

# Aiding or Abetting?

## *Dilemmas of foreign aid and political instability in the Melanesian Pacific*

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**Abstract**

Since independence, the self-governing nations of Melanesia - Papua New Guinea (PNG), the Solomon Islands, Fiji and Vanuatu - have been the recipients of a steady flow of foreign aid. Between 1995 and 1999 average per capita aid to Melanesia was US\$73, three times that to Sub-Saharan Africa and 35 times aid to India.

Yet aid in Melanesia seems to be failing to achieve many of its goals. The Melanesian countries are amongst the poorest in the Pacific. There is considerable inequality of wealth and power, governments often fail to provide even basic services and corruption is rife. In recent years the Melanesian Pacific has experienced civil war, coups and political instability. Previously considered relatively secure, Melanesia has become known as an 'arc of instability'.

The causes of political instability include; ethnic fragmentation, a lack of national identity, rapid population growth, land disputes, conflicts over resources, high unemployment, weak governments, corruption and a limited capacity to provide basic services.

Aid, itself a politicised phenomenon, is one more ingredient in this unpredictable mix. The aims of foreign aid and stable democracies are the same; economic growth and rising living standards that pull people out of poverty. Political instability and conflict are powerful disruptors of that process. There is now a heated debate in both donor and recipient countries about what role aid should play in the Melanesian Pacific. This article investigates the positive and negative impacts of foreign aid on political stability.

**Keywords:** Foreign Aid, Political Instability, Melanesia

## Introduction

In the three decades or so since independence, the self-governing nations of the Pacific have been the recipients of a steady stream of foreign aid. Between 1995 and 1999 average per capita aid to the Pacific was \$220 - ten times greater than aid to Sub-Saharan Africa and a hundred times that to India.<sup>1</sup>

The independent nations of the Melanesian Pacific - Papua New Guinea (PNG), the Solomon Islands, Fiji and Vanuatu - are large by Pacific standards. They are resource rich, with growing populations and are highly diverse; geographically, ethnically and politically. They are also vulnerable to natural disasters and the fluctuating world prices for the mineral, agricultural and marine commodities they produce. Annual per capita aid to Melanesia is less than the rest of the Pacific - around \$73 - but still far exceeds the aid flows to other independent developing regions.<sup>2</sup>

Yet, it seems that aid to Melanesia is failing to achieve many of its goals.<sup>3</sup> Living standards in Melanesia are no better today than they were 25 years ago. Some social indicators are even falling.<sup>4</sup> In the Solomon Islands and Vanuatu, for example, income poverty was greater in 2001 than 1990.<sup>5</sup> In PNG the proportion of undernourished people as a percentage of the total population increased to nearly 30% during the 1990s.<sup>6</sup> There are growing inequalities of wealth and power, economic growth is sluggish, governments often fail to provide even basic services, and corruption and mismanagement are rife.

In recent years, a belt of independent nations in Melanesia has experienced significant civil turmoil, intrastate conflict and political instability. Fiji has experienced three coups since 1987 and PNG, despite the cessation of hostilities in Bougainville, continues to be the scene of considerable volatility with army mutinies in March 1997 and March 2001.<sup>7</sup> In 1996 there was a rebellion of the armed forces in Vanuatu and the country has since suffered social unrest and continuing political instability.<sup>8</sup> In July 2003 a multinational peace-keeping force led by Australia and supported by New Zealand and other Pacific Nations was deployed in the Solomon Islands to re-establish the rule of law and shore up a government that had all but ceased to function.<sup>9</sup> Previously considered relatively secure, this region has become known as an 'arc of instability'.

There is now a heated debate in both donor and recipient countries about what role aid should play in Melanesia. The aims of foreign aid and stable democracies are the same; economic growth and rising living standards that pull people out of poverty. Political instability and conflict are powerful disruptors of that process.

Yet the debate seems to have become polarised between retrenched positions. There are economists like Helen Hughes, whose May 2003 paper *'Aid has failed the Pacific'* argued that aid is an unearned rent creating economic distortions that foster corruption and bureaucratic inefficiency.<sup>10</sup> She concludes that the most effective response would be a suspension of all aid. On the other side, donor and recipient countries vigorously defend the current levels and direction of aid.<sup>11</sup>

The following paper aims to highlight the outcomes that result from the distribution of aid, itself a politicised phenomenon, in situations of fragile political stability. In so doing, it tries to understand some of the dilemmas that face decision makers and development practitioners,

trying to get the best results from their aid dollars in imperfect situations.

### **Political instability in Melanesia**

Decolonisation came relatively late to the Pacific. Fiji became independent in 1970, PNG in 1975<sup>12</sup>, the Solomon Islands in 1978 and Vanuatu only in 1980.<sup>13</sup> They soon discovered that whilst they may have been constitutionally independent, they were far from independent politically or economically.<sup>14</sup> Melanesia continues to face daunting challenges; ethnic divisions, a growing pool of unemployed youth, unsustainable resource use, corruption, weak government, poverty and increasing inequalities of wealth and power.

The nightmare scenario of fragmented, failed states painted by some commentators underestimates Melanesia's inherent resilience and adaptability.<sup>15</sup> Nevertheless, the Melanesian Pacific as a group has fared much less well than the rest of the Pacific. Democracy is 'problematic' to say the least in PNG, Fiji and Vanuatu and a transition to democracy is currently underway in the Solomon Islands.

Predictions on Melanesia's future tend towards pessimism. According to John Henderson of the University of Canterbury, "a consideration of the capacity, disposition and opportunity for armed intervention into the political process points to the likelihood of further coups, rebellions and mutinies in Melanesia".<sup>16</sup> It is in this troubled environment that aid donors operate.

### **Overseas aid to Melanesia**

Aid is given to Melanesia for the best humanitarian reasons; to help provide basic services, combat poverty and raise standards of living. The vast majority of the developed nations feel a sense of responsibility to the less developed nations and want to share a world without poverty and hunger.<sup>17</sup> In Australia and New Zealand there is a particular recognition that an impoverished and unstable Melanesia presents a potential regional security threat.

However, the 'official claim' that aid is given for reasons of altruistic and enlightened national interest alone does not tell the whole story. If need (as defined by poverty levels) determined aid flows then the majority of regional aid would flow to the poorest countries in the Pacific; Vanuatu, the Solomon Islands and PNG. The fact that it does not indicates the presence of alternative, more covert, objectives of aid.

Instead, the humanitarian goals of aid, while important, are secondary to a range of political, geo-strategic and economic objectives that influence aid policies. In other words, to a large extent, aid levels are not determined by the actual requirements of recipient countries, instead they are set at the political level, for political reasons and fluctuate in step with the political cycles of donor countries.<sup>18</sup>

In wake of decolonisation in the 1970s and 1980s, the former colonisers, motivated by a combination of political and economic concerns, generally undertook to maintain a high level of economic assistance to their former colonies. In particular, the superpower rivalry of the Cold War ensured continued high levels of Western aid. Rather than an 'arms race' during the Cold War the Pacific played host to an 'aid race'.

By 1989 the original anti-communist imperative had dissolved with the collapse of the Soviet

Union. For some traditional donors the end of the Cold War meant there was less to be gained from continuing their aid programmes. Meanwhile, others hoped that the new world order would free aid from its political objectives and begin a genuine focus on the development needs that were so evident globally.<sup>19</sup> Unfortunately, this was not to be.

The Pacific Rim hosts some of the world's largest and wealthiest powers. Meanwhile, the Melanesian nations contain valuable marine resources, as well as rich minerals resources and fossil fuels. Far from self-sufficient, they need to import a large proportion of their requirements. For Australia and New Zealand the area also represents a potential springboard for illegal immigrants, terrorists, drugs, money laundering and organised crime.

Moreover, Pacific Islanders, on a per capita basis, have perhaps greater representation in international organisations than anyone else in the world. No community of 200,000 in China or India has as much independence in international affairs as Vanuatu does. In total, the 7.6 million people of the independent island states of the Pacific have more voting power in international fora like the General Assembly of the United Nations than the 3.5 billion people of China, India, Japan and the US combined.

In other words, the Pacific islands have a great deal that is of interest to the metropolitan states; marine resources, tropical hardwood, mineral deposits, fossil fuels and valuable import markets. They also have great geo-strategic importance and carry a great deal of weight as a voting bloc. Consequently there is strong competition amongst the donor countries for influence in the Pacific. Aid is a persuasive currency in this market.

Australia is the largest or second largest donor for all four Melanesian countries, whilst Japan, New Zealand (NZ) and the European Community (EC) are also significant donors.<sup>20</sup> In fact, Bernard Poirine suggests the term 'aid' is itself a misnomer. More accurate, he argues, would be to call the transfers of money a kind of "geo-strategic rent" that developed countries pay for influence over the developing countries – for a seat at their table.<sup>21</sup> Rex Horoi, for eight years the Solomon Islands ambassador to the United Nations, has more experience of this than most. "Some people would call that buying votes" he says, "but ... it's reciprocity - and the Pacific understands that. Reciprocity is not new ... if you give the Pacific people something then they have to give you something back".<sup>22</sup> Poirine argues that international aid is not money for nothing – instead it is an invisible export of 'strategic services'.<sup>23</sup> Aid is trade.

Japan, for example, has made no secret of using its government aid programme to promote its own economic and political interests. Japan is the largest fishing nation in the region, and buys the majority of Pacific island timber.<sup>24</sup> Having recently spent US\$100 million studying the mineral wealth on the Pacific seabed, Japan is also well aware of its potential.<sup>25</sup> Consequently, Japanese aid is focused on ensuring its access to the rich resources of the Pacific – particularly its marine resources. Since becoming an aid donor to the region in the mid 1970s Japan has funnelled the majority of its assistance to the fisheries sector.<sup>26</sup>

Meanwhile, China and Taiwan have growing influence in Melanesia. Chinese and Taiwanese aid is generally offered without strict conditions attached and so is often welcomed by Melanesian leaders.<sup>27</sup> Nevertheless, they still pursue their own agendas in the region. Taiwan is determined to build up a critical mass of recognition from nations in the Pacific in support of any future moves towards autonomy from China. Meanwhile a key objective of Chinese aid

policy is to counteract the influence of Taiwan. The rivalry between China and Taiwan has sparked a barely-disguised struggle for diplomatic influence in the Pacific.<sup>28</sup>

The terrorist attacks of 9/11 triggered a reassessment of the strategic objectives of aid. Increasingly, aid programmes are rationalised in terms of 'the war on terror' and regional security.<sup>29</sup> The 'war on terror' has given a new impetus to those who would use foreign aid as an instrument of foreign policy. The spectre of terrorism which accompanies state failure has helped precipitate increased aid flows for law and order, such as Australia's Aus\$800 million support of the PNG police force<sup>30</sup>, and catalyzed proactive interventions such as the July 2003 peacekeeping deployment in the Solomon Islands.

The 'returns' on aid for donor countries can be significant. Aid can support the domestic industries of donor countries in three ways. Firstly, 'tied aid' ensures that aid flows are spent on goods and services from the donor country. Secondly, aid can be used to develop the capacity of recipient countries to exploit the natural resources the donor country is interested in; Japan's aid to the Pacific fishery sector and investment in the mineral resources of the seabed are prime examples of this. Thirdly, aid helps 'buy' influence and good feeling in recipient countries and so encourages trading relationships. In short, the foreign policy objectives and domestic economic priorities of donors have often co-opted their aid programmes.

Aid is given for political and economic reasons that bear little resemblance to the real development needs of countries. Not surprisingly aid carries political and economic consequences outside of its original development objectives.

### **Aiding?**

Each year aid agencies spend a huge amount of time, energy and resources to promote peace and reconciliation, build links between divided communities and tackle the root causes of conflict and instability. According to Phil Goff, Minister for Foreign Affairs, nearly 40% of New Zealand's aid to the Pacific goes towards 'building capacity for good governance; more effective and honest police forces, functioning judiciaries and more professional civil services'.<sup>31</sup> With three-quarters of AusAid's programmes operating in countries that are vulnerable to, experiencing or recovering from conflict, donors like Australia have a strong interest in developing aid programmes that are as conducive to political stability as possible.<sup>32</sup> Development needs peace as much as peace needs development.

The ways in which effective aid can promote political stability are almost too numerous to mention. At the risk of being crass, just a few examples may help to illustrate the breadth of possible interventions. Funding education is a particularly potent way of empowering people to participate more effectively in the democratic process. Basic education enables people to understand better the decisions that are made on their behalf by politicians and communicate their own needs. Second, helping to provide basic services such as health care, education, and micro-credit schemes can reduce poverty and narrow wealth inequalities. Reducing the structural inequalities in politically fragile countries can help dissolve tensions and resentment.<sup>33</sup>

Third, providing vocational training for ex-combatants or groups of unemployed youths can smooth their transition into productive positions where they can earn their livelihoods and

may be less likely to join rebel groups or engage in criminal activities. Fourth, donors can support civil society organisations that monitor governments, advocate for change and represent minority sections of the population. Donors can also support local peace alliances, sponsor peace talks and send observers to monitor elections. Finally, donors can share their skills, research and experience with recipient governments to help improve the quality of governance.

All this and more is already underway in Melanesia, funded by aid donors. There are many examples of innovative and effective aid programmes that have supported efforts to restore political stability. AusAid's programme in Bougainville is an example of a holistic approach to peace building. Australia funded more than 300 peace monitors to supervise the peace accord as well as paying for the protagonists to attend peace meetings. They paid for the reconstruction of areas affected by war, supported the restoration of law and justice systems, trained 3,000 ex-combatants in basic literacy and numeracy, rehabilitated schools and roads and provided seed-money to kick-start small businesses.<sup>34</sup>

New Zealand's intercession in the Bougainville conflict was another example of a successful aid-funded measure.<sup>35</sup> New Zealand facilitated the peace talks, by bringing a large number of the protagonists and decision makers to New Zealand and then providing a secure environment for negotiations to take place, whilst taking a low profile themselves. The peace talks resulted in the Lincoln agreement that brought an end to the fighting in 1998.

Short term humanitarian responses to particular incidents can also help to limit the impact and spread of political instability. Starting in 1999, aid agencies, the Red Cross and UN aid organisations helped to stave off what might have been a much worse humanitarian crisis in the Solomon Islands by providing emergency food and accommodation for refugees from the conflict – both in Honiara and Malaita.<sup>36</sup> Meanwhile, local NGOs, women's organisations and church groups bravely interceded during the conflict to care for the victims, organise peace meetings and persuade the sides to negotiate.<sup>37</sup>

Australia, New Zealand and other aid donors have sought to discourage unconstitutional actions in Melanesia by threatening sanctions. The suspension of aid can be used to send a powerful message that mutinies, coups and other illegal attacks on democratic institutions will not be rewarded by donors. In 2001, the strong reaction of aid donors, particularly Australia, helped to curtail the mutiny of the PNG Defence Force.<sup>38</sup>

However, it is inevitably difficult to assess the effectiveness of aid spent to reinforce political stability. Unlike most humanitarian aid, which is tangible and immediate (food to starving children or shelter to earthquake victims) it is difficult to ascribe precise outcomes to the aid dollar's impact on political stability. Partly this is because it is impossible to know the counterfactual; what would Melanesia be like without a history of aid? Would it be a more or a less stable place?

One thing which is certain is that if aid were suspended tomorrow it would have a devastating impact on Melanesia. Aid forms a core part of government revenues across the region. The economist Geoffrey Bertram argues that aid in the Pacific plays a vital, though unromantic, role in supporting the provision of basic services; education, health and the mechanisms of government.<sup>39</sup> Without aid many basic services would grind to a halt, causing deprivation and

a fall in living standards. Even the most ardent critics of aid recognise that this would be a harsh step.<sup>40</sup> Most likely, the total absence of aid would spark widespread instability.

### **Abetting?**

On the other hand, Pierre Huetter argues that the difficulty of assessing the impact of aid on stability, to a degree, suits the donors by allowing them to pursue a range of alternative objectives through their aid with no-one to say whether they are actually helping or hindering development.<sup>41</sup> “Aid is altruistic help” Huetter admits, “but aid is also a foreign policy tool, a paternalistic subsidy for the development industry, a missionary’s tool, a beach-head of national pride, and a salve for the wealthy’s conscience. Aid is many things but its continuation in the face of failure alludes to its multiple ‘non-development’ roles”.<sup>42</sup>

As official aid is often given for political reasons, it is perhaps unsurprising that aid carries unintended political consequences. It is suggested that donors using aid to secure access to diplomatic support or natural resources have not been overly concerned about project appraisal. In addition, there is a tendency for aid funds to be somewhat ‘fungible’ - that is where funds are open to ‘creative accounting’ allowing the finance of other (possibly nefarious) ends. This somewhat undermines aid donors’ attempts to ring-fence aid monies to particular projects. Finally, the local realities of disbursing aid in Melanesian nations can subvert the best intentioned projects. Eight links between aid and political instability are explored below;

### **1/. A heavy dependence on aid leaves countries vulnerable to external pressures**

Development aid should be part of a process that moves countries away from a reliance on aid. The real objective of aid, after all, should be its redundancy. Yet several decades after independence, much of Melanesia is becoming more, not less, reliant on outside aid.

When PNG was a territory of Australia it was funded by a bloc grant as if it were a government department. As a part of the transitional arrangement of independence Australia committed itself to a temporary increase in funding offering Aus\$500 million in budgetary support over 3 years.<sup>43</sup> A generation later, and after Aus\$100 billion in aid to the Pacific, Australia is funding PNG by more than that amount each year.<sup>44</sup>

When a large proportion of government expenditure is supplied by aid, recipient governments can be very vulnerable to the agendas of donor governments. Donors can exert pressure by halting or suspending aid or attaching conditions to aid disbursements. Increasingly, donors are adopting more intrusive and interventionist aid policies in an attempt to encourage reforms in recipient countries.

Australia has recently increased its aid to PNG and is engaged in a costly intervention in the Solomon Islands. The Australian Prime Minister John Howard, recently said that the Solomon Islands venture is just, “the opening gambit of a new era of increased Australian involvement and intervention in the region”.<sup>45</sup>

There is already an impression in much of the Pacific that Australia is a heavy handed neo-colonist that aspires to be a ‘regional sheriff’ in the Pacific. The evolution of Australian aid with its newly defined focus on security with strong conditionality will do little to allay the fears of Pacific nations that in future their sovereignty will be respected. On the contrary, it

may undermine the confidence of Melanesian populations in their own governments.

## **2/. Aid may be helping to widen wealth disparities**

Since independence, and despite rising levels of crime, the quality of life for the urban elites has improved markedly. Meanwhile, the urban and rural poor are in many cases worse off. Urban elites have overwhelmingly captured the benefits of resource flows, including aid flows.<sup>46</sup> Even after subsistence production is taken into account, urban incomes are between 10 to 16 times higher than rural incomes.<sup>47</sup> At the same time increasing levels of education are making people more aware of these disparities and setting the scene for potential ‘score-setting’ in the future.<sup>48</sup>

Aid programmes may be contributing to this trend. For practical reasons the regional and country offices of aid agencies are largely confined to urban areas. The jobs created by aid programmes, the goods and services they buy and the spin-offs from their operations are also typically concentrated in the cities. A recent AusAid report noted that, “aid has probably helped to concentrate economic activity in the region’s capital cities”.<sup>49</sup>

## **3/. Aid can divert the attention of recipient governments**

Since the early 1990s aid donors have required recipient governments to account for aid monies in increasingly complex formats, respond to the latest thinking in governance and provide periodic reports of the progress of aid projects. Given the history of the misuse of aid and corruption this is often a legitimate concern.

However, some commentators worry that responding to the hurdles of aid donors simply soaks up some of the best and brightest government employees into a never ending cycle of chasing aid. Adam McCarty, a development economist with two years experience in PNG, candidly wrote on an online forum that the net development impact of his developing country colleagues was almost certainly negative, ‘...they are among the brightest people in their country and instead of doing proper focused quality work in ministries and institutes they spend their time sucking up to donors to get money to do mediocre and repetitive projects’.<sup>50</sup>

The aid community is aware of this issue. A recent trend in aid policy is to ‘harmonise’ reporting procedures to minimise the amount of time spent by recipient governments satisfying the various reporting commitments of donor agencies.<sup>51</sup> However, given the somewhat competitive nature of aid giving in the Pacific and the very different agendas of aid donors it remains to be seen how effective this latest move will be.

## **4/. Poorly supervised aid may encourage corruption**

Easy access to ‘rents’ from fishing, logging and mineral licenses have proved a temptation for many Melanesian politicians and bureaucrats. This has been equally the case with poorly supervised aid flows. When aid is given for diplomatic goals it seems that donors may be less concerned to track the use of the funds as long as it fulfils the objective of influencing the decision makers. Even if aid is ear-marked to specified projects the fact that aid flows are generally fungible allows for ‘creative accounting’ and the skimming of money for personal gain. A 2001 empirical study by Stephen Knack found that high levels of aid actually worsen corruption and the quality of bureaucracy.<sup>52</sup>

Helen Hughes argues that “making bloated governments the main source of income and resource rents has made corruption rife throughout the Pacific”.<sup>53</sup> Ron Crocombe argues that a common problem with government-to-government aid is that ‘donor’ and ‘recipient’ are more concerned about benefits of the aid for themselves than about it reaching those in need.<sup>54</sup> Perceptions of dishonesty in government as a whole undermine confidence in its ability to achieve good governance. In the opinion of Patricia Sachs Cornish of the Secretariat of the Pacific Islands Forum, “maybe the root cause of political instability is corruption”.<sup>55</sup>

#### **5/. The ‘wantok’ system may be hindering the equitable distribution of aid**

‘Wantok’, a Pidgin-English word meaning ‘one talk’, refers to the system of kinship relations of reciprocity and obligation that, to a large extent, governs social relations in Melanesia.<sup>56</sup> While it is perfectly proper to request a gift, it is considered improper to refuse it. The obligation to support others is seen as laudable and helps define the very nature of being a Pacific Islander. However, it also puts great pressure on politicians and public officials to direct aid funding to assist their own communities.

The wantok system has been accused of undermining the equitable distribution of aid funds. Decision makers are naturally predisposed to channel funds to their own communities – without necessarily feeling as if they are doing anything wrong. Elsewhere this may be disparaged as corruption and the misuse of funds but in Melanesia there is a more complex social background of parochial and familial loyalties at play.<sup>57</sup> In effect the aid flows can reinforce and exacerbate existing inequalities in the society; the people with power are likely to have most influence over the distribution of aid. An empirical study by Svensson found that aid-related corruption is worst in countries that are ethnically heterogeneous, like those of Melanesia.<sup>58</sup>

#### **6/. Disputes over the sources of aid can directly cause political instability**

This link was graphically demonstrated by an acute political crisis over aid payments in PNG. In July 1999 Bill Skate’s government signed a deal to grant diplomatic recognition to Taiwan in return for grants and loans worth US\$2.35 billion over five years.<sup>59</sup> PNG’s recognition of Taiwan would have helped Taiwan’s international status as a sovereign nation and supported any future claims of autonomy from China. When details of this deal were leaked to the media Bill Skate’s government, already tainted by allegations of corruption, was forced to resign to pre-empt a Parliamentary vote of no confidence.

The subsequent government swiftly moved to repair relations with China. Foreign Minister Sir Michael Somare was sent to Beijing in October 1999 where he signed a deal with China that reaffirmed the PNG government’s support for the ‘One China’ policy that recognises Taiwan as an integral part of China. In return China provided PNG with US\$5 million cash payment for ‘economic stabilisation’ which came as part of a \$10 million package given to PNG for budget and economic reform support.<sup>60</sup>

#### **7/. Access to aid funds can be a ‘prize’ to contest**

The struggle for power over resources has been at the heart of several of the recent episodes of political instability in Melanesia. Where states are weak, foreign aid is a sought after ‘rent’ for elites. Aid may therefore indirectly encourage coup attempts and political instability by making control of government and aid receipts a more valuable prize. Aid can be one more resource to compete for – one of the ‘spoils’ of office.

In a somewhat ill-judged intervention Taiwan provided a loan of US\$17 million to compensate people displaced by the Solomon Islands conflict.<sup>61</sup> However, the programme backfired spectacularly. When, in 2001, US\$13 million of the Taiwanese loan was given in payouts to members of the MEF there were demonstrations in Honiara.<sup>62</sup> In fact, in the opinion of John Henderson, the aid actually exacerbated and prolonged the conflict by rewarding the grievance claims.<sup>63</sup>

“‘Compensation’ in this case means simply payments of money to the members and leaders of the armed groups,” writes Victor Böge. “For example [members of the armed groups] each received 1,000 Solomon Island dollars as ‘travel monies’ to return to their villages ... Representatives of the churches and peace groups also justly criticised that in this way the combatants were being rewarded for their – illegal and inhuman – actions; this had nothing more to do with compensation in the traditional sense. Cynics formulated it in this way: the only branch of business flourishing on the Solomon [was] the compensation business’.”<sup>64</sup>

### **8/. Aid can inadvertently finance internal repression and violent conflict**

Starting in 1983 Australia donated 20 lightly-armoured fast patrol boats for Pacific nations to patrol their Exclusive Economic Zones (EEZs). Five boats went to PNG, four to Fiji and one each to Vanuatu and the Solomon Islands. This measure is credited with helping Melanesia reduce the poaching of fish stocks.<sup>65</sup>

However, the original purposes of these boats to patrol the fishing areas and counter drug smuggling have, in many cases, become secondary. PNG used its vessels for many years to blockade Bougainville in an attempt to starve out the independence movement.<sup>66</sup> Meanwhile, the Solomon Islands used its vessels in response to incursions by the PNG forces. Ultimately, it was only Australia’s sustained military aid to the PNG Defence Force that enabled the PNG government to continue the war for almost a decade.<sup>67</sup>

### **Conclusions**

‘Foreign aid’ according to the World Bank, ‘in different times and different places, has...been highly effective, totally ineffective, and everything in between’.<sup>68</sup> The same is true of aid in Melanesia.

Melanesia faces daunting challenges; huge ethnic diversity spread across widely dispersed islands and remote highlands, sluggish and vulnerable economies, isolation from the global economy, low standards of education, rapid population growth and high unemployment – the list goes on and on.

Political stability is a legitimate goal for aid. It is also an essential precondition for sustainable development. Expecting aid to be given for purely humanitarian, selfless motives is somewhat naïve. It is natural to expect donors to support governments they have close relationships with and give money to sectors of relevance to their own economies; after all they have to account to their own taxpayers for the use of those funds. Ideally, aid should be a match of the (inevitable) self-interest of donors and the needs of the recipient. Unfortunately, this situation seems rare.

Effective aid can be a powerful tool for reducing conflict, encouraging peace building and

creating an environment that is conducive to political stability. On the other hand, it seems that aid has also played a role in political instability in Melanesia. It can be a resource to fight for, it can help finance repression, and it may be contributing to the growing inequalities of wealth and power in Melanesia. If aid is inadvertently contributing to political instability it is vital that this link is established. The effectiveness of measures to promote development can only be judged against the ends they purport to serve.

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## Notes

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<sup>1</sup> Helen Hughes, "Aid Has Failed the Pacific," in *Issue Analysis* (The Centre for Independent Studies, 2003), pp. 19-20.

<sup>2</sup> Weighted average for the four Melanesian countries. Calculated from Ibid. and Ron G. Crocombe, *The South Pacific* (Suva: Institute of Pacific Studies, University of the South Pacific, 2001).

<sup>3</sup> See for example AusAID, *Why Our Aid to the Pacific Is So Important* The Australian Department for International Development,

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<sup>4</sup> Hughes, 2003 cited in Sandra Tarte, "Presentation to the Meeting of the Forum Review - Eminent Persons Group and U.S.P." (Suva, Fiji, 20 November 2003 2003), p. 1.

<sup>5</sup> UNDP, "The Human Development Report - 2003," ed. United Nations Development Programme (New York: <<http://www.undp.org/hdr2003/>>, 2003), p. 53.

<sup>6</sup> Ibid., p. 54.

<sup>7</sup> John Henderson and Paul Bellamy, "Prospects for Further Military Intervention in Melanesian Politics," *World Affairs* 164, no. 3 (2002): p. 124.

<sup>8</sup> Ibid.

<sup>9</sup> Oxfam, *Australian Intervention in the Solomons; Beyond Operation Helpem Fren - an Agenda for Development in the Solomon Islands* (Melbourne: Oxfam Community Aid Abroad, August 2003), p. 3.

<sup>10</sup> Hughes, "Aid Has Failed the Pacific."

<sup>11</sup> See, for example, AusAID, *Why Our Aid to the Pacific Is So Important*

<sup>12</sup> Though self government commenced in December 1973, full independence was not until 1975 – see Bill Standish, "Papua New Guinea 1999: Crisis of Governance," in *Research Paper 4 1999-2000* (Canberra: Parliamentary Library, Parliament of Australia, 21 September 1999).

<sup>13</sup> Brij Lal and Kate Fortune, *The Pacific Islands: An Encyclopaedia* (Honolulu: University of Hawai'i Press, 2000), p. 259.

<sup>14</sup> Crocombe, *The South Pacific*, p. 441.

<sup>15</sup> Avelina Rokoduru, Department of History and Politics, University of the South Pacific, Suva, Fiji, personal communication, 17<sup>th</sup> December 2003

<sup>16</sup> My emphasis - Henderson and Bellamy, "Prospects for Further Military Intervention in Melanesian Politics," p. 131.

<sup>17</sup> See for example AusAID, "Focus - the Magazine of Australia's Overseas Aid Program," 18, no. 1 (Autumn 2003): p. 2.

<sup>18</sup> A point recognised in Parliament of Australia Senate, "A Pacific Engaged: Australia's Relations with Papua New Guinea and the Island States of the South-West Pacific," (Parliament of Australia - Senate, 12 August 2003), p. 133.

<sup>19</sup> Janet Hunt, "The State of Aid - Aid in an Era of Globalisation," *Dialogue - Academy of the Social Sciences in Australia* 22, no. 2/2003 (2003): p. 10.

<sup>20</sup> DAC, *Aid Statistics at a Glance*

[http://www.oecd.org/countrylist/0,2578,en\\_2649\\_34447\\_25602317\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/countrylist/0,2578,en_2649_34447_25602317_1_1_1_1,00.html), (retrieved 12 February 2004), – ODA/GNI – Overseas Development Assistance as a proportion of Gross National Income

<sup>21</sup> Bernard Poirine, "Should We Love or Hate Mirab?," *The Contemporary Pacific - a journal of island affairs* 10, no. 1 (1998): p. 76.

<sup>22</sup> Rex Horoi, Executive Director, Foundation for the Peoples of the South Pacific, personal communication, 22<sup>nd</sup> December 2003

<sup>23</sup> Poirine, "Should We Love or Hate Mirab?," p. 81.

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- <sup>24</sup> Crocombe, *The South Pacific*, p. 634.
- <sup>25</sup> Ibid.
- <sup>26</sup> Sandra Tarte, "Foreign Aid," in *The Pacific Islands: An Encyclopaedia*, ed. Brij Lal and Kate Fortune (Honolulu: University of Hawai'i press, 2000), p. 395.
- <sup>27</sup> Teresia K Teaiwa et al., "Turning the Tide: Towards a Pacific Solution to Conditional Aid," (Sydney: Greenpeace, June 2002), p. 7.
- <sup>28</sup> Bruce Hill, "South Pacific - Strategic Challenges," *Strategic Briefing Paper* 1, no. 2 (1999): p. 2.
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- <sup>30</sup> ABC, *Australia: \$800 Million Agreement Signed with P.N.G.*  
<http://www.abc.net.au/ra/pacbeat/stories/s1008205.htm>, (retrieved 12 December 2003),
- <sup>31</sup> Phil Goff, *How Aid Works - Opinion Piece*  
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- <sup>32</sup> AusAID, "Focus - the Magazine of Australia's Overseas Aid Program," p. 2., see also Senate, "A Pacific Engaged: Australia's Relations with Papua New Guinea and the Island States of the South-West Pacific," pp. 81-2.
- <sup>33</sup> AusAID, "Focus - the Magazine of Australia's Overseas Aid Program," p. 6.
- <sup>34</sup> AusAID, "Focus - the Magazine of Australia's Overseas Aid Program."
- <sup>35</sup> John Henderson, Department of Politics, University of Canterbury, personal Communication, 30<sup>th</sup> January 2004
- <sup>36</sup> Victor Böge, "Conflict Potential and Violent Conflicts in the South Pacific. Options for a Civil Peace Service, a Study for Service Overseas," (Research unit of Wars, Armaments and Development: University of Hamburg, 2001), p. 29.
- <sup>37</sup> Ibid., p. 45.
- <sup>38</sup> Henderson and Bellamy, "Prospects for Further Military Intervention in Melanesian Politics," p. 131.
- <sup>39</sup> Geoff Betram, interview on NZ Radio, 28<sup>th</sup> February 2004
- <sup>40</sup> Hughes, "Aid Has Failed the Pacific," p. 1.
- <sup>41</sup> Pierre Huetter, *The Conflict of Interest in Development Assistance*  
<http://www.onlineopinion.com.au/view.asp?article=749>, (retrieved 2 November 2003),
- <sup>42</sup> Pierre Huetter, *Overseas Aid: A Leg-up to Struggling States, or Corrosive Deadweight?*  
<http://www.onlineopinion.com.au/view.asp?article=567>, (retrieved 27 January 2003),
- <sup>43</sup> Donald Denoon, "Papua New Guinea's Crisis: Acute or Chronic?," *World Affairs* 164, no. 3 (2002): p. 116.
- <sup>44</sup> AusAID spends Aus\$334 million in PNG plus Aus\$800 million over the next 5 years to be spent on law and order.
- <sup>45</sup> Max Walsh, "The Banned Aid Solution," *The Bulletin* 15 July 2003.

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- <sup>46</sup> Hughes, "Aid Has Failed the Pacific," p. 9. also Run Duncan, personal communication, 4<sup>th</sup> December 2004
- <sup>47</sup> Ron Duncan and Satish Chand, "The Economics of the 'Arc of Instability'," *Asian-Pacific Economic Literature* 16, no. 1 (May 2002): p. 3.
- <sup>48</sup> Heather Wright, Fiji programme manager, NZAID, [ersonal communication, 8<sup>th</sup> December 2003
- <sup>49</sup> AusAID, "Papua New Guinea and the Pacific - a Development Perspective," (Canberra: AusAID, September 2003), p. 14.
- <sup>50</sup> Adam McCarty, "Aid and the Pacific: The Helen Hughes Report," ed. Devzone Online Discussion Forum ((retrieved on 1st December 2003) from <<http://www.devnet.org.nz/cgi-bin/yabb/YaBB.cgi?board=devt-practitioner;action=display;num=1053900647>>, 7th June 2003).
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- <sup>52</sup> Knack (2001) Aid dependence and the quality of governance. *Southern Economic Journal* 68(2): 310-29 cited in Stephen Knack, "Does Foreign Aid Promote Democracy?," *International Studies Quarterly* 48, no. 1 (2004): p. 253.
- <sup>53</sup> Hughes, "Aid Has Failed the Pacific," p. 12.
- <sup>54</sup> Crocombe, *The South Pacific*, p. 857.
- <sup>55</sup> Patricia Sachs Cornish. Development Co-operation adviser, personal communication, 19<sup>th</sup> December 2003
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- <sup>58</sup> Svensson, J. (2000) Foreign Aid and Rent-Seeking. *Journal of International Economics* 51(2):437-461 cited in Knack, "Does Foreign Aid Promote Democracy?," p. 253.
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- <sup>65</sup> Crocombe, *The South Pacific*, p. 575.
- <sup>66</sup> Ibid.

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<sup>67</sup> Böge, "Conflict Potential and Violent Conflicts in the South Pacific. Options for a Civil Peace Service, a Study for Service Overseas," p. 6.

<sup>68</sup> WorldBank, *Assessing Aid - What Works, What Doesn't and Why*, p. 2.