Speech by the

PARLIAMENTARY SECRETARY TO THE MINISTER FOR FOREIGN AFFAIRS

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At a Joint Forum on Promoting Transparent and Accountable Governance through Overseas Aid Programs

Promoting Transparency and Accountability in Australia's Overseas Aid Program

Canberra, Wednesday 21 May 2003
Ladies and gentlemen

I am very pleased to be here today, talking with you about governance, transparency and accountability, and Australia’s overseas aid.

In September last year, Alexander Downer released a ministerial statement, called “Australian Aid: Investing in Growth, Stability and Prosperity”. I commend the statement to you highly – especially given the focus of today’s Joint Forum. In the statement, the Minister emphasised the importance of good governance in reducing poverty and achieving sustainable development. Good governance refers to the competent management of a country's resources and affairs that is open, accountable, equitable and responsive to people's needs.

While well known to this audience, it is worth restating that good governance encompasses:

- representative government, held accountable to citizens through free and fair elections
- a strong pluralistic civil society, with freedom of expression and association
- the rule of law, through impartial and effective legal systems
- public sector institutions that deliver basic public services responsive to the needs of its citizens
- and public financial systems that allocate and disburse resources efficiently and effectively, and that enable private enterprise and private markets to flourish.

Promoting good governance is not restricted to central government agencies. It must also be adopted by service delivery areas of partner governments, local administrations, civil society and the private sector. And what is the link between governance and poverty reduction? A principal lesson from development experience is that sustained growth and poverty reduction have been achieved by countries that have taken steps to improve their policies and systems of governance. Countries have made greater progress in reducing poverty where they have:

- developed sound macroeconomic policies,
- established robust public institutions,
- maintained domestic stability and strengthened the rule of law, and
- invested in people through better health and education.

According to the World Bank, for example, from the 1960s to 1990s economies with good policy and institutional capabilities grew up to eight times faster than those with distortionary policy environments.

A common thread through all areas of good governance is the importance of effective accountability and transparency. And why is accountability and transparency so important? Firstly, decisions and actions that are open to review and that are contestable are usually ones that lead to better
development outcomes. This is particularly important in developing countries where resources are insufficient to meet their many and competing development demands. Secondly, experience tells us that effective ownership is critical in achieving sustainable development. Greater transparency and accountability in decision-making and service delivery allows for greater participation by individuals and communities in their own development. Finally, greater scrutiny of public expenditure minimises the risk of mismanagement and reduces opportunities for corrupt practices. More open budget and financial management practices and strengthened oversight agencies are core endeavours in this regard.

It will come as no surprise to anyone here that governance activities comprise the largest component of Australia's aid program and the budget, released last week, increased the level of funding allocated to governance. Of the $1.894 billion total aid budget for 2003-04, $370 million, or 21 per cent, will support governance programs and activities. Let me focus on two countries to demonstrate the practical ways we are promoting good governance with a particular focus on transparency and accountability.

**Indonesia**

The challenges of governance in Indonesia – in the post-Soeharto era, and with the impacts of the East Asian financial crisis – are enormous. AusAID has been providing support to the Indonesia Audit Board since 1999 to help it create new systems and standards of honesty and accountability. As the capacity of the Indonesia Audit Board has increased it has been a key player in revealing the extent of the loss of public money in the 1998 banking crisis.

The Bank of Indonesia had provided emergency funding to private banks during the crisis, but failed to make adequate arrangements for either its control or repayment. The Indonesia Audit Board has played an important role, as a first line of defence against government corruption, through its reporting to the Indonesian Parliament. It's responsibilities cover not only the Ministries and agencies of the government, but also state-owned enterprises which comprise 30 per cent of companies listed on the Jakarta Stock Exchange. Competent, honest and fearless auditing is a crucial component to building good government in Indonesia – and Australia remains an ongoing supporter of the Board.

**Papua New Guinea**

I am sure we will hear in a few moments from Peter Aitsi about many of the challenges facing PNG. I would like to highlight three areas where the aid program has been supporting transparent and accountable governance there.

At the end of last year we completed a five year $3.65 million project to strengthen the PNG Ombudsman Commission. The Commission has become a leading public sector agency in PNG, helping to achieve administrative justice for PNG citizens. During the course of the project, there has been a substantial effort to increase the awareness of PNG citizens of opposition.
their administrative rights. The result has been a substantial increase in the number of citizens utilising its services.

Similarly, we are funding a new Pacific Media and Communications Facility in Papua New Guinea, to the value of A$1.5 million over 3 years. The facility will strengthen the capacity of media organisations, individuals and community groups, helping to make government and other institutions more accountable to PNG citizens.

A third area of support in PNG has been assistance to the National Fraud and Anti-corruption squad within the Royal PNG Constabulary. We have funded a fraud adviser for a period of five years to assist the police investigate and prosecute crimes of fraud. We are also improving infrastructure and systems for the Fraud Squad.

**Conclusion**

Ladies and gentlemen

I have described just some of our projects to demonstrate the practical way we promote good governance in our aid program. It should be pointed out that improving governance is a long-term endeavour requiring on-going commitment from governments, donors, civil society and the private sector.

As such, I welcome this forum. It presents a valuable opportunity to discuss experiences and perspectives and to explore opportunities for developing partnerships further.

I wish you every success. Thank you.