ARTICLE

Aid-supported governance reforms in Solomon Islands: Piecemeal progress or persistent stalemate?

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Abstract

Motivation: Despite seeming donor–recipient consensus on the importance of effective governance, aid-linked reforms often fall short of the expected outcomes. Solomon Islands provides a highly relevant case to explore the dynamics of institutional reform processes, and understand why, even in a relatively favourable operating environment, structural reforms are difficult to implement.

Purpose: This article aims to provide empirically grounded analysis of key factors that hinder institutional change in fragile aid-receiving countries by addressing the reciprocal (rather than unilateral) constraints and trade-offs faced by both recipients and donors, and examining their implications for the emerging institutional trajectories in host states.

Approach and Methods: This study is based on the use of a single case study that involves in-depth review of related academic and policy literature, and media reports through the lens of “mutual dependencies.”

Findings: Solomon Islands’ recent experience with the regulation of Constituency Development Funds and tertiary scholarships makes it clear that by continuously postponing the implementation of relevant policies, domestic authorities try to avoid the potential costs institutional reforms are likely to create. Similarly, donors concerned about their own strategic interests and power relationships with other actors remain unable to enforce full implementation of such reforms. The process in Solomon Islands further confirms that political trade-offs facing all actors in different forms have a constraining effect on the achievement of desired policy objectives.

Policy Implications: Policy reforms require domestic authorities to develop specific mechanisms that have the potential to secure popular support in favour of proposed structural changes. Donors need new and more evidence-based approaches that may help balance between their strategic concerns and the achievement of institutional outcomes.

KEYWORDS
donor–recipient relations, fragile states, governance reforms, mutual dependencies, Solomon Islands
1 | INTRODUCTION

The idea of state building, which concerns the creation and/or strengthening of the functional capacity of institutions in providing security, education, health, transport and other basic public services, has guided development aid policy for most of the post-Cold War era. Initially devised as a “post-conflict reconstruction” mechanism to address violent conflict and its humanitarian effects in war-devastated countries such as Cambodia, Bosnia-Herzegovina, Kosovo and East Timor, the state-building agenda was extended, in the post-September 11 era, to cover “a wide spectrum of developing countries, both in war and peace” (Bickerton, 2007, p. 93). Fragile states, most of which have consistently performed poorly in achieving the global development objectives (OECD, 2015, 2018), represent a particular challenge for the donor community. According to the Organisation for Economic Co-operation and Development (OECD) statistics, in 2016 donors spent USD 68.2 billion in the 58 contexts identified as fragile in the OECD framework, in addition to the USD 35.8 billion they provided to 67 other developing countries (OECD, 2018). The rationale behind the increasing engagement of western donors in improving the governance capacity of the fragile and other developing states is based on the conviction that long-term stability and development, both domestically and globally, will follow from the construction of effective and accountable institutions that support the operation of liberal markets (Fritz & Menocal, 2007; Marquette & Beswick, 2011).

Yet, as also acknowledged by donor agencies, institutional development projects in different parts of the globe have not translated into effective governance as the basis for sustainable peace and development. For instance, a 2008 study by the Asian Development Bank Institute on the quality of governance in the region finds that “Asia is struggling to meet these challenges [delivery of better transport, communication, sanitation and water systems] by implementing institutional reform” (Stone, 2008, p. 13). The OECD’s 2016 report reveals that, despite increased aid flows to fragile countries, nearly half the world’s population has been affected by political violence, calling for measures to target the “real drivers” of state fragility such as unequal growth, unemployment, environmental vulnerability and the weak rule of law (OECD, 2016). More recently, the OECD reported that fragility denotes a complex problem because countries which may be considered “strong” in terms of the demonstration of central authority or stable in the absence of renewed violence over the past decade are inherently fragile due to the way in which that strength or stability is maintained (OECD, 2018).

What underlying conditions are at work in reform environments that render change in favour of effective and accountable governance so difficult? The shortcomings of institutional capacity-development programmes have stimulated a critical state-building literature, which provides distinct conceptualizations of underlying power relations that shape the emerging outcomes. Some critics have analysed these programmes as a means for exercising power and domination by the West over societies whose underdevelopment, associated with weak or non-existent domestic governance capacity, is perceived or presented as the main source of global insecurity. The failure in policy to eradicate poverty, corruption and other “symptoms” of fragility is then argued to originate from neoliberally informed projects of “social engineering” that reflect the interests of western states rather than the security and welfare needs of the local populations in these countries (Duffield, 2001, 2007; Pugh, 2005; Barbara, 2008). In another body of critical studies, referred to as the “hybridity” research, the practice of domestic governance capacity development has been analysed in terms of attempts to universalize the western model of liberal democratic, market-oriented statehood. From this point of view, international actors’ lack of interest or ability to engage with the “everyday” in the local political and social context provokes open or hidden forms of reaction and resistance that hinder transformative change (Richmond, 2010). What emerges from these reactions are “hybrid” political orders which
combine the elements of liberal and illiberal western and indigenous governance norms, hierarchies and practices (Richmond, 2010; Boege, 2012).

Scholars, who are critical of the above critiques, maintain that these analyses, somewhat ironically given their categorical rejection of binary oppositions, end up reproducing artificial dichotomies such as the liberal west/non-liberal other (Chandler, 2010) or the global/exogenous and the local/indigenous (Hameiri & Jones, 2017; Hameiri, Hughes, & Scarpello, 2017) that serve as a powerful rationalization for explaining the limited success of what are essentially political projects of capacity building. Hence, the emerging governance outcomes, they suggest, should rather be understood in terms of the internationalization (Chandler, 2010) or transnationalization (Hameiri, 2009) of state structures and functions. According to Chandler (2010), international policy-making is not driven by a transformative agenda of imposing the western state. It is rather concerned with the maintenance of regional stability through new and intrusive ways of regulation. In contrast to the original western notion of sovereignty based on political independence and self-determination, today’s depoliticized discourse of capacity building justifies extensive foreign intervention (Chandler, 2010). In this discourse, sovereignty is redefined as domestic governance capacity that can be constructed with the “assistance” of international actors, who in reality set the parameters of the domestic policy agenda and its operationalization. These regulatory interventions, Chandler (2006) concludes, remove the autonomy of the state, marginalize discussion of the political choices of society and result in the institutionalisation of “phantom states” whose governing mechanisms may enjoy extensive external support but lack legitimate authority in the eyes of their populations.

Shifting the focus of analysis from institutionalist conceptions of capacity to underlying social forces and power relations, Hameiri (2009) investigates how different and often conflicting governance outcomes emerge from seemingly similar institutional reforms. In more recent work with Jones (2017) and with Hughes and Scarpello (2017), Hameiri proposes that institutional reform processes produce rival “scales,” rather than hybrid forms, of politics, as internationally promoted administrative reforms constitute deliberate attempts to shift power (from the national to the local or from the local to the national or from the national to the global levels of policy-making) and are therefore contested by recipient actors in accordance with their competing agendas and interests.

However, the “scales” research may also be criticized for assuming that the relations in reform environments are characterized by actors’ single or homogeneous set of interests or agendas that either align or misalign with one another and, hence, result in either their co-operation or contestation. Such relations often have a multiplicity of concerns and considerations on all sides prompting them to redefine their interests and make new choices throughout the policy process. The resulting dynamic would accordingly need to form part of analysis.1 In other words, actors’ interests, which are closely linked to their social interactions (between themselves and with others), may act as a constraint in the context of the implementation of donor-advocated governance reforms.

In an attempt to highlight these constraints, this article posits that donors and recipients are mutually, albeit unequally, dependent on each other. Host governments need aid and other resources donors provide, but donors also need host governments in pursuit of their competing agendas in the international arena. Donors’ interest lies not only in controlling or containing trans-border security risks associated with poor or bad governance, but also in ensuring political or diplomatic influence in response to geopolitical challenges in the regional or global balance of power. More specifically, western donors aim to strategically use aid to enact change in governance practices in

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1According to the constructivist approaches, interests are the product of identity and an actor may have multiple identities and, thus, various interests (Hopf, 1998, p. 176) while interests, like identities, are shaped by social interactions and may be changed and even learned over time (Checkel, 2001, pp. 561–564).
fragile countries. However, they face constraints imposed by their own strategic concerns and power relationships with other actors such as China, Taiwan and other “emerging donors” in what they see as their own sphere of influence. For host governments that are already constrained by the domestic political costs of aid conditions, the availability of alternative sources of funding, investment and legitimacy means not only more autonomy with regard to political concessions they may be expected to make, but also an improved bargaining position in their dealings with western donors. Unable to ensure full implementation of the reforms but, at the same time, unwilling to end the process altogether, western donors become likely to accept partial compliance and continue to call for further improvements. This is how mutual dependencies enable co-operation but, at the same time, create certain trade-offs for both donors and recipients that result in “inadequate compliance” with the rules or standards agreed in reform environments such as Solomon Islands (SI). The argument is substantiated with detailed evidence from the donor-funded reform processes with regard to the regulation of the Constituency Development Funds (CDFs) and tertiary scholarships in SI in recent years.

SI’s reform experience has a particular significance for the study of aid-supported reform programmes. The Regional Assistance Mission in Solomon Islands (RAMSI), deployed in 2003 to “restore law and order” and “strengthen the justice system and restore the economy and basic services” (DFAT, 2003), is often treated as a showcase for international state building, even though its 14-year engagement in institutional reform produced mixed results. This situation is made more interesting when we factor in that the country has had relatively favourable conditions, i.e. there has been no return to violence since 2006 and international donors showed long-term interest in assisting the country’s institutional capacity development by providing substantial resources both through the RAMSI and bilateral aid programmes. Moreover, for the last 15 post-conflict years international and local actors have voiced similar goals and commitments regarding reforms and development and yet these goals remain elusive. Thus, understanding why, even in such a favourable operating environment, structural reforms are difficult to implement will shed light on similar processes concerning aid-related reforms in general. Indeed, many recipient countries, including SI, are still fragile and dependent on foreign assistance despite increasing mobilization of aid resources for creating self-reliant political orders. Some critics, such as Chandler (2006), may consider this paradox an outcome of deliberate attempts by an “empire” that externally imposes institutions but “denies” its own responsibility in not creating a “genuine capacity for self-government” (Chandler, 2006, p. 192). However, this approach would then again create a dichotomy between reform-imposing donors and resistant local recipients while neglecting more complex interests of and relations between both sides.

The article comprises three main sections. First, it presents a discussion of the ways in which mutual dependencies take root in reform environments. The next section provides contextualized analysis of the reform environment in SI. We then examine the emerging outcomes in the sustainable economic growth and human development pillars of the governance reform process by exploring the underlying dynamics of the regulation of the CDFs and tertiary scholarships in SI.

2 The OECD defines “inadequate compliance” in terms of the degree to which the desired policy objectives are unable to be achieved (OECD, 2000).

3 An exception to this mutual position was the Sogavare government’s threat of revising RAMSI’s legal status in 2006–2007. Sogavare criticized RAMSI for “drifting away from” being a “regional entity” (Fraenkel, Madraiwiwi & Okole, 2014, pp. 19–23) and claimed Australia “interfered in his country’s politics,” although the opposition leader, Fono, remained in support of RAMSI (“Solomons PM threatens RAMSI,” 2006).
Mutual Dependencies as a Structural Constraint

Douglass North (1990, p. 3) defines institutions as “the rules of the game in a society” that include formal rules (e.g. constitutions, laws and regulations), informal constraints (e.g. norms and customs) and the means of enforcement (e.g. coercion by the state or sanctions by society). In addition to setting rules to structure social interaction, institutions support distributions of benefits that are consistent with the existing power relations in society, be they equal or unequal (Khan, 2010). In countries where formal institutions cannot generate and sustain benefits for different groups and classes in line with their relative power, informal institutions such as patron–client networks create supportive benefits (Khan, 2010). While functioning as a mechanism of managing conflict through ensuring a minimum level of stability and growth required by all societies to operate (Khan, 2010), these patron-age relationships, permeating the formal state structure, weaken state legitimacy (OECD, 2010) and may trigger violence (World Bank, 2011a) if members of a group believe their share of rents is lower than what others are receiving.

Looked at this way, donor-promoted institutional reforms constitute attempts to frame new “rules of the game” in relation to the exercise of political power and allocation of economic gains. It becomes a common practice for host governments to declare their commitment to the reform process by introducing a series of new regulations. However, the underlying policy objectives such as improving agricultural productivity or elimination of forced labour are, in most cases, only partially achieved or cannot be accomplished at all.4

This disconnection between declared policy intentions and actual performance occurs not because of the overambitious or essentially counter-productive nature of internationally promoted liberal democratic frameworks of governance, as some critics (e.g. Jahn, 2007) argue. Instead, it is rooted in the costs and benefits the reforms agreed-upon bring for different actors in the recipient state as well as in the constraints facing donors in pursuit of their own geopolitical or other strategic objectives in the international arena. This means that resistance to complying becomes a likely outcome when actors believe that (a) compliance costs are high; (b) costs of complete opposition are high; and (c) it will be challenging for external forces to monitor the actual quality of compliance and use enforcement mechanisms in cases of poor compliance (Walter, 2008). Some domestic groups (such as non-governmental organizations or technocratic bureaucracies) might be in favour of substantive compliance with rule of law reforms, such as those concerning taxation, anti-corruption or press freedom. These actors may even use aid conditionality as an opportunity to strengthen their own position (Dornan, 2017). At the same time, some others that are better organized and more likely to be disadvantaged by the proposed or newly introduced regulations often use their political networks and leverage to reverse reforms (Walter, 2008). In the face of strong anti-compliance pressure from powerful domestic groups5 whose support is crucial for remaining in power, ruling elites may renege on their earlier commitments (Walter, 2008).

4 Andrews, Pritchett and Woolcock (2012) conceptualize this situation as “isomorphic mimicry,” which means actors “pretend[ing] to reform” by changing policies and organizations in appearance without changing “what they actually do.” Through a process of “isomorphic mimicry,” host governments constantly adopt reforms that are almost impossible to implement but enough to assure access to external resources and legitimacy even when they do not demonstrably improve institutional structures. (Andrews et al., 2012)

5 Some external groups, such as some foreign mining or logging companies, may also be interested in weaker regulation of the related sectors.
Some might argue that the dependency of national governments on external funding to cover budget deficits and provide public services can make donor pressure work, if the quality of compliance is specified as a condition for cash disbursement or if aid is released step-by-step while being contingent on the accomplishment of certain performance benchmarks (AusAID, 2006; World Bank, 2011b; World Bank, 2018a, 2018b). Most of the time, however, external pressure does not yield results. This is unsurprising since international actors do not have the necessary legal instruments and authority to enforce substantive compliance. And, if they tried to do so even in situations where they enjoy a high degree of legitimacy, they could still be perceived as violating the sovereignty of the recipient state. In SI, for instance, the legitimacy that RAMSI derived from its deployment upon invitation by the national government and its proven effectiveness in law enforcement was seriously contested following its involvement in politically sensitive areas of governance reform (Whalan, 2010; Fraenkel, Madraiwiwi, & Okole, 2014).

In some cases, generous sums of money are still disbursed by aid agencies despite poor local performance and perceptions of widespread corruption regarding the spending of the public funds provided. Indeed, even under circumstances that may render genuine external monitoring possible, western donors rarely take enforcement measures (such as aid suspension) to ensure substantive compliance. This reluctance is anchored partly in domestic politics and partly in the foreign policy considerations from which the idea of development assistance originated. In addition to responding to the needs and preferences of business groups and other key forces (Lancaster, 2007), donor governments may feel under political pressure to show their taxpayers that aid yields positive results in poverty reduction and political stability and serves their foreign policy objectives (Unsworth, 2015). Described by Hans Morgenthau (1962) as one of the “real innovations” of 20th century diplomacy (as cited in Lancaster, 2007), foreign aid has been used for different purposes: commercial, security, ideological and geopolitical (Alesina & Dollar, 2000; Fuller, 2002; Dreher & Fuchs, 2011). In the case of the South Pacific where small island states offer relatively minor commercial gains due to the size of their economies, aid-giving countries’ primary considerations tend to be their own domestic security and geopolitical concerns. Among these is winning recipient governments’ allegiance to their national security agendas of controlling irregular population movements and fighting against terrorism. Australia’s launching of offshore detention centres for refugees in Nauru and Papua New Guinea or its offer of “resettlement” in these two countries as well as Cambodia illustrates such motives. In terms of geopolitical concerns, the presence and actions of “outside” states in the regional environment may lead the donors to use aid to counterbalance the influence of these “outsiders.”

When looked at from the perspective of recipient leaderships, aid means not only an unmissable financial opportunity but also support for their rule by external actors, thereby providing aid recipients with external legitimacy. However, they face the pressure of choosing between enforcing the agreed-upon frameworks of good governance and confronting political instability that may arise from changing the existing distribution of power and benefits (Khan, 2010) or challenging patronage networks, which in effect serve to “ameliorate tensions” rooted in economic inequalities (Hameiri, 2007). For instance, in the case of SI, where the 2003 conflict was driven by intensifying inter-communal rivalries over land and natural resources in a changing economic environment (Hameiri, 2007; Allen, 2012), any move to regulate land use through defining and strengthening property rights is likely to encounter opposition from those who will lose out from planned institutional changes. If resistance is organized by powerful groups that can destabilize the government’s social support base by promising new benefits, ruling elites are likely to delay the implementation of the changes they have already endorsed (Khan, 2010).

Hence, the introduction of formal rule of law and other state institutions in many developing countries has the potential to meet resistance not simply because they are based on some foreign (western)
concepts but because their enforcement often results in certain political costs that may be too high to absorb. While western donors may view the presence of “new donors” such as China, Brazil, Turkey and Arab states as a challenge, recipient states are more likely to regard them as alternative sources of aid, investment and legitimacy. Domestic governance-related conditions do not tend to be attached to aid provided by new donors, which creates more policy space for recipient countries and strengthens their bargaining position “after decades of quasi-unilateral dependence on western donors” (Reisen & Stijns, 2011; Dreher, Fuchs, & Nunnenkamp, 2013). The result is a relatively weakened hand for traditional donors. This is why the reform process sees endless reviews of progress and calls for further improvements.

Having provided a basic outline of the mutual dependencies in play, in the next section we elaborate on how these dependencies have affected the attainment of sustainable economic growth and human development objectives in SI. In our analysis, we used the related official policy documents produced by the Solomon Islands Government (SIG) and its major donors, in addition to various news reports on the reform implementation.

3 | CONTEXTUALIZING THE REFORM ENVIRONMENT

3.1 | The domestic setting

Solomon Islands, home to approximately 600,000 people in the southwest Pacific, is one of the most aid-dependent countries in the world. Total official development assistance received between 2003 and 2015 amounted to approximately USD 2.92 billion, with annual aid per capita averaging at USD 440 (ranging between 18% and 68% of the country’s gross national income (GNI) over the last decade) (World Bank, 2017). It is classified as a lower-middle-income country, but the sustainability of its economy remains uncertain. Foreign direct investment inflows remain low, with approximately 17% to 21% of its GNI coming from forest rents. Its forested land area is decreasing due to excessive logging (World Bank, 2018a), which creates risks of “bottom-up forms of social conflict around the destruction of local habitats” (Hameiri, 2012). The limited availability of domestic capital means that Australia remains the main provider of funding for economic and institutional development-related programmes. Co-operation between the two countries has continued on a bilateral basis since mid-2013, when RAMSI\(^7\) was transitioned into a police reform mission\(^8\) and its development-oriented objectives were incorporated into programmes concluded between the SIG and different donors.

A substantial part of Australia’s bilateral assistance to SI has been allocated to “address public administration challenges” and improve “economic governance, public sector management, public financial management and public accountability” (AusAID, 2013, p. iii). In 2014–2015, reforms focused on improving public services, economic growth, governance capacity and justice services (DFAT, 2014b, p. 4; 2015, p. 4). While praised in some donor assessments for progress in structural reforms and achievement of certain benchmarks, such as cash balances (IMF, 2016), AusAID has

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6Due to recent changes in the World Bank methodology on calculating forest rents (from global to regional prices per metre cube) the forest rents reported as approximately 30% of SI GDP (World Bank, 2017) were updated to 17% to 21% of GDP for the same period (World Bank, 2018a).

7Australia also assumed the largest share of the costs associated with the work of RAMSI, which totalled AUD 2.6 billion. For details, see Hayward-Jones (2014).

8RAMSI formally completed its transitional mandate and pulled out of the country on June 30, 2017.
regularly urged the SI leadership to address the quality of expenditure and economic reform projects (DFAT, 2016).

Many of the most significant issues surrounding land tenure and rural development remain unresolved, even though the successive governments have repeatedly expressed their commitment to the implementation of the relevant reforms in these areas. Similarly, reforms aimed at fighting corruption or ensuring transparency of the rural CDFs and other resources have often been delayed by Parliament, where lawmakers face trade-offs between governance regulation and stability maintenance as well as between securing future aid flows and ensuring their political survival. According to public surveys, an important part of the electorate expects members of parliament (MPs) to “assist those who voted for them” (Fraenkel, 2011, p. 315), which may include different requests such as MPs “buy[ing] a coffin” or giving “money for rice” (National Parliament of Solomon Islands, 2008). While MPs are “tightly tied to their communities” via different networks (Corbett & Wood, 2013, pp. 320, 332), they usually belong to diverse backgrounds and have high turnover rates as well as shifting affiliations between parties and coalitions (Corbett & Wood, 2013, p. 322; Fraenkel, 2011, p. 319). Despite such apparent fluidity, the higher echelons of power have remained fairly constant for more than 15 years, with prime ministers and ministers changing in loose coalitions and criticizing opponents for similar persisting problems. Thus, although political elites are aware of the need for reforms and voice their commitment to the process, the political trade-offs they face in a context of “fluid and fractious” (Corbett & Wood, 2013, p. 322) parliamentary politics often create domestic constraints on their genuine implementation.

### 3.2 The regional setting

Aside from Australia, SI receives aid from Japan, the Asian Development Bank (ADB), New Zealand, Taiwan and several other countries and international organizations (Lowy Institute, n.d.). As each of these donors has its own interests that influence its aid policy, their relations at the regional and global levels are bound to shape their policy instruments and motivations.

Scholars argue that Australia’s aid policy has been framed in a neoliberal informed risk-management strategy (Hameiri, 2008) and dominated by “diplomatic, security and business interests” (Rosser, 2016). Australia’s first White Paper on Aid defines aid as a reflection of the country’s values and interests and “an integral and important part of Australia’s broader foreign policy and security agenda” (AusAID, 2006). National interest is defined in terms of its neighbours’ government’s capacity to achieve growth, reduce poverty, exercise border security and address transnational crime, terrorism, “illegal people movement” and infectious disease (AusAID, 2006).

Besides a willingness to assist with growth and poverty reduction, Australia’s aid is motivated by an objective to “extend” the country’s “influence” (DFAT, 2018) and “ensure” its role as a “leading security, economic and development partner” for the regional countries (Australian Government, 2017). Aid, in other words, has been central to the construction of “an Australia-dominated regional order” (Hameiri, 2015, pp. 633–634). Such willingness to assert regional leadership becomes particularly important in a strategic environment where China, as acknowledged by the government, is “now a major geopolitical player with the capacity to influence virtually all of Australia’s international interests” (Australian Government, 2017, p. 40).

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9The emphasis on security was arguably key for the initiation of RAMSI following the Australian Strategic Policy Institute’s influential 2003 *Our failing neighbour* report (Wainwright, 2003) which linked SI’s fragility to transnational risks in the region (Hameiri, 2008).
Other regional donors similarly articulate their strategic interests and the general goal of helping developing nations. For instance, New Zealand allocates approximately 60% of its aid funding to the Pacific Islands where the country has “strategic interests” (MFAT, n.d.). The importance of the region for Japanese maritime transport and deep-sea fishing makes the “peace and prosperity” enjoyed by the island states “extremely important” for Japan (MOFA, 2013). Like Japan, Taiwan and South Korea see aid as a foreign policy tool and use it to pursue “comprehensive security” that entails achieving “economic strength and international influence” (Atkinson, 2018).

The question of how to deal with an increasingly influential China poses a challenging dilemma to the regional powers. Australia, for instance, declares its commitment to “strengthen[ing] relations with China,” which is a major importer of its resources (Australian Government, 2017). On the other hand, Beijing’s rising presence in the region prompts Canberra to maintain its aid focus on the Pacific island states (Rosser, 2016). Similarly, New Zealand authorities consider the Pacific region, where China is “enhancing its influence...including through development assistance and support for economic engagement,” to be “central” to the country’s interests (New Zealand Government, 2018). In contrast to these perceptions of China as a strategic contender, some research shows that the Chinese aid is driven from below by companies seeking commercial gains (Hameiri, 2015). Nevertheless, Beijing’s projects come with certain conditions relating to its position on Taiwan’s status, hosts’ permission of access to natural resources and direct employment opportunities for Chinese labourers (Rosser, 2016), while its major infrastructure investment-oriented programmes have “direct relevance to trade” with China (Dreyer, 2006, p. 547). Regardless of how much of China’s aid may be strategically oriented, the fact remains that it influences regional politics (Hameiri, 2015) and the parameters of the economic relations and dependencies between donors and recipients. For instance, Canberra’s recent decision to install an undersea internet cable from Sydney to SI sought to prevent the Chinese company Huawei from operating in the region (Wroe, 2018). This development also gives signals of change in Australia’s aid programme, leaning towards investment and infrastructure projects in response to China’s economic involvement in the region (Hameiri, 2018).

Commercial and political imperatives, as opposed to strategic considerations, appear to play a lesser role in Australia’s aid policy towards SI. Australia is not a major importer of SI goods, and even though it is the largest exporter to SI (OEC, 2018) its aid is untied, meaning that it does not require procurement from Australia (AusAID, 2006). Moreover, even if corporate Australian interests reportedly pressed for the inclusion of land reform in RAMSI’s mandate, there was a strong domestic resentment to externally imposed land regulations and the Australian leadership was unwilling to get involved in such sensitive issues that fall under “national identity” (Anderson, 2008; Wainwright, 2006) and sovereignty. Australia also singled out co-ordinated donor action as a key principle of its post-RAMSI assistance in order not to be perceived “as interfering in sovereign Solomon Islands affairs” (AusAID, 2013, p. 15). Similarly, when the possibility of establishing an asylum seekers’ centre in SI was raised in the Australian media, the Sogavare government firmly rejected such plans for the near future and it was never linked to any Australian-funded aid project (“Solomons PM rejects,” 2013).

In addition to these politically sensitive issues, Australia’s neoliberal proposals such as privatization or “budget cuts” were also successfully resisted by the SI authorities and were abandoned following the 2006–2007 crisis in bilateral relations (Anderson, 2008). The SIG’s rejection of demands that privilege Australian interests or neoliberal governance reforms makes it clear that donors possess limited enforcement power over aid recipients. Moreover, even when recipient states voice their support for some reforms, they can still latently resist by postponing their implementation as illustrated by the long delays with the gazetting of the legislation on the regulation of rural development funds and tertiary scholarships, as further discussed below.
An enabling factor for resistance is the presence of alternative donors which recipient countries may use to increase their bargaining position over aid and reforms. For example, during the 2006–2007 crisis, Sogavare threatened to review RAMSI’s status (Fraenkel, Madraiwiwi, & Okole, 2014) and negotiated with Taiwan for an alternative police rearming scheme, even though it never materialized due to Australian pressure (Atkinson, 2009). Similarly, when Australia-funded reforms imposed restrictions on the use of state funds, reportedly “the vacuum was quickly filled with money from Taiwan and the private sector” (Hameiri, 2008, p. 368), despite Taipei’s declared commitment to higher transparency in its aid (Atkinson, 2009). Thus, the existence of alternative aid sources, including Taiwan, undermines established donors’ ability to enforce proposed reforms, and their reportedly weaker regulation over funding mechanisms may even stall reforms structured by the western agencies in the first place (Atkinson, 2009).

Moreover, even if donors may threaten to stop aid flows if the mutually agreed actions are not taken, as Australia did in 2006 (“Australia threatens,” 2006), in practice such threats may not be convincing for recipients nor represent the right thing to do for donors. In contrast, Australia had an interest in the success of the mission (Wainwright, 2006), not just because of an extensive investment in “money and prestige” (Atkinson, 2009) but also because of other political and strategic considerations as presented above.

Hence, diplomatic or other interests may be the main driving force behind aid programmes, but the same strategic interests may co-opt donors’ ability to “credibly enforce” aid-linked reforms especially when expected “strategic benefits are large” (Bearce & Tirone, 2010). This situation has the potential to encourage “moral hazard” or the likelihood of risky, irresponsible actions by recipient agencies, as they may think that donors will not suspend aid, even if there is no such guarantee. Under these circumstances, donors face a trade-off between preventing such irresponsible practices and accepting the negative consequences of aid cuts for both recipient populations and the donors themselves.

It was against this background that reforms on sustained economic growth and human development were initiated. The next section examines how mutual dependencies affected the implementation of these reforms.

4 SUSTAINED ECONOMIC GROWTH AND RURAL CONSTITUENCY DEVELOPMENT FUNDS

Rural development is a key pillar of the SIG’s objective of stimulating sustained growth prioritized in consultation with its donors. Public funds available to the financing of rural infrastructure and livelihoods projects include “constituency-oriented funds” which are disbursed by MPs (World Bank, 2014). The funding for these schemes, which constitutes between 10% and 15% of total SIG budget (Wiltshire & Batley, 2018), is supplemented by Taiwan, which can freeze assets when spending is not accounted for (“Government accused of,” 2013). Yet, Taipei’s declining contributions (from 50% to 20% in less than 10 years) to these enormously growing programmes means lesser leverage for Taiwanese authorities, already disturbed by the fact that Beijing is now the primary destination for SI exports (Batley, 2018). As of 2017, each of the 50 MPs received about USD 877,000 annually (“IMF urges more accountability,” 2017).

In the absence of functioning accountability mechanisms, some of these funds end up being distributed in a non-transparent way and spent for short-term political purposes instead of as part of a development agenda. An assessment by the World Bank finds that while constituency funds such as

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10For a detailed discussion of the “moral hazard” effects of IMF bailouts, see Dreher (2004).
the Rural Community Livelihood Fund are disbursed rapidly, there is little data on the sectoral effects of rural development projects funded from this mechanism (World Bank, 2014, pp. xvi–xv, 31–33). Some local farmers have also alleged that the funds have been disbursed to the people with no relevant experience in the sectors targeted, such as coconut farming (“Local farmer calls for support,” 2013). Reportedly, MPs’ access to CDFs closer to the election date also accounts for a relatively low turnover rate in 2014, when 72% of MPs managed to retain their seats (Kando, 2014); whereas, since independence in 1978 on average 53% of incumbent MPs have lost their seats in the elections (Corbett & Wood, 2013, p. 322). To illustrate how the funds are viewed by domestic politicians, it might be worthwhile quoting from a local MP:

*The CDF is one of the campaign tools of every candidate to the National Parliament. Each candidate would talk about how he/she will distribute the CDF when in Parliament. Whoever comes with the best distributing formula is likely to win more votes (National Parliament of Solomon Islands, 2008).*

In response to donors’ calls for the regulation of constituency funds, the Constituency Development Funds (CDF) Act was passed in 2013. However, it has yet to come into force, as it has not been published in the official gazette, based on the argument that the related regulations are not ready (Namosuaia, 2016; National Parliament of Solomon Islands, 2013). Indeed, the Act does not contain genuine safeguards against mismanagement of funds, even though it was adopted to ensure they would be spent in a “transparent and accountable manner” (National Parliament of Solomon Islands, 2013). The only administrative mechanism presented is the appointment of constituency development officers (CDOs) responsible for release of grants for applications received and endorsed by MPs (“Constituency Development Fund Bill raises concern,” 2013). However, CDOs directly report to their respective MPs and may be “dismissed by them” (Transparency Solomon Islands, 2015). Hence, while these public agencies are, in theory, in place to impose constraints on MPs’ spending of funds, their full dependence on MPs denies them any leverage and authority in practice. Critics also argue that the Ministry of Rural Development has only used public consultations as an “excuse” for delaying the enactment of the legislation, noting that when enacted, it is likely to result in the disqualification of almost all MPs or possibly a legal action against some (“Consultation on Solomons Development,” 2014). Reportedly, domestic elites are uncomfortable with donors’ focus on the CDFs (as well as tertiary scholarships, discussed further below) that are used by MPs to garner political support (Dornan, 2017).

Access to reliable information on the CDFs and their use remains a key issue as revealed in a report by Transparency Solomon Islands (TSI) in mid-2017. This watchdog group reported that only 14 of the 1000 people interviewed in 39 constituencies stated that they “had basic knowledge” of the funds (“‘Mi no save,’” 2017), while MPs “only support[ed] their own supporters of voters with projects and cash benefits” (Namosuaia, 2016). Another field study conducted by a team of local and international researchers from the Australian National University in 2017 finds that while “all communities were aware of CDF projects initiated by their MP, most were uncertain about how they should be benefiting, especially when compared to other villages in the same constituency” (Wiltshire & Batley, 2018).

Indeed, the long-standing issue of regulating the CDFs lends further evidence to the “fluid and fractious” nature of the SI political landscape. In 2003, MP Edward Huniehu, then a backbencher, presented a parliamentary motion that proposed the review of the government’s policy regarding the

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11 Similar concerns were raised by other organizations, such as the Solomon Islands Indigenous Peoples Human Rights Advocacy Association (SIIPHRAA) (“SIIPHRAA condemned selective CDF distribution,” 2016).
rural development funds to make their disbursement “more accountable, transparent” and respond to the “development needs and requirements of the constituencies” in accordance with the strategic priorities adopted (National Parliament of Solomon Islands, 2008). The motion was rejected by the government. Interestingly, one of the objectors was opposition MP Patterson Oti. According to Huniehu, he was “one of the obstacles” to the idea of regulation in this area both in 2003 as well as in 2006, when allegedly the ruling government, under which Oti served as the Foreign Minister, withdrew a similarly drafted motion (National Parliament of Solomon Islands, 2008). Surprisingly, in 2008, when in opposition again, Oti initiated a motion proposing the establishment of a regulatory mechanism to hold MPs accountable for use of the CDFs (National Parliament of Solomon Islands, 2008). This time it was adopted by Parliament, but it took a further five years to pass the related CDF bill. The incident illustrates that the country’s politicians may shift their positions, while the essential problems remain the same.

Clearly, Parliament’s adoption of the CDF bill in 2013, its non-enforcement in the absence of the related regulations, and endless consultations and preparations for drafting the required legal frameworks represent a case of poor compliance generated by mutually reinforcing areas of concern. Donors, as noted earlier, try to persuade recipient governments to support the reform process, as they are dependent on the latter’s co-operation and will. Domestic elites, whose political future is determined by their ability to respond to the immediate material expectations of their constituencies, are concerned with maintaining their access to aid programmes that provide a significant source of financing in a centrally weak state like SI. In this operating environment, donors end up producing reports that describe long delays with reforms as part of a progressive capacity-development process or set new dates if no action is recorded. National elites, who are supposed to be the agents of structural transformation, express their commitment to the process, while continuing the existing distributive practices.

By way of illustration, take International Monetary Fund (IMF) reports on the SIG’s implementation of the Extended Credit Facility (ECF) programme. These reports, produced by the Fund since 2013, praise the government for its overall performance (IMF, 2013a, 2015, 2016). At the same time, they provide accounts of a series of delays with delivery of the agreed-upon benchmarks, such as the approval of CDF regulations and release of a comprehensive audit report on the CDF spending. The reports present these delays as an outcome of “capacity constraints” (IMF, 2013a) and the change in government in 2014 (IMF, 2015), set out new deadlines (IMF, 2013a, 2015) and call for improvements in the quality of public spending (IMF, 2015, 2016).

5 | HUMAN DEVELOPMENT AND TERTIARY EDUCATION SCHOLARSHIPS

Enhancing human development by improving citizens’ access to quality education services is another key development objective the government and its donors have prioritized (DFAT, 2016; SIG MDPAC, 2016). SI has “the second largest” education expenditure in the world as a percentage of gross domestic product (GDP), and its share continues to increase (MEHRD, 2016). However, the country remains in the “low human development” group and its mean years of schooling stands at 5.5 as of 2018–2019 (UNDP, 2019). Education spending accounted for 26%–30% of the overall recurrent budgets between 2011 and 2016 (MEHRD, 2017) but donors have voiced concerns about the use of the public education funds, particularly the problem of overspending on tertiary scholarships.12 In fact, the government overspent the recurrent budget annually by about 13% between 2011 and 2013

12 Scholarships constitute 75% of all expenditure in the tertiary sector (DFAT, 2014a).
(MEHRD, 2016), and as of 2015 the spending on scholarships was “three times higher” than had been projected by the government and reducing the share of tertiary scholarships would enable the use of resources for other essential reforms (MEHRD, 2016).

SIG scholarships include those distributed by the National Training Unit (NTU) and those awarded directly by MPs. Applications for the first scheme are supposed to be processed and finalized through a merit-based selection approach which also takes “national workforce needs” into consideration (MEHRD, 2014). The second scheme, which also requires applicants to meet a set of eligibility criteria, is locally distributed by MPs. Both systems have been criticized for politicizing the awards and overspending. For example, some students interviewed by the Solomon Star in 2015 claimed that MPs’ scholarship decisions were made according to students’ voting allegiances (Toito’ona, 2015). Indeed, even the National Education Action Plan (NEAP) 2016–2020 acknowledges the risk of political interference in international scholarship programmes (MEHRD, 2016, p. 36). The lack of an explicit budget for scholarships is another key problem. For instance, the list of NTU scholarship holders for 2017 was reportedly finalized with the involvement of the government caucus, while the funding source for the awards was not revealed (Sasako, 2017b).

In this regard, the IMF reported in 2013 that “spending overruns, including on tertiary scholarships” are among the factors that “could undermine fiscal discipline” of the state and “crowd-out other priority programs,” while some improvements were being expected (IMF, 2013b). These concerns were also raised in a 2013 UNICEF report which contained an interview-based comment that these scholarships were “politicalized, allowing substantial funding to be used outside of the country for those who may not have earned it” (UNICEF, 2014, p. 9). A year later, an AusAID report, having noted that the government’s extensive “tertiary expenditure was undermining primary education,” announced its agreement to reform the relevant scholarship schemes (DFAT, 2014b, p. 5). However, AusAID’s 2015–2016 country assistance report finds that overspending on tertiary scholarships continues to hinder the attainment of policy targets relating to the quality of education (DFAT, 2016).

Accordingly, the national development strategies adopted in recent years have placed a stronger emphasis on ensuring “increased expenditure on non-scholarships” (DFAT, 2014a, p. 10) and “re-focusing” education spending on primary and junior secondary schooling (SIG MDPAC, 2016, p. 13). Similar commitments are expressed in the NEAP 2016–2020, which states that more funding would be allocated for the newly established Solomon Islands National University (SINU), overspending would be prevented under a new scholarship management system and the principles of fair and merit-based allocations would be better enforced (MEHRD, 2016, p. 18). While these donor-driven objectives are stressed in almost all relevant policy documents, the actual share of tertiary education in the Ministry of Education’s total spending still remains high (MEHRD, 2017, p. 64).

As in the case of the regulation of the CDFs discussed above, the official discourse regarding the scholarships corresponds to the donors’ concerns and the government appears to co-operate with AusAID in the development of related policies, procedures and systems (DFAT, 2016). A more recent example of this approach is the passage in March 2017 of the Solomon Islands Tertiary Education and Skills Authority Bill 2016 to create a management body that will be responsible for enhancing the quality of tertiary education and evaluating applications for scholarships (National Parliament of Solomon Islands, 2017). However, despite this apparent progress in policy-making, problems in this area remain largely unsolved. For instance, towards mid-2017 some SINU students protested in front of the Ministry of Education Human Resource Department building that their stipends were either underpaid or not paid at all (Abana, 2017; Kafo, 2017; Sasako, 2017c). In addition to cash-flow deficits facing the government, delays in the payment of allowances, then Finance Minister Snyder Rini stated, were caused by the “abuse” of the scholarship programme: “allowances inflated, students name duplicated, etc. that the government continue to pour money into what seems to be a ‘black hole’” (Abana,
2017; “Solomons Minister concedes abuse,” 2017). Similar problems have been experienced with the disbursement of MP-awarded scholarships under the constituency scholarship fund. Reportedly, about 100 SINU students were “forced out from the graduation ceremony” in April 2017 (Sasako, 2017a) due to their sponsoring MPs’ failure to pay their tuition fees in full, which is among the requirements for graduation (“Hundreds of graduates,” 2017).

Last but not least, these problems with the management of tertiary education scholarships are not limited to a particular political group, but are persistent irrespective of the governing coalition. Allegedly, during the National Coalition for Reform and Advancement (NCRA) government (2010–2014) “a lot of MP’s and other prominent government official’s [sic] children were sent” to overseas universities but failed their programmes and were “sent home within the first six months” (Infiri, 2015). Earlier in 2005, it was reported in the media that children of some MPs, including Rini who is quoted above regarding the politicization of the current awarding mechanisms, were sent overseas under the government-funded scholarship programme. In addition, the choice of New Zealand and Australian universities was considered to be “a blatant disregard for a long-existing policy,” under which studies in the regional countries with lower tuition fees were being funded (“Solomons shoulder tuition,” 2005). In 2006, the Office of Auditor General found “serious mismanagement, inappropriate budgetary practices, poor record keeping and biased awarding” within the NTU (“Audit finds abuse,” 2006). Thus, the failure to implement the specific policy goals declared and donors’ repeated recommendations regarding the overspending and allocation of resources denote a systemic problem in the tertiary scholarship system, just as with the regulation of the CDF.

6 | CONCLUSION

This article has examined the reciprocal dynamics of donor–recipient relations, which shape the emerging trajectories in reform environments. It has argued that these relations are characterized by mutual (rather than unilateral) dependencies that create trade-offs for both sides. This viewpoint has been demonstrated by SI’s recent experience with the regulation of the CDFs and tertiary scholarships. The delays with reducing the share of tertiary scholarships in the state budget, producing the CDF audit report and gazetting of the necessary regulations are reflective of similar experiences in other aid-recipient countries where stability is sustained through a distributive system of patronage. The collapse of the Sogavare government in November 2017, allegedly ahead of the much-delayed anti-corruption bill (Blades, 2017), further confirms how considerations of political instability have been a structural obstacle to the fulfilment of good governance objectives promised by the respective ruling coalitions. In practical terms, proposed change, which has the potential to be controversial or politically costly, may be made more palatable by presenting it as one item among many in a package of reforms. In that way, it may be easier to secure popular support for a proposed change of this sort.

Operating in a highly contested strategic environment, western donors have their own stability-enforcement dilemmas. While aiming to use aid to restructure underlying power dynamics on which the political systems in recipient states are based, donors are constrained by their own power relationships with other actors that operate in their backyard. For instance, China’s strengthening of ties with SI and other small island states through infrastructure and investment projects fuels perceptions that Beijing is challenging Australia’s regional influence. This strategic competition enables recipient governments to better negotiate with western donors. For instance, the Sogavare government’s contracting of an undersea cable-building project to Huawei prompted an alternative offer from the Australian Government that included the construction of a cyber security centre (“Australia keeps China out.”
2018). Reportedly, Canberra’s security concerns over the Chinese company’s access to its broadband network were behind this move (Wroe, 2018).

Further, reforming institutions in fragile countries is difficult not because of the foreignness of reform programmes but due to the political costs they carry for both recipients and western donors. In the case of SI, the NCRA government maintained the CDFs as a separate governance mechanism and justified its use as a necessary arrangement to better support the rural communities with little or no access to public services. The operation of the funds was left to the discretion of MPs, with no proper oversight instruments in place. Even if governments agree to certain reforms, their implementation is dependent on MPs who have the incentives to enforce such reforms geared towards enhancing sustainable growth and fiscal stability but are also constrained by the pressure of responding to grassroots demands such as the availability of quick cash flows. Moreover, the use of the CDFs appears to have enabled many MPs to retain their seats and hold on to power (as illustrated by the arguments that the lower turnover rate in 2014 was linked to CDF disbursements). However, the CDFs may have an intensifying effect on political competition as MP candidates are likely to structure their electoral campaign and promises on how these funds should be used (National Parliament of Solomon Islands, 2008).

While donors need successful implementation of reforms for domestic and foreign policy purposes, they are concerned that pressuring for better governance outcomes may alienate recipient governments and drift them to the orbit of their rivals such as China and Russia. For their part, recipient governments try to turn donors’ concerns to their advantage and conclude better deals. For instance, during his visit to Canberra in June 2018 to sign the contract for the above-mentioned infrastructure project, the SI Prime Minister, Rick Houenipwela, stated that Pacific nations are under pressure to cut their “strong ties with Taiwan” (Riordan, 2018). Such statements in turn allow these nations to exercise some leverage over Australia and other regional donors. For Australian policy planners, who have already split between co-operation and competition with China (Rosser, 2016), these comments add more pressure as to how to read and respond to regional and global trends, particularly in the wake of more nations switching their recognition from Taiwan to China. If strategic uncertainties are the primary motives for regional donors, they should look to develop ways of establishing a relationship or partnership with China rather than treating the country as an adversary.

Lastly, donors, which need the consent of the host government for institutional reform, have their own reasons for not pushing too hard for structural change. Such motives may include maintaining the existing regional order, managing trans-border security threats, protecting the interests of their own private sector and enhancing their international reputation and leverage for aid provision. As neither side is able or willing to take a decisive step for or against the reforms, the same state of affairs is maintained over a long period in the resulting deadlock in donor–recipient relations. As illustrated by the passage but non-enforcement thus far of the CDF Act, the SI authorities use delays as a strategy when “donors are very demanding” (Dornan, 2017, p. 57). In turn, donors can only repeat their calls for urgent improvements in reform implementation, as did the IMF in 2018, once again recommending the SIG to “redouble efforts to contain spending on CDFs, tertiary scholarships and shipping grants” to prevent fiscal risks (IMF, 2018, p. 38).

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