they put in place strong statements of strategic direction and policy and supported these with clear institutions (Government of Samoa, 2010; Government of Samoa and MFAT, 2011); they developed an experienced and stable group of officials who spread the understanding of aid relationships through several relevant ministries; and they adopted a confident and assertive approach to dealing with donor officials, being ready to say "no" when required.

Such policy statements and practices are found elsewhere in the region (for example, Government of the Cook Islands, 2011; Government of Niue and Government of New Zealand, 2011; Government of Papua New Guinea, 2008). Pacific officials have often proved to be better informed, more experienced, and more confident in negotiating aid agreements than their often more junior donor counterparts. Such examples of good practice at the national level in the Pacific have been spread through organizations such as PIFS (the Pacific Islands Forum Secretariat) and peer review processes (PIFS, 2007). As a result, Samoa, Tonga, Cook Islands, and Vanuatu, for example, have developed good reputations for being capable managers of their own development. Aid has followed these perceptions of competence (even if they have meant that donors have been told at times to go away or behave better!).

Another aspect of this Pacific competence has been the way officials and politicians in the region have often been skilful in "reading the signals" in the aid world. They not only attend international aid meetings and understand what is being talked about but they help shape these international discourses (the Pacific input into the SDGs and Fiji's chairing of COP 23 are examples in this regard). Furthermore, being attuned to political shifts in different donor countries has allowed them to make informed tactical moves to align with new donor concerns and priorities. Two recent examples are global concerns with climate change, which have put Pacific Islands in the global spotlight as supposed victims of climate change and sea-level rise (Barnett & Campbell, 2010), and the growing presence of the People's Republic of China in the region, where China has been active in promoting its particular model of "development co-operation" (Powles, 2016). But the loans are very attractive and an alternative to the selective aid programs that Western donors offer. Pacific governments have been keen to engage with China but also rather astute. They know that their established Western donors are rather wary of growing Chinese presence and willing to counter Chinese "co-operation" with Western "aid." It is apparent that agreeing to a Chinese loan does not lead to ostracism by old donors but, rather, increased generosity.

CONCLUSIONS

What, then, does our discussion of aid in Oceania tell us about island sovereignty and development? We certainly align with the view, established by Bertram and Watters, Baldacchino, McElroy, and others that forms of close association tend to bring greater benefits than full independence (Baldacchino, 2006a, 2006b; Bertram, 1986, 1993, 2004; Bertram & Watters, 1985; Connell, 1993; Dunn, 2011; McElroy & Parry, 2012; McElroy & Pearce, 2006). Aid levels on a per capita basis are much higher for those closely associated states and territories than for the fully independent ones (Table 1). As we suggested with our examination of American and French ODA in the Pacific, these closely aligned territories were able to continue to receive high levels of aid throughout the first decade of the 2000s, even though the neostructural aid approach would suggest that they, with relatively good educational and health indices and usually stable and competent administrations, should receive much less than worse-off (and independent) states in Oceania. Furthermore, with the retroliberal turn, they were well-positioned to engage in a more favourable environment when donors seemed more willing to increase aid and strengthen already close relationships.

On the other hand, we depart slightly from this view regarding the benefits of close association in two ways. Firstly, we contend that states across the sovereignty spectrum have been able to engage in the aid environment in ways potentially favourable to them. Yes, more closely associated island states have found this easier than those who have remained strictly independent. We would point to Cook Islands as an example of a Pacific country that has managed its aid relationships very effectively, even as it faces graduation to middle-income status. Conversely, until recently, Niue struggled to engage well with its heavy dependence on New Zealand aid and, though aid levels were maintained, it seemed to be losing the chance to gain more. But some independent island states, though by no means all, have been able to wrest resources through different aid regimes. By being attuned to the way donors think and operate, some have been proactive in developing strategies for, say, primary education or maternal health following the MDGs, or in being vocal about the felt impacts of climate change. We point particularly to the example of Samoa. Samoa has a Treaty of Friendship with New Zealand which defines a close historical and working (if not constitutional) relationship, yet it remains a sovereign independent state. It has opened migration pathways and encouraged New Zealand to be a generous aid donor. Yet it has not simply relied on New Zealand as a donor. Careful diplomacy, a strong administrative structure, and effective leadership in aid relationships have meant that it has developed and maintained a diverse portfolio of donors. New Zealand is prominent but not dominant; Australia and Japan are significant; and the ADB — and China — are major funders of projects. Independence for Samoa has not greatly disadvantaged its long-term ability to attract aid and development partners.

Secondly, we conclude that it is not so much the absolute legal sovereignty status that is important in attracting and managing effective aid, but, rather, how sovereignty is “enacted” on a daily basis. Recipients who have skilled and experienced officials, clear and appropriate development strategies and institutions, and confidence in dealing with donors can assert a degree of ownership over aid resources — and attract greater funding — almost regardless of the constitutional status of their country. “Reading the signals” and “playing the game” effectively can help an otherwise isolated and relatively ignored state do well from aid, whilst conversely a territory that is closely associated with a metropole but which fails to engage and respond to aid signals and relationships may not necessarily prosper. Aid in Oceania, then, is not simply conditioned by changing aid regimes, nor does it simply conform to the constitutional and political definitions of sovereignty — though both are still critical. Rather, aid is conceived, strategized, negotiated, and implemented through a complex web of institutions, agreements, historical relationships, and personalities in which sovereignty as a resource is as much a state of mind and a set of practices as it is a political "fact."

Finally, we contend that the various aid regimes are crucial in shaping aid relationships between islands and metropoles within Oceania, but that they are not simply a matter of top-down imposition of external agendas. Although aid regimes are largely conceived, composed, and endorsed by donor countries acting largely in concert, they are subject to high levels of negotiation and modification through the agency of island institutions and individuals, resulting in diverse forms and flows of aid. Furthermore, when Pacific Island agents and agencies are closely involved in the formulation and implementation of policies related to global regimes, they are able to exercise influence and a degree of ownership. Contrary to our initial scepticism regarding the imposed nature of the neostructural aid regime in particular, we are of the view that such aid regimes can, in theory, provide a useful framework and set of agreed principles and practices that island governments and others can often use to their advantage and hold donors to account.

ALTHOUGH AID REGIMES are largely conceived, composed, and endorsed by donor countries acting largely in concert, they are subject to high levels of negotiation and modification through the agency of island institutions and individuals, resulting in diverse forms and flows of aid.

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