Solomon Islands Parliament House (Irene Scott/AusAID/DFAT/Flickr CC BY 2.0)

The case for a legislative budget office in Solomon Islands

By Usman W. Chohan
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The budget process in Solomon Islands is confronted by a set of fiscal challenges that have arisen in the course of its nation-building effort since independence in 1978. While some of these issues are unique to the country, others are shared with countries that manifest a similar demographic, economic, and sociopolitical profile. As part of my recent research into the budget process of the country, which was shared with government officials in Honiara, I identified a specific institution that could help to meaningfully address this set of fiscal issues: a Legislative Budget Office (LBO).

A Legislative Budget Office is a nonpartisan institution of economists who provide analysis to legislators, as well as the general public, on matters of a pressing fiscal nature relating to current and future budgets. Because of their ability to provide rigorous and nonpartisan budget analysis, they are seen as an important tool for enhancing transparency and accountability, particularly in developing countries. As such, there are several arguments for instating such an office in Solomon Islands that warrant mention.

First, Solomon Islands is in a period of active reform across more than 30 different initiatives. These include land reform, shipping initiatives, tourism development, transport, agro-forestry, rural development, anti-corruption measures, and infrastructure, among others. The fiscal outlays that these reforms require create room for an LBO that would exercise a mandate of expenditure analysis and proactive scrutiny of the progress on these projects.

Second, the budget of Solomon Islands contains a considerable portion of funding that is exogenously driven. In the 2016 budget, total revenue approximated SBD$3.7 billion, which included an untied grant of SBD$40 million from the Asian Development Bank, but also included support from development partners to the tune of SBD$599 million, as tied budget support for the recurrent budget funding. Such exogenously-driven revenue sources necessitate a strong mechanism for budget accountability and oversight, and an LBO is uniquely positioned to assist in the oversight of such funds.

Third, an LBO can help in the process of analysing, forecasting, and facilitating economic diversification. The economy of Solomon Islands has historically been characterized by reliance on a limited set of economic activities. However, the government has been prioritizing the diversification of the economy in its recent budget documentation. In a similar vein, in my previous research on Fiji, I have examined how an LBO can serve as a key agent in the budget analysis that must accompany a successful diversification of the economy (from a budgeting angle).

There are two other reasons why I believe an LBO would succeed particularly well in Solomon Islands. The first relates to the nature of its political process, which is characterized by Members of Parliament (MPs) regularly switching political affiliations, which has shaken past governments. From the perspective of an LBO, however, such a "side-switching" culture actually has the potential to reduce the political pressure on it and increases its institutional stability because it can continue to provide consistency through its fiscal analysis, and thus serve as an analytical anchor for MPs even as they switch political affiliations. This is a particular quirk of Solomon Island legislative culture that is amenable to LBO stability, particularly when contrasted with countries which have strongly entrenched political parties and thus can offer staunch resistance to nascent budget offices.

Second, the nature of fiscal transfers from external countries such as Taiwan and Australia make it imperative for greater oversight of their funding to occur. On this point, however, a nascent LBO will need to tread cautiously in its fiscal analysis of the transfers that come under the purview of MPs, particularly in its initial period, so as to avoid outright recrimination from MPs, as has been witnessed in other countries.

Given the aforementioned merits, it is also important to highlight two caveats when installing such an office in Solomon Islands. First, it is important to enforce robust internal controls within the institution, otherwise the LBO can itself fall prey to corruption, as I have described in a case study on Uganda. Second, given the country's resource constraints, stakeholders may at first think of the LBO as too costly an office to build. However, it is not necessary for an LBO to be large or expensive for it to make a significant contribution both to the budget process and to accountability in general. In fact, a new LBO can leverage the mentorship of other LBOs, as well as international bodies such as the World Bank and the OECD, to infuse budgeting best practices into its work from the very start. In Solomon Islands, even an office of 3-4 economists would go a long way in assisting the budget process.

As such, Solomon Islands provides an interesting location for the instatement of an LBO, even if it is to be a small one, particularly in light of its incipient efforts to create a vibrant state that exercises a high degree of transparency and accountability in its budget process.

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