AN OVERVIEW OF DECENTRALISATION AND LOCAL GOVERNANCE STRUCTURES IN THE PACIFIC REGION

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Introduction

The purpose of this Symposium is to deliberate on ways in which local government in the Pacific can be strengthened and to set out ways in which regional cooperation can support the process of achieving stronger local governance.

My task is to provide an overview of local government structures and the status of local democracy and decentralisation in the region. In this overview I was asked to outline (i) the extent to which decentralisation has taken place; (ii) the opportunities and challenges to effective decentralisation—particularly with respect to fiscal decentralisation and the impact of urbanisation; (iii) the nature and effectiveness of intergovernmental relations in the countries of the region; (iv) the extent to which local government is participatory; (v) the effectiveness of service delivery at the local level; (vi) capacity needs and capacity building initiatives in the local government sector; and (vii) regional cooperation initiatives. I was also asked to make recommendations on how regional cooperation and related activities can help to strengthen local government. As you can see, it is an ambitious agenda, and one that I have no doubt failed to satisfy. However, I hope that I have made a useful start and can provide you with some ideas that will be useful to mull over.

To do justice to the terms of reference would require a comprehensive update of the 1985 book Decentralisation in the South Pacific (edited by Peter Larmour and Ropate Qalo, University of the South Pacific). This book details local government structures and administration in 20 of the Pacific Island countries, in chapters written by modern luminaries, besides Larmour and Qalo, such as Yash Ghai, Tony Regan, Pam Thomas, and Ted Wolters. There is also discussion of the reasons underlying decentralisation in these countries, revenue and expenditure arrangements, services provided and their effectiveness, and the capacity of local government staff.

Because of its comprehensiveness, I draw heavily on the 1985 book. However, in a 1999 book Central-Local Relations in Asia-Pacific (edited by Mark Turner), Ron May provides an update on local government in Papua New Guinea and Peter Larmour surveys changes in local government arrangements for the rest of the Pacific Island countries. I have also been able to draw on information provided by the Commonwealth Local Government Forum. The above writers could all be described as political scientists. As an economist, I may provide a somewhat different slant on the issues involved.

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1 I am grateful to my colleagues Morris Namoga for information on local government in Solomon Islands and Fakavae Taomia for information on local government in Tuvalu.
What is decentralisation?

Because of the different actions that are sometimes placed under the heading of decentralisation, it is useful to begin with a definition. Here, decentralisation or devolution is seen as a political process involving the transfer of government functions and/or powers to sub-national governments. In contrast, “deconcentration” refers to the administrative shifting of functions undertaken by the central government to an appointed official or group of officials outside national government headquarters.

Decentralisation includes a number of aspects:

- Political decentralisation – the devolution of political decision-making powers
- Democratic decentralisation – locally elected representatives controlling the local authorities
- Decentralisation of the national fiscus – predictable formulaic transfer payments
- Decentralisation of fiscal powers – the devolution of tax-raising and spending powers
- Administrative decentralisation – the devolution of governmental functions.

However, it is seldom that all of these are included.

Decentralisation has become even more topical over the past decade along with the prominence given to governance and increased community participation in government. The reason for the link with governance is that it is believed that having government brought closer to the people through decentralisation, the local community will have greater input into government decisions and have greater oversight over the government services delivered. It is also argued that corruption in the public sector will be reduced because of the closer oversight. From the fiscal federalism literature of economics it is also argued that if voters and capital are able to move freely within the country, decentralisation should see competition between sub-national governments for voters and capital, and thus there will be pressure on the local governments to provide value for money.

Underlying the push for decentralisation has also been concern over the persistence, and even increase, in regional income inequality within countries. This concern has been heightened by the prevalence of terrorism and the relationship to depressed regions (e.g., Philippines). It was hoped that decentralisation would help to ameliorate the income inequality. What has been the record so far with decentralisation? There is very little cross-country evidence to support the idea that more decentralisation improves the quality of governance in developing countries. Also, the evidence does not support the idea that decentralisation reduces corruption. More assertive local governments may in fact result in more, not less, barriers to mobility of capital and labour. Local governments may borrow extravagantly, relying on the central government to bail them out (the problem of moral hazard). Local elites may capture power in their jurisdictions and be less subject to the usual checks and balances than central governments. Moreover, their tenure may be insecure and short-lived, maximising the temptation to engage in corruption.
It should not be surprising, therefore, that little relationship can be found between the level of decentralisation and economic growth and between decentralisation and regional inequality. However, these simple correlations are not very informative and may even be misleading. The appropriateness of the specific design of decentralisation to a particular country’s cultural and socio-economic situation is important. Decentralisation along lines that are not consistent with cultural identity and local power relationships may well have disastrous results. It seems to me that it is extremely important to consider the appropriateness of any decentralisation to cultural identity and local power relationships before making any move in that direction.

Migration does appear to play an important role in ameliorating regional inequality. In other words, migration reduces excess labour supply in the poorer areas. However, there is an irony here in that poorer regional areas often demand better infrastructure, including improved transport. But improved transport facilities makes it easier for people to migrate, even as it makes it easier for inputs to move in and goods to move to market. Still, it appears that one of the major roles of government is to provide fairly equal access to infrastructure (horizontal equity).

In deciding on the appropriate design of decentralisation, another important factor is the economies of scale of various activities. For some government services, such as defence, foreign policy, national law, and competition policy, provision at the national level would appear to be best. Although, under the Pacific Plan it is envisaged that some government services now supplied by national governments could be more effectively supplied by supra-national regional organisations. Again, the arguments for regional provision of services rest on economies of scale. As well, the shortage of skills in small countries and the difficulties of providing the necessary independent checks and balances to ensure good governance can be convincing arguments.

According to Larmour and Qalo (1985), assertion of sovereign rights at independence (including the need to pacify separatist tendencies) can be seen to be behind some of the decentralisation measures adopted at independence. But some of the concerns behind the recent global emphasis on decentralisation have currency in the Pacific today—such as regional inequalities (reflected in outer island migration and rural-urban migration more generally, resulting in urban congestion, including rapidly growing squatter settlements) and corruption. Governments are also confronted with the dilemma of what to do about those in poverty, who are more often than not in the more remote, infertile, and inaccessible parts of a country.

**Autonomy of local governments**

In the concluding chapter of *Decentralisation in the South Pacific* (1985), Larmour (Ch. 20) put together three tables that summarise three important aspects of local government arrangements: formal autonomy, functions, and sources of revenue. I have adapted and updated these tables and use them here. These are still incomplete and likely out of date, and assistance in updating them would be appreciated.

Table 1 provides four indicators of what is called the formal autonomy of local government: whether local governments are provided for in the national constitution; whether revenues from the national government are guaranteed; whether local
government legislation can override national legislation; and whether local
government elections are mandated. Local government is seen as being provided for
within national constitutions if the constitutions (i) give the right to a system of local
government (e.g., Marshall Islands), (ii) protect existing local governments, for
example, through legislation dealing with them (e.g., the Fijian Provincial Councils),
(iii) established under legislation (e.g., Honiara City Council, Solomon Islands), or
(iv) setting out the conditions under which local governments may be suspended or
abolished (e.g., Papua New Guinea).

Provision for the sharing of revenue streams between national and local governments
(e.g., Federated States of Micronesia) or the guarantee of a minimum level of national
grants (e.g., Papua New Guinea) may also imply formal autonomy of local
governments. However, as PNG provinces have found, this legal guarantee does not
ensure that they actually receive the funds. Some independence of local government
is also implied when there is provision for local government legislation to override
national legislation (e.g., liquor licensing in Papua New Guinea).

Local democracy is also an important indicator of local autonomy and this is
highlighted in Table 1. Giving people the right to elect councils is likely to make
them more protective of these institutions than if the members were only appointed by
national governments. For all countries for which information was available,
elections of some form are held. In the case of the two forms of councils in Fiji,
elections for the councils are held; however, unlike the elections for the national
government, they are not compulsory.

In Papua New Guinea, urban and rural council members are elected, but each council
may have up to three additional members appointed to represent the following interest
groups: the PNG Trade Union Congress, the Employers’ Federation, and women’s
organisations (two women may be nominated to rural councils). The nomination of
one or more representatives of women’s organisations has helped to raise the level of
representation of women to 10 per cent of all councillors. Vanuatu councils also have
appointed members besides the elected members, but they do not have voting rights.
Some of the appointed members of the councils are women but no women have been
elected to councils (as of 2002). Prior to its replacement in January 2004 by an
appointed body, Honiara City Council had elected members representing each of the
12 wards. Another four members of the Council were appointed by the national
government, while the three national parliament members representing the three
constituencies in Honiara plus the Premier of Guadalcanal Province were ex-offico
members. Only the 12 elected members had voting rights.

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2 Fiji has 14 provincial councils responsible for protecting the rights of the indigenous population. There are also 17 rural advisory councils that represent the interests of Indo-Fijian and minority communities.

3 The draft Solomon Islands’ constitution now under discussion explicitly mentions provinces but does not explicitly mention lower-level governments. However, the draft constitution does give force to the principle of ‘subsidiarity’, which respects the rights for government activities to be carried out at the lowest level of government at which they can be efficiently undertaken. This is a concept that has received a great deal of attention in the formation of the European Union.
Division of powers and functions

The division of powers and functions between national and sub-national governments is usually defined by legislation that prescribes lists of powers and functions. The list may give specific powers and functions to the local government and all other powers and functions are the prerogative of the national government (as in Palau). Or the list may give specific powers and functions to the national government and all other powers and functions are the prerogative of the local government (e.g., in the Federated States of Micronesia the constitution assigns certain powers and functions to the national government and all other powers and functions are under the discretion of the states). The lists may also assign certain powers and functions to the national and local governments, with other powers and functions held concurrently.

Table 2 presents the table from Larmour and Qalo (Larmour, Ch. 20) that summarises the functions undertaken by local governments in the Pacific states. However, as Larmour points out, the division of powers is often very complex and that, in practice, local governments may do more or less than they are legally supposed to. Moreover, with the emphasis on decentralisation in recent years, the assignment of functions to local governments has seen frequent changes. There is also usually a big difference between the functions that urban and rural councils undertake, in part because of the nature of the services demanded and because of the greater independent revenue streams available to urban councils.

From this specification of functions, Larmour (1985) concluded that three broad types of local government could be distinguished in the Pacific: (i) “Minimal”—where the local government does little beyond minor works but does have a role in law and order (Niue, Tonga); (ii) “Weak developmental”—the functions of the local government are broad and developmental but it lacks the resources to carry them out (Fijian provincial councils, Tuvalu, and Vanuatu); and (iii) “Decentralised”—certain national functions have been transferred to local government, which it receives grants to carry out, but these may be insufficient. Local government employs its own staff but relies on the national government to second senior and technical staff (provinces in Solomon Islands and Papua New Guinea).

Larmour (1999), in reviewing the earlier categorisation, concluded that the categories remained valid and the grouping of countries into these categories remained stable. However, he argued that there had been efforts to strengthen the “weak developmental” examples: for example, following the 1987 coups the Fijian constitution was changed to favour the rights of indigenous Fijians and the Fijian Administration had received more attention and funding from the national government; Tuvalu introduced a new act covering local government in 1997 that made local government more participatory and gave local authorities the power to manage their own affairs; and Vanuatu passed a new Decentralisation Act in 1994. As far as the “decentralised” countries (Papua New Guinea and Solomon Islands) were concerned, Larmour suggested that the central governments had reduced the political autonomy of the provincial governments while retaining the transfer of functions. Overall, he concluded that “there has been a legislative and rhetorical swing back to the central government as an agent of local development, a reduction in the autonomy of any intermediate ‘provincial’ layer, and efforts to reconcile introduced and traditional forms”.


Sources of local government revenue

As can be seen from Table 3, grants from the central government are the most common revenue source. Particularly for rural councils, central government grants are also the main source of revenue. Unlike urban councils, rural councils have very limited sources of revenues. Central government grants are commonly used by national governments to dictate policy in sub-national governments. Therefore, rural councils are much more subject to central government dictates. A global problem with the implementation of decentralisation has been that national governments have not transferred sufficient funds for local governments to undertake the new responsibilities. This has also been a problem in the Pacific, made more difficult by the fiscal indiscipline of national governments and the poor economic growth of national economies.

Central governments have pre-empted the most buoyant revenue sources (such as taxes on imports and exports, income tax, VAT, and excise tax). As well, they have control over most of the foreign aid. Central government collection of most taxes makes sense because of the efficiencies in central collection. However, formal arrangements can be made for the sharing of revenues, such as the sharing of VAT between the national and provincial governments in Papua New Guinea.

The most common form of taxation for urban councils is property tax on alienated land. Because of the extent of customary land, rural councils have had little access to land tax, although some governments have taxed customary land. According to Larmour (Ch. 20 in Larmour and Qalo 1985) only Kiribati and Tuvalu were taxing most rural customary land. Taxing of customary land has been proposed as a means of forcing up the productivity of such land; however, the idea has faced much resistance. The predominance of subsistence livelihoods and the lack of cash incomes of rural households also mean that the rural councils’ access to revenue streams is very limited.

Rapidly rising land values in urban centres have meant that property tax has given urban councils a good deal of independence from national governments. Ironically, the increases in land values have come in part from the rural-urban drift that has increased the rate of population growth of urban centres in the Pacific to around 6 per cent in some cases. However, urban council incomes are not rising fast enough to cope with the population increase, resulting in an inability of works and services to keep pace with demands. This is because the urban areas are not experiencing sufficient economic growth to employ the people migrating from the rural areas.

Rural-urban migration is not being stimulated by the availability of jobs in urban areas, as employment growth is very slow in most of these countries and well below the numbers of new entrants joining the labour force each year. Rural-urban migration appears to be due mainly to the shortage of land in rural areas in the face of rapid growth in rural populations, the low productivity of communal agriculture, the opportunities for higher education in the urban areas, and the “bright lights” attractions of the urban life for young people. Unless employment-generating economic growth is stimulated in the urban areas, it is hard to see the situation improving. At the same time it is not a good idea to put in place obstacles to the
movement of people from rural areas, as productivity growth in the rural sector inevitably leads to the movement of labour out of these activities.

The rapid urban population growth is placing great stress on the urban areas and the pressures will only increase. For example, if South Tarawa’s (Kiribati) population continues to increase at its current rate of 5.2 per cent, it will reach a population of 73,400 by 2013, about double its present level. The atoll island is already experiencing severe pollution of the fresh water lens and the lagoon as the result of population growth and poor management of water and sanitation services. Given the continuation of existing urban growth rates, the populations of the capitals Honiara (Solomon Islands) and Port Vila (Vanuatu) could double within 16 years.

The urban drift is leading to the growth of squatter settlements, particularly in cities such as Port Moresby (Papua New Guinea), Suva (Fiji), Honiara, and Port Vila. It is estimated that Fiji has some 82,000 squatters living in the peri-urban areas of its larger cities and towns. In Fiji’s case the rural-urban migration has been increased by the non-renewal of cane farm leases for Indo-Fijian farmers. The predominance of communal land ownership in the Pacific means that it is very difficult for someone coming from a rural area to find a place to live and therefore squatting largely takes place on alienated land. These people have no legal residential rights, no government representation, and very limited essential services. As other countries have found, moving them is not a viable option. Hence, thought has to be given to how these communities can become viable communities with local government representation, secure access to housing, and decent access to essential services.

While the demands for decentralisation in the Pacific have derived from the strength of traditional, lower-level government and the weakness of support for national governments, part of the recent thrust towards decentralisation has come from pressures to slow the rural-urban drift, particularly from the outer islands of the scattered island states. For example, the new local government Falekaupule Act of 1997 in Tuvalu was driven to a large extent by the desire to slow the urban drift from the outer islands. The draft Solomon Islands constitution also appears to have undertones of attempts to restrict movement of peoples.

Service delivery

With economic growth very low—to the point in several Pacific countries that per capita incomes are no higher than they were 20 years ago—national and local governments are generally finding it difficult to maintain public services. The Pacific’s geography, involving many scattered islands spread over large distances or rugged terrain adds to the problems of service provision because the unit costs of services are so high. In some countries, services such as education and health have declined—especially in rural areas—leading to worsening human development indicators.

The problems of service delivery in the urban centres and in the rural areas appear to be quite distinct. In rural areas there is heavy reliance on national government grants and national government personnel to provide services. With national government grants experiencing difficulties due to budget deficits, and with the high unit costs of service provision, rural councils are finding it difficult to maintain the limited services
that they are supposed to provide. In terms of numbers of people, the seriousness of
the problems of rural councils is greatest in the larger Melanesian countries. In
Micronesian and Polynesian countries more than one-half of the population lives in
urban areas. By comparison, in Melanesian countries the vast majority reside in rural
areas (Papua New Guinea – 87 per cent, Solomon Islands – 84 per cent, and Vanuatu
– 79 per cent).

For their part, urban councils have more buoyant revenue streams due to their much
greater ability to levy property taxes in an environment of rising land values.
However, even with these enhanced revenues, due to the rapid urban population
growth rates they are overwhelmed by the demands for the much wider range of
services they are expected to provide. As the Senior Town Planner of Port Vila has
said: “The explosive population growth in Port Vila has far exceeded the willingness
or the ability of the government to mobilize and service appropriate land to resulting
needs”. More consideration should be given to whether outsourcing of services, as
has happened in Fiji with street cleaning and waste removal, can lead to more cost-
effective provision.

The formation of unitary national governments and their control over most resources
and taxation revenue streams has meant that national governments have become a
magnet for skilled people. This has meant that sub-national governments have
difficulty in finding people with the needed skills. For example, people with good
project design and project management skills are in short supply in sub-national
governments. When efforts are made to increase the responsibilities and strengthen
the capacity of sub-national governments—such as with the 1995 Organic Law on
Provincial Governments and Local-Level Governments in Papua New Guinea—it is
found to be very difficult to attract public servants from the capital city to the
provincial or local governments.

While Pacific populations will not age as rapidly as developed countries and many
developing countries—basically because their fertility and mortality rates are not
declining as rapidly—the proportion of elderly people will increase in Pacific
countries. For both national and local governments, population ageing raises
questions about the access of the elderly to incomes and services, particularly medical
services. Because of the migration of young people from rural areas, and because
they have had little or no access to cash-generating employment throughout their
lifetimes, elderly women in rural areas are likely to be most at risk.

As Larmour (1999) notes, local government reforms have increasingly sought to
restore the role of tradition in local government and to bring together elected officials
and traditional elders, or “simply replace the former with the latter”. However, he
suggests that while they may play an important role in the maintenance of identity,
these traditionalist forms of local government are not necessarily good at delivering
services. Moreover, they are usually too small to deliver services that are “lumpy”,
like hospitals, or services like road maintenance that are subject to economies of
scale, or services that have significant externalities, like immunization.
**Discussion**

Local government in Pacific countries is democratic in the sense that people vote for their representatives on these bodies. However, for true democracy, it is not sufficient that people vote. Elite interests may hold political and economic power in a society. Unless these elite interests become ineffective, voting is unlikely to make much of a difference to the way in which people can participate in the economy. If the same elite interests dominate at the local government level as at the national level, then decentralisation of the powers and functions of government will not lead to greater democracy. The lack of participation of women in local government in the Pacific suggests that power structures have not changed very much.

In the push for decentralisation, it has been argued that bringing government closer to the people will lead to greater transparency and accountability, better governance, and less corruption. These outcomes have not always been realised, however. For democracy to be effective, people must also fully understand their rights and responsibilities as voters. In efforts to improve public sector performance, most of the emphasis by donors has been on improving “capacity” or “institution building”. This is a focus on what can be called the “supply side” of governance. In order to have the public sector perform well, there must be a heightened expectation of voters about the amount and quality of services delivered. There has been little done in the form of “capacity building” to raise the expectations of voters. For this to occur they have to understand what they can expect from government and whether they have in fact received it. Hence, the necessary information about budget provisions and budget outcomes has to be made available in a form and language they can understand.

As far as achieving good governance is concerned, the Pacific states face severe difficulties because of their small populations. Basically, the checks and balances that operate in larger countries in a non-relational, independent manner are almost impossible to put in place in these countries. The capacity to implement independent supervision, monitoring and auditing in urban and rural councils in these small countries, especially when geographically isolated, must be even more constrained than at national level.

The problems faced by local governments are similar across the Pacific countries. To varying degrees, all are facing urban congestion problems arising, on the one hand, from rapid rural-urban migration and, on the other hand, from slow economic growth. All have great difficulties in providing basic services to rural areas; a problem compounded by geographical isolation. Comparatively, the urban congestion problems are greater in the Micronesian and Polynesian countries, where the majority of the population resides in the urban centres. Problems in the delivery of services to rural populations are greater in the Melanesian countries in which the bulk of the population are rural dwellers. Still, because the problems are similar all countries can learn from each other’s successes and failures. Therefore, regional cooperation should be of much benefit.
References

Larmour, Peter and Ropate Qalo (eds.), 1985. *Decentralisation in the South Pacific: local, provincial and state governments in twenty countries*, University of the South Pacific, Suva.


### Table 1: Indicators of formal autonomy of local governments

<table>
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<th>Country</th>
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Source: Adapted from Table 20.1 in Larmour and Qalo (1985), p.357.

(1) Solomon Islands no longer has Area Councils, only Provinces. However, Honiara has a city council and the information in the table refers to the Honiara City Council.
### Table 2: Functions of local government

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Source: Adapted from Table 20.2 in Larmour and Qalo (1985), p.360.

(1) Solomon Islands no longer has Area Councils, only Provinces. However, Honiara has a city council and the information in the table refers to the Honiara City Council.
### Table 3: Sources of local government revenue

<table>
<thead>
<tr>
<th>Country</th>
<th>Grants</th>
<th>Revenue sharing</th>
<th>Fees &amp; charges</th>
<th>Head Tax</th>
<th>Sales Tax</th>
<th>Land tax, royalties</th>
<th>Business Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cook Islands</td>
<td>Yes</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>Fiji (P.C.)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Fiji (A.C.)</td>
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<tr>
<td>Kiribati</td>
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<td>Niue</td>
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<td>Palau</td>
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<td>PNG</td>
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<td>Tonga</td>
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<tr>
<td>Tuvalu</td>
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<td>Yes</td>
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<td>Yes</td>
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<tr>
<td>Vanuatu</td>
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<td>Yes</td>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Adapted from Table 20.3 in Larmour and Qalo (1985), p.364.

(1) Solomon Islands no longer has Area Councils, only Provinces. However, Honiara has a city council and the information in the table refers to the Honiara City Council.