



# PUBLIC ACCOUNTS COMMITTEE

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## NATIONAL PARLIAMENT OF SOLOMON ISLANDS

### COMMITTEE TRANSCRIPT

#### Ministry of Provincial Government and Institutional Strengthening

13 March 2008, 10:40am

**Mr Chairman:** Welcome members of the Committee and officials from the Ministry of Provincial Government, and I call the meeting to order. We will now start. Thank you Under Secretary of the Ministry of Provincial Government and Institutional Strengthening to come before the Committee.

The Committee is aware that the Government is expecting certain outcomes from you by allocating resources to you in the development budget and the recurrent budget to deliver those outcomes. In terms of the broad policy statements of the government, the expected outcome of the Ministry is so that Provincial Governments are recognized as governments, not simply as agents and their work is backed up and facilitated by the Ministry of Provincial Government so that their operations are not held up or delayed.

Secondly, provincial planning, decision making and management processes are of a high standard and are providing services to the people.

Thirdly, provincial governments are able to look after their own finances and apply this to service delivery, gaining respect from the communities.

Fourthly, broad directions and policy guidelines of the government is good governance and high ethical leadership in the administration of provincial governments. These are broken down into work plans, and you probably would have those work plans. Or you can brief the committee whether you will come up with the work plans of the Ministry to implement the very big policy guidelines by the government. I will now give you time to brief the Committee on how you see your budget whether it is sufficient to deliver the intentions of the government. Thank you very much Under Secretary you may start right now.

**Mr Koraimae:** Thank you very much Chairman. First of all on behalf of the Ministry, I would like to thank you and your Committee for inviting us to this very important committee. First of all, as an overview, the policy translation and implementation goal of the Ministry is really for Provincial Governments to be empowered, enabled and capacitated to carry out proper provision of government services in the provincial areas. I would like to thank you for pointing out to us earlier on the outcomes of the Ministry.

Having said that, the portfolio subjects which the Ministry is responsible for are provincial government departments - support and supervision; provincial government development; community services; resettlement planning and management schemes;

planning and execution of financial grants to provinces and provincial institutional strengthening and development which also includes provincial elections. Basically that is the brief overview of the Ministry's functions.

For the presentation this morning, I would like to inform the Committee that out of eleven bids submitted for the 2008 Budget for the Ministry of Provincial Government and Institutional Strengthening, only five were either partly or fully successful, which consists of about 22% of the total bids submitted. These are \$5.4 million for provincial capacity development fund, and that is the budget fund for the PGSP program; \$250,000 for other allowances; \$990,000 for terminal grants; \$1million for conferences and seminars, and only \$15,000 for civil service salaries.

Six bids were unsuccessful but the Ministry believes they are as vitally important as the others. These bids include salaries and allowances for members of provincial assemblies; building and housing grant and the Guadalcanal Doma Township Development.

In the area of civil service salaries, Mr Chairman, I would like to state that the Public Service has upgraded posts in this year's establishment from SSI to SS2. Our Ministry has seen the highest increases this year. In fact have 10 SS1 posts, and that is one undersecretary in the Headquarter Ministry and nine provincial secretaries in the nine provinces. We have submitted a bid for extra funds to the tune of more than \$79,105.70 but this was not reflected in the draft budget. I think this has to be sorted out because I believe the provision has to be catered for by the Budget Unit as it is unilateral for other similar positions in other Ministries.

As for the Ministry's priority bids to reflect the CNURA Government policies, at this point I would also wish to express the Ministry's disappointment on the budget but we were never informed nor invited to make additional presentation to the Ministry of Finance with regards to our budget bids before appearing here at this Committee.

I would also like to state that, in our view, the budget was drawn up by the Ministry of Finance without proper consultation, and if for any other reasons, as I said that six of our bids were unsuccessful, the bids were drawn in line with what our corporate plan for the Ministry has been designed for, and when such bids are not financed it will mean that we will have to redraw the corporate plan to reflect the funds that are available. I hope you will allow us to do that after the budget is passed in Parliament.

I will now move on to the bids that we have. Under the CNURA government policy the first one is under policy number 23.1 under the CNURA policy document it states that provincial governments are recognized as governments and not simply as agents and that their work is backed up and facilitated by the Ministry of Provincial Government and Institutional Strengthening so that their operations are not held up or delayed.

In this respect, Mr Chairman, our strategy is to set up a grant system for the Provincial Capacity Development Fund, which is the PCDF for discretionary development spending by the provincial governments so that they can independently decide on investments so that they will be recognized by their communities as governments responsible for policy and technical decision making for the development of their territories.

The set up of the PCDF in terms of the time frame we are expected to implement it by June 2008, after which it will be an ongoing program for the next five years.

**Mr Chairman:** What is the set?

**Mr Korimae:** The PCDF. It is the Provincial Capacity Development Fund. I will clarify something later in relation to this but I will just talk about the time frame we are expecting to implement that in June 2008, and after that it will be ongoing for the next five years. The responsible authority, of course, is the Permanent Secretary for the Ministry of Provincial Government. This fund will be providing sound economical provincial governments in decision making and crucial to their functioning and will engage the rural population in decision making of the government of the province.

That is the first bid we submitted. The activity cost of the bid is \$5.4million but currently it appears under the development estimates. Since this is a margin fund for donor activities that we have in the Ministry under PGSP, we negotiated several times with the Ministry of Finance to have it reverted to the recurrent estimates. This is a margin fund from donor funds and is going to be disbursed on quarterly basis. If it is in the development estimates it might not well be within the implementation strategies of the Ministry. That is for the first bid.

The second one is, under the policy of the CNURA, the provincial planning decision making and management processes are of a high standard and are providing services to people. This is the operation and maintenance grants which have been earmarked to allow funds for the operation and the maintenance of provincial government assets including buildings, housing and all assets using service delivery to the population. This was one of the bids that did not get through and we had \$2million for this activity that was not included in the budget.

The third bid we had was for building and housing grants to the provinces for \$8million. That also was not included in the budget. It was meant to build houses for officers in the provinces, including direct employees and members of provincial assemblies. That is an important matter that should be addressed as an ongoing program of government. Currently if you visit the provinces you will notice that a lot of newly seconded officers and direct employees of the provinces are not housed. We intend to have a long term plan that these people should be properly housed in order to do their work properly in the provinces. It is very unfortunate that this bid was not considered.

The other bid that we have submitted is housing allowances for members of provincial assemblies, and this particular bid relates to the recent awards done by the National Parliament Entitlements Commission for members of provincial assemblies' entitlements and salaries approved as of 1<sup>st</sup> April last year 2007 for \$1,000 per month as housing allowance for each executive member. This is to allow the executive members to be stationed at the headquarters because as you would be aware the provincial assembly executive members are very difficult to get from their villages. To enable the executive of the province to meet at regular intervals, members of the executive should be stationed at the provincial headquarters in order for them to be easily mobilized to continue with government business in the provinces. This has not been honored by the Budget Unit.

We also have another bid, which is seminars and conferences where we initially submitted \$1.5million. We thank the Budget Unit for allocating \$1million for this

particular purpose. Seminars and conferences will also include the Premiers' Conference and other seminars that the Ministry may wish to organize during the year.

We have another bid that was not allowed, and that is members of provincial assemblies' overseas allowances for the amount of \$0.25 million. As you would be aware provincial assembly members have to travel overseas at one stage or another and we have to make provisions for that under their terms and conditions of service. We have requested and estimated 25 members, at least, to be catered for in this year's budget so that whenever their travel needs arise there is provision for that purpose. But this was not approved.

We also have terminal grants. Under this bid we had \$0.99million for that and we thank the Budget Unit for including that.

The final bid I would like to raise here is regarding the bid for the Guadalcanal Doma Township which we have submitted a bid of \$10million to the Budget Unit. This was not allowed and we were not allowed any opportunity to present any further submissions on that, and we have a zero result for that particular bid.

Mr Chairman, basically these are the outcomes of the budget provisions that we were anticipating. In terms of the outcomes to strengthen them, the provincial governments are able to provide their own finances and apply this to service delivery. Basically we think a lot of this has to do with good governance and high ethical leadership in the administration of provincial governments.

I would like to stop here and express my gratitude for the bids that have been approved and we hope that the others that have been set aside can be reconsidered or if we may be allowed to have them submitted as supplementary in this year's supplementary appropriation. Thank you.

**Mr Chairman:** That briefly covers both the development and the recurrent budget. Thank you very much.

The Committee can only note the concerns that you raised like we did to the other ministries that come before us. It is really up to the government on how it would respond to your concerns. Of course, you are expected to deliver on what is in the policy statement of the government. The concerns that you raised are concerns that we also share. And so it is up to you to bring the matter the government.

Does the Ministry of Finance want to comment on anything? There is already the general understanding that you take this matter to Finance. Like we shared with others we can only note your concerns. What about your establishment, are you alright with it?

**Mr Korimae:** As I mentioned in my submission we have in this year's budget a shortfall for all the provincial governments. I think for Malaita, the civil service salaries we have about \$98,000. I would like to put this out to Committee Members so that you are aware of what I am talking about.

In terms of salaries, as you can see there, the total shortfall on salaries is \$899,271.73, and the details as you would note are in the columns above where Malaita is \$98,247 and so forth. They are in the handouts. That is the problem.

**Mr Chairman:** These are people at post?

**Mr Koraimae:** Yes.

**Mr Chairman:** That is serious. It is matters like this that you should bring to the attention of the Budget Unit. We will take note of this because these are salaries of people who are already at post, which is quite serious.

**Mr Koraimae:** The other calculation is based on new increases by the Public Service on the upgrading of the SS1 posts to SS2. The extra fund that we need is calculated here inside the handout. As I have mentioned earlier, our Ministry is highly affected because we have 20 posts affected with this particular increase, and I will be surprised if the Ministry of Finance could not have included them in our budget.

**Mr Chairman:** We have the Public Service representative here, who may want to comment for the benefit of the Ministry.

**Mr Mendo:** I think the total cost for the establishment of the Ministry of Provincial Government is \$4million. What is approved by the Budget Unit is \$3million, and so there is a shortfall of \$1million.

I think the Public Service, a couple of weeks before we finalize these requests, all ministries should come and present their bids to the Public Service before finalization of the establishment. We explain to them the increases in the establishment and the upgrading of posts.

I have consulted the Budget Unit, and during the week of consultation only the chief administration officer of the Ministry of Finance appeared before us. There was no one from the Budget Unit, nor did the Permanent Secretary come before us before finalizing of the establishment. I believe all this information has been given to the Budget Unit.

**Mr Chairman:** We may really need to have some comments from the Ministry of Finance here. We can understand the oversights but this is a major exclusion of what is required by the Ministries to implement government policies. You earlier commented that there was no consultation between yourself and the Ministry of Finance.

**Mr Koraimae:** We never had any consultations with them until now. We heard that some Ministries were invited to make further submissions to the Budget Unit for this draft budget and we were never informed. We did not attend anything because we were never informed.

**Mr Official (Finance):** Just a couple of points for clarification. The role of the Budget Unit is to prepare a balance budget. We determine what amount of revenue there is and what amount of expenditure can be afforded. Every Ministry was instructed in January to turn up with their estimates to show how they can be fitted into the CNURA policy program. All Ministries have been invited to submit their applications. The Budget Unit has not shifted its location for a couple of years. We are there for consultation. By the same token, it is a fairly small unit, and we have been working fairly flat out on those things. But all Permanent Secretaries and Chief Accountants

were instructed by the Finance Ministry to turn up to Cabinet in late January to justify their programs in terms of the current government's policies.

The amounts that have been given are the amounts that have been determined under those policies, and they have been determined by the Cabinet. I thank the Permanent Secretary for his appreciation for what we give him and those that we do not gave him anything. Some of those recommendations may have been accepted and others may not have been but the entire budget has been framed within the approval of all Ministries of the Government.

I think it is probably a time to stop talking about the Budget Unit. We are here to take on concerns, take on errors. Certainly when there is something wrong and something needs to be done about the figures here then we are more than happy to help. We are not in a position to defend government policy and we are not in a position to change the estimates as they have been finally determined and approved by Cabinet that will need to be undertaken by Ministries who feel that their programs are unachievable within the budgets that they have been given.

**Mr Chairman:** I think the political representative of the government in that Ministry is the Minister, and I hope that the Minister is fully aware of the problem that are raised here and any serious shortfalls should be taken up seriously by the minister and he w Should fights for your Ministry in Cabinet. If that keeps on happening then obviously not reflecting well on the minister so I hope that the responsible minister is aware of this as Budget Unit has rightly pointed out they are here not to defend government policy. I think on this note may I bring it to the attention of the government. That the on the way you are doing things especially for under estimation, it will be good that people continue to work and will probably be seeing a new supplementary appropriation in June because nothing should really stop government from continuing to operate. I think we need to rectify properly and attend to them. One of the rules that we have in budget is to vie heads so you will expect Ministries to continue to spend and that probably will eat up whatever additional revenue that you may collect from the taxpayers. It is a matter that you will bring up to the attention of the government and I hope they will address this before the budget is tabled in Parliament with good explanations into Parliament as to how these matters will be addressed. It is not only affecting one Ministry here. It is a general trend throughout all the Ministries that are here and most of the Ministries that have appeared before us. I will accept your explanation and hope it will be approved by Government. Just a further question: Is there any consultation between you and the political government?

**Mr Koraimae:** Mr Chairman, I think this Ministry has been really unfortunate at the beginning of this year. Our Minister in Sydney for medical attention and our substantive Permanent Secretary was down with illness. I would think that this budget should be blamed for what happened to the Ministry with lack of communication. I would like to inform the Committee that that has been the case.

**Mr Chairman:** That explains it. Well thank you for that explanation I think this is the last time you will expect this.

**Hon Soalaoi:** This is something for the Ministry of Provincial Government for purpose provided. Chairman, the thing about Provincial Government is, it is one of the biggest Ministries we have since it is responsible for all the nine provinces. We might want to think that it is the only Ministry that has nine eyes in nine parts of the country. Mr Chairman, the existence of basic and necessary infrastructures that the province is facing is a concern at the moment. That is the reason why we find it most that potential investors they tend to settle in Honiara because there is really nothing in the province for them to operate like most of the provinces they do not have enough. Their policies are not enough to run high powered machines and the reception in terms of telecommunication is not that good in other provinces. Just want to know if the Ministry of Infrastructure yesterday indicated or there was some indication of provincial roads and other things in the infrastructure budget. Is there any plan or any information on that from the Ministry of Provincial Government with regards to the infrastructures especially in the provincial capitals throughout the nine provinces?

**Mr Koraimae:** Can you just repeat the concern?

**Hon Soalaoi:** Mr Chairman, what I am trying to say is, since most of our provinces do not have the necessary infrastructures for economic development to take place in our provinces, what are the provincial government's plan to establish those basic infrastructures so that we can attract those potential investors, we might call it high level investors to the provinces, provincial centres for the start and that we will eventually see them move out to the rest of the country because that will allow us to broaden the base of our economy. What is the provincial government's plan on that Mr Chairman?

**Mr Koraimae:** Thank you Mr Chairman. From a general point of view the Ministry of Provincial Government is really coordinating functions for the Provincial Governments and as such the Ministry is also part of the key stakeholder bodies like the Ministry of Infrastructure Development, Ministry of National Planning and Ministry of Finance and the other technical Ministries who have functions out there in the provincial governments. We will only be aware of activities that go out to the provinces if the particular individual Ministries consult us on these things. I think there is a lot of need for consultation purposes and I can say; but at the moment we do participate in road improvement projects under the Ministry of Infrastructure for all the provincial governments, and at least the functions that we have as a coordinated body can only be reflected in that composition.

**OLAVAE:** Chairman, I think the main problem is since we have been talking about the bottom up approach, the fifty Constituency Development Officers that we employed last year, have not yet done their jobs because with this budgeted money that has been allocated to the Ministries that have been decided within the Ministries or top down decisions have been continuing because there is no constituency profiles that the Provincial Government, Rural Development Ministry supposed to come up with plus the other Ministries that is why we have been facing this problem. Because so far I think the Rural Development Ministry has not come up with their profiles where they should be merged to the National Planning so that they summarize those figures so that every Ministry cannot be questioned. The fact now is that they have been following their own

road maps for budgeting things or allocating figures into those heads. So I think the Ministries are trying to fulfill the policy of this government but the government has to come out clear to try to allow the fifty CDOs to come up with their constituency profiles because we are trying to deviate from the old road map to the new road map to create the economic base for those constituencies. That is where infrastructure developments have to be targeting those economic centres where the provincial government infrastructures should come in and the provinces will do it while other constituency infrastructures can be looked at by the government. But as it is now, we are repeating the same thing that we have repeated last year. So I think the CNURA Government when talking about rural advancement, it has to ensure that those fifty constituency CDOs must make sure that they bring their constituency profiles so that in future budgets we do not have to face this kind of problems. We know where those Ministries' funding can be allocated in trying to encourage rural farmers and rural fishermen under those productive sectors to participate.

**MARK KEMAKEZA:** Chairman, from the revenue sharing grant I noticed that there were some increases in the 2008 budget. Can you explain to the Committee how the grants were distributed or calculated? The second part, how did you calculate the increase in the 2008?

**Mr Koraimae:** I think I will allow my Chief Accountant to explain that to the Committee.

**Kasiano Kere:** Thank you Mr Chairman. The allocation of all these grants is done by the Ministry of Finance. We have no say in that whatsoever. And the increase is, from what I get from the speakers came from last year's budget. It is an increase of 3%. The Ministry has no say in the amount. Further to that this amount this amount by dividing it by twelve and we distributed it to the provinces.

**Mr Chairman:** What formula did you use in these grants?

**Kasiano Kere:** Chairman, on this PGDF thing - \$5.4 million, we are using a formula on that and the formula we are using on this PGDF thing is 20% fixed and 80% population.

**Mr Koraimae:** I will just further clarify that. The new PGDF formula for disbursement of the Provincial Government Development Fund would be 20% fixed allocation and 80% based on population. The Ministry intends to in the future follow that particular formula in the determination of the service grants to all the provinces as well. That has been the formulas that were identified and discussed and that seems to be the fairest formula which can be used for all the provincial governments. So it is 20 % fixed and 80% based on population.

**Hon Soalaoi:** I will just come back to the point I raised earlier on about the infrastructures in the provinces. I totally agree with you that the role of the Ministry of Provincial Government is basically to coordinate. And I guess that coordinating role will take charge of the direction of development in the provinces of those basic infrastructures.



Mr Chairman, I am not really aware of the program unless there is an audit of provincial accounts. Is there any audit? I guess in order for us to really help provinces that are effectively carrying government policies in our nine provinces is to have effective governments that look after their resources given from the central government. Some of our provinces have never been audited since long time ago and I am quite pleased to learn that there is an audit going in the provinces. That is the good thing that the Ministry has started. I know it is a project will spread to other provinces. That of course will allow us to know where we are in terms of our finances or whatever we have in the province and then see where we can start from here.

The other point Mr Chairman, is I want to make is in terms of revenue collection by provinces. Is there any information in the Ministry as to how much each province are collecting in terms of business licenses and all those and others I do not what other things that provinces are collection. But in terms of revenue collection some of us think that provinces are entirely relying on grants from the central government for their operation. We would like to know also how much they are collecting in the provinces. Whatever forms that they maybe but if there is any information we would like to be informed on that.

The other point Mr Chairman, is to do with the state government system. I know it has been transferred to the Prime Minister's Office. The concern will be, if there is really a problem with the provincial government system is there a cheaper way to do it in terms of changing from provincial government to a state government system? I tend to think Mr Chairman, that we have embarked on a very expensive exercise that will cost us not only money but also time. We might not live to see when Solomon Islands will adopt state government but all of us want to see that coming into existence as soon as possible. So my question on that Mr Chairman is, if there is any other way all the provinces want is more autonomy that gives them the power to have a say on their resources and whatever they have in the provinces. I am talking as a member of PAC Mr Chairman, and as Chairman of Constitutional Review. The current government has committed about \$3.8 million for the constitutional reform but it is quite silent in its policy. As it is reflected in the budget we now know that government is committed to reform. If it takes time maybe the Provincial Government will have to review the current constitution and look at the autonomy part of the constitution. That of course can fast track the transfer of power sharing to the provinces. I know you do not really have any much to say about that because it has been transferred but if it comes back, because I know you really need to be informed of what is going on because it will affect our provinces. In terms of our future planning I am trying to get at what are the possible ways of seeing our provinces having more say in the day to day running?

**Mr Chairman:** Can you give some comments on that some comments on policy areas?

**Mr Korimae:** The first question probably raised was with regards to audit. Thank you for your appreciation. I can confirm to the Committee that the Ministry has now received audited reports from all provincial governments. Last dated as far as 2006, 2007. I think at least the audit reports for many provinces are now updated. I can confirm that much.

The other statement regarding the revenue collections of the provinces, I think you will be aware that we are now running the Provincial Government and Institutional

Strengthening Program (PGSP). That intends to develop the capacity and strength of provincial governments in order to deliver the services to the people. And one of the lacking things that has been for many years is the ability to have data on revenue collections of the individual provinces. And the Provincial Government Institutional Strengthening Program will ensure that the finance will be using the Planning Office and we are ensuring that all provincial governments are coming up with their own provincial plans that have participatory running concept in and that will come out from the rural bottom up development concept. We are encouraging the finance division to be more capacitated to deal with the finances of the provincial governments. And only through this activity that we will be able to determine what levels of revenue each provincial government has received. At the moment I think the Ministry does not have any information about the level of revenue collection for each individual province but we do hope that this program will come up with the calculating machine that will need for planning purposes in the future.

Of course with regard to state government, that is really a policy matter which the Cabinet will have to come up with. As far as the Ministry is concern we are only building up the provincial governments to be strong and be effective in financial delivery of service for the people and whatever assistance that can come in we are ensuring that they are strengthened in advance of any system that maybe brought in. So those are the only comments that I can say at this point in time.

**Mr Chairman:** I think there is room to improve the capacity of provincial government system to collect revenue. The issue is really the ability of the people to support the provincial government system to be effective beyond what we collect from the people in the rural areas in terms of business license and other activities in the rural areas. From that angle, direct revenue collection from the provinces will still be very low. Right now the way in which the provincial government is structured, the provincial government is an agent of the central government and the government has made a very broad statement here by saying that provincial governments become recognize as government. You can only do that if the people are able to support that system that you establish right now it is not. The fact of the matter is under the present law as it stands at this point in time provinces are agents of the national government. They deliver the policies of the national government. That is why they get grants. They deliver on behalf of the national government and the national government has the duty to see that they are given the require resources. That is how it stands at the moment until we amend those to give them power to decide on areas that will improve their revenue collections.

**Audit Official:** If I could just make a comment. I think the point made by the Honourable is most important. The auditor general in the last three months decides on 145 years financial statements from the provincial governments. It has been an incredible time in history where every provincial government financial accounts are now sign off to 2007. As a result of that there has been a detailed report given to each provincial government to present it to the provincial government premier and members in the last two or three weeks. So it has been a significant turn of events to some extent to say to each provincial government, this is your current status that was a terrible situation, almost all but not all some are on average. So I think at this point in time it is important to note that going forward through the provincial government to improve the

program but now got to a position to draw a line in the sand to say now going forward, it is up to each government to demonstrate that it has the strength and will power to go forward with a proper governance process and that is what the PS is really saying. I think I just want to acknowledge that for fifteen years our average sets of accounts reach by the provincial government significant achievement by the Ministry of Provincial Government to at least achieve at this point going forward along in the same line.

**Mr Chairman:** Any one has any other comments. Well I think that the problem should be raised regarding a problem that the Committee has identified in every Ministry so we will note that to the government to rectify it under the normal budget process. That will be brought to the attention of the government.

With that Permanent Secretary, thank you very for appearing before the Committee. The Committee appreciate that you have a huge task to look after us 9 provincial governments and that is a very big responsibility and we wish you all the best as you deliver on the policies of the government. Thank you very much Permanent Secretary.

**Mr Korimae:** Thank you.