1. Introduction

*Australian Aid: Investing in Growth, Stability and Prosperity*, released by the Minister for Foreign Affairs, the Hon. Alexander Downer in September 2002, emphasised the critical importance of good governance as the basis for successful poverty reduction and sustainable development.

Competent management of a country's resources and affairs in a manner that is open, transparent, accountable, equitable and responsive to people's needs is at the core of good governance. Societies in which resource allocation decisions are open to scrutiny and debate are more likely to be responsive to people's needs. Aid donors can assist in providing the enabling environment for this to occur.

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**Governance cuts across all parts of the development agenda and all aspects of aid investments. Democratic and accountable government lays the foundation for effective community participation. Sound economic and financial management is critical, as is establishing strong and accountable institutions that operate transparently, enabling participation by citizens in decision making, and acting in accordance with the rule of law. The development of good governance approaches is not restricted to central government agencies but must also be adopted by service delivery areas of partner governments, local administrations, civil society and the private sector. The development of sound governance systems encourages economic growth and enables greater gains in poverty reduction to be made.**

*Australian Aid: Investing in Growth, Stability and Prosperity (September 2002)*

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Australia's assistance for improved governance, including transparency and accountability, focuses on five aspects:

- Improving economic and financial management
- Strengthening law and justice
- Increasing public sector effectiveness
- Developing civil society
- Strengthening democratic systems

Governance activities comprise the largest component of the Australian aid program. In 2003-04, an estimated $370 million, or 21 per cent of total aid expenditure, will support governance programs and activities.

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1 Organised by ACFOA, development contractors, Transparency International and AusAID.
This paper focuses on the role of the Australian aid program in supporting accountable and transparent governance in the key areas of: (i) improving economic and financial management in the public sector; (ii) strengthening law and justice; and (iii) developing civil society. It highlights specific examples of Australian support.

2. Improving Public Sector Economic and Financial Management

Sound public sector economic and financial management is key to the efficient and effective operation of a modern state. By contrast, poor fiscal control contributes to a weak macroeconomic environment with high inflation and high interest rates; poor budget management can lead to inefficient services or corruption; and poor policy planning often results in public spending on low priority items. 27 per cent of Australia's governance spending in 2003-04 will go to economic and financial management.

Strengthening public sector economic and financial management in the Pacific is a key priority.

- In Vanuatu, a $10.3 million program is helping the Government of Vanuatu meet its Comprehensive Reform Program goals. Through our assistance to the Ministry of Finance and Economic Management, fiscal management policies and practices have been improved, program budgeting has been introduced and accounting procedures have been strengthened.

- In Samoa, which recorded a 6.5 per cent increase in GDP in 2001 and has emerged as the leader of economic and public sector reform in the Pacific, Australian assistance to the Treasury Department has helped introduce performance-based budgeting, liberalise the financial sector, and create an enabling environment for private sector development.

- To increase the effectiveness of the Tongan Ministry of Finance's financial management, Australia is providing technical assistance to strengthen program budgeting. Australians are also providing training and technical advice while working with Tongan counterparts to enhance the ministry’s ability to issue accurate and timely financial information.

- A recently approved regional initiative is funding for Transparency International to undertake National Integrity Studies in Cook Islands, Kiribati, Marshall Islands, FSM, Nauru, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

Following the devastating effects of the Asian Financial Crisis, many Asian countries in the region are scrutinising the integrity of their financial management and budgetary processes. Australia's $1.5 million of assistance to the Indonesian Audit Board (BPK) is helping strengthen the defences of our largest Asian neighbour against a repeat of the events of 1997 and 1998.
3. Developing Civil Society

A vibrant and well-informed civil society is the catalyst for good governance. Aid interventions aimed at increasing the involvement of civil society in promoting the overall quality of governance can have a substantial impact. In addition to increasing the ‘supply’ of good governance through public sector reforms, ‘demand’ is created through programs that educate the public about governance issues, strengthen civil society, and widen channels for political representation. In 2003-04 Australia will devote 20 per cent of its governance expenditure to civil society and human rights activities.

Promoting an independent media sector and providing concrete mechanisms for groups within society to engage with government are key avenues for increasing transparency in allocation of resources and accounting for government expenditure. In Papua New Guinea, the recently completed $3.65 million Ombudsman Commission Institutional Strengthening Project has increased public access to government. By strengthening its capacity to perform its constitutional role, the project has helped the Commission achieve a greater degree of administrative justice for PNG citizens, to hold public leaders accountable to the Leadership Code, and to develop a culture of continued performance enhancement and better interaction with the public, politicians and leaders, and the bureaucracy. The sustainability of these and further reforms will need to be monitored and reinforced in future law and justice programs.

Two other examples of Australian-supported activities helping civil society to demand greater government transparency and accountability are the Pacific Media and Communications Facility (building on the Pacific Media Initiative), and the PNG Media Council's War on Corruption.
Pacific Media and Communications Facility and the PNG Media Council's War on Corruption

At the annual South Pacific Forum meetings, Pacific Island governments regularly commit themselves to better economic and political governance, and to implementing economic and legislative reform programs. The media in Pacific Island countries have a key role to play in informing their communities of these important issues. To this end, Australia has agreed to support a new Pacific Media and Communications Facility to the value of $1.5 million over the coming three years. The Facility will strengthen the capacity of media organisations, individuals and community groups to provide balanced media coverage, boost good governance, and strengthen civil society. This will build on the successes of previous Pacific Media Initiative activities, which included customised media training on key good governance issues for media practitioners, government departments and NGOs, aiming to strengthen their ability to articulate and debate public policy issues in an accurate and balanced manner.

Set up in 1995, the goal of the PNG Media Council is to ensure that a responsible, active and free media helps protect the interests of the people of PNG. Membership is drawn from the national newspapers, the national television service, radio stations, and advertising agencies. The Council has focused on improving the performance of the media, including though industry-wide training courses and tackling public interest issues facing PNG such as corruption.

In June 2002, the PNG Media Council initiated the War on Corruption (WOC), a successful coalition campaign using print, radio and television media. Designed to focus community attention and action on this important issue, the WOC's objectives include generating debate in the community on the issue of corruption, especially during the 2002 national and local government general elections, and using mass communication media to disseminate “anti corruption” information (such as voter education campaigns to encourage voters to make an informed choice during the elections). The strength of the Media Council's WOC campaign lies in the Council's coalition approach, which draws together active individual anti-corruption advocates, such as the Ombudsman Commission, the Police Fraud Squad, the Public Prosecutors Office, Transparency International, leading churches and local NGOs, and a growing grassroots membership.

4. Strengthening Law and Justice

An independent legal system that is accessible to all citizens is an important contributor to accountable and transparent government. Empirical evidence shows that improved rule of law results in higher national income by contributing to a more stable environment for business and investment. However, a weak law and justice sector is a feature of many developing countries. As well as the business community, private citizens must also have confidence in the impartiality and fairness of the development and application of the law. Moreover, since lawlessness reduces their economic opportunities, and because they are least able to protect their own personal security, it is in fact the poor who stand to benefit most from legal and justice system reform.

The Australian aid program is working actively in the law and justice sector in several of our partner countries, addressing systemic problems. Australian aid is supporting legal reform programs in Indonesia, Vanuatu, Fiji, Tonga, and Cambodia. Australia has assisted the law and justice sector in PNG since 1988. Support was provided initially for police assistance but extends now to other law and justice agencies including correctional services, Attorney General's department, court administration and, as discussed earlier, the Ombudsman Commission.

Law and justice sector assistance makes up 13 per cent of Australia's aid expenditure on governance. The Criminal Justice Assistance Project in Cambodia is an example of the support Australia provides in this area.
The $17 million second phase of the Cambodia Criminal Justice Assistance Project aims to contribute to a more accountable criminal justice system within which individual human rights are protected. Activities support crime prevention and community safety, crime investigation skills and capacity, trial and sentencing, and prisoner health and rehabilitation. Training and awareness activities that encompass human rights and governance, including women's issues, will be supported.

Corruption in Cambodia is systemic and the causal factors at the service delivery end of the corruption continuum are complex. Low salaries are an underlying cause of the rent-seeking behaviours of police and court officials that impact on access to justice. The corrupt practices of the judiciary on the other hand involve high-level political and commercial interference. Addressing this requires concerted joint donor pressure, through donor meetings and high level engagement with the Cambodian government. It also requires a strong civil society able to generate political demand for anti-corruption enforcement.

5. Conclusion

Promoting accountable and transparent government requires a holistic approach encompassing institutions, practices and complex social and economic dynamics. Australia's aid program will continue to make contributions in these areas, in accordance with the needs of individual partner countries and our own capacity to assist. Approaches vary from short-term technical assistance to longer-term capacity building activities to policy advice. In all cases, ensuring a strong sense of ownership by our partner governments and communities is vital to the longer-term impact of these programs.