

What We Can Learn from Provincial Governments in Solomon Islands: A Personal Perspective — Part 2: Using Provincial Revenue for Peace and Localised Solutions

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This is the second In Brief about what we can learn from provincial governments in Solomon Islands. Both papers draw heavily on my experiences working as the legal adviser to the Ministry of Provincial Government and Institutional Strengthening based in Honiara. In this role I observed corruption — and plenty of it — but I also saw examples of real creativity and adaptability. From this, I think that there are valuable lessons to be learnt.

In my first [In Brief](#), I discussed the importance of recruiting locally and the way that some provincial governments had prioritised local recruitment over secondments from Honiara. At the end of that In Brief I alluded to the importance of provincial revenue. I pick up on this point here and discuss what I think we can learn from how provinces raise and spend money.

The importance of discretionary expenditure on peace outcomes

For provincial governments to function and do things like hire locally, they need to have a reasonable amount of discretionary expenditure. Discretionary expenditure is, by definition, not specifically allocated to a particular activity. This makes it problematic because it is difficult to report on how this money will be used and, inevitably, has been used.

In practice, I observed that discretionary expenditure (at least up to a particular level) is essential for provincial governments to transact business. This is because provincial governments were often the local brokers of disputes.¹ If there was a logging dispute going on, provincial governments would often step in. A dispute over a water source? Again, provincial governments would step in. Time and time again, I would see provincial governments broker a contextually relevant solution between disputing parties. This is, according to those I spoke to in the provincial government system, a core part of their business. For some that I spoke with, it was their central role.

But the business of transacting peace is not cheap. It involves payments, whether for fuel for the boats needed to travel to the place of the dispute, or food for feasts to bring parties together. I saw provincial governments pay for compensation to

communities impacted by decisions of the national government. I saw provincial governments pay for the police to travel to remote areas to resolve a dispute. These activities have two things in common: they are unplanned and require money. And if money is already allocated to a particular activity, then transacting the business of peace often involves ‘misappropriating’ funds meant for another activity.

The rules around discretionary expenditure were becoming stricter in the years I worked for the provincial governments. It was becoming harder for provincial governments to account for their involvement in peacebuilding activities. There is, after all, no asset built that can be pointed at to justify expenditure. But this does not, in my view, make it any less of a legitimate use of resources.

The political reality of prioritising your financial resources

Provincial revenue is complex and poorly understood. It comes from a variety of sources. Some of it comes from the national government in the form of a grant to pay for recurrent activities: this is called the fixed services grant. Some of it comes from the national government to carry out capital expenditure-related activities: this is called the provincial capacity development fund. But provincial governments are also able to raise their own money through taxation and, importantly, the charging of business licence fees.² This is called own-source revenue.

Provincial own-source revenue became an increasingly important part of provincial budgets after the national government tried to restrict how national government money was spent. Own-source revenue is controlled completely by provincial governments and there is no requirement for provinces to report on this to the national government (except in the form of audited financial statements). In some provinces, especially those with significant amounts of natural resources, the money they make from own-source revenue — for doing things like charging logging and mining companies business licence fees — far exceeds the amount of money they receive from the national government.

This situation is good for provincial governments because their fixed services grant is often barely enough to keep the lights on (and its payment is often delayed). In addition, the provincial capacity development fund is often cut as national revenue becomes tighter towards the end of the financial year. Own-source revenue is what keeps provincial governments afloat. Importantly, it is also the money that allows them to undertake the actual business of being a provincial government, beyond keeping the bare minimum of services going. I have already discussed two important ways that provincial revenue is used: to hire local employees and to carry out peacebuilding activities. What is equally interesting is the kind of positions they are recruiting locally. Overwhelmingly, provincial governments are prioritising activities that relate to communities, whether they are village peace wardens in Makira, community liaison officers in Isabel, area constables in Rennell and Bellona, women's desk officers, or tourism officers to name but a few. They also hire a number of the teachers and nurse aides.

The type of roles that provincial governments prioritise relate to the core fabric of the province: community. And these positions are mainly paid for using own-source revenue. Any decline in provinces' ability to collect revenue from, for example, logging companies, means they are able to employ fewer people in these kinds of social cohesion roles. Likewise, any delays or cuts at the national level have a flow-on effect. With revenue from logging companies [decreasing](#), this is likely to have a double impact, depleting both the national revenue stream, as well as the provincial revenue stream. In doing so, this will also hinder the ability of provincial government to 'pick up the slack' in provinces, when national funds don't arrive in time, or are reduced mid-financial year. These impacts will be particularly pronounced for those provinces with large-scale logging operations. Other provinces with smaller own-source revenue bases may find that their present struggles become more acute.

The importance of localised solutions

All the examples presented in my two In Briefs have a common theme: they tell the story of local solutions to local problems. The centralisation of resources in Honiara (see Cox and Morrison 2004), and the conflation of government with business — coupled with radical decentralisation in the form of member of parliament constituency development funds — does not, I believe, bode well for Solomon Islands. In the post-RAMSI³ era, government accountability may have increased on paper but genuine accountability to the people remains some way off.

There is, perhaps, a bigger story to tell about the role of governments, particularly local level ones, in Solomon Islands. Their role — the one demanded by communities and to which they are seeking to respond — is not well aligned with Western conceptions of local government. Provincial governments in

Solomon Islands do not regulate businesses, collect rubbish or carry out health inspections.⁴ They do, however, respond to community issues with highly localised, highly negotiated solutions. They may borrow a bit of the law from here and a bit of the money from there. There is usually a relationship from here and a customary practice from there. The solution is not always perfect but it is context specific.⁵ And this is the ultimate lesson of provincial governments: that the path for peace and prosperity in Solomon Islands rests in finding Solomon Islands' answers to Solomon Islands' questions.

Author notes

Melanie Phillips is a former lawyer who worked in Solomon Islands for both national and provincial governments and, latterly, the World Bank. She currently splits her time working for the New Zealand Government and The Nature Conservancy.

Endnotes

1. While less explicit, additional examples are included in Dinnen and Haley (2012).
2. Schedule 3, cl. 4(c) of the [Provincial Government Act 1997](#) refers.
3. Regional Assistance Mission to Solomon Islands.
4. This is due to their not having capacity to deliver such services but also, I suggest, not seeing the value in these activities.
5. Similar observances about legal innovation and its benefits are shared by Melissa Demian in her work on [village courts](#) in Papua New Guinea.

References

- Cox, J. and J. Morrison 2004. Solomon Islands Provincial Governance Information Paper. Unpublished consultant report prepared for AusAID.
- Dinnen, S. and N. Haley 2012. *Evaluation of the Community Officer Project in Solomon Islands*. Justice for the Poor Research Report; J4P. Washington, DC: World Bank.

