



Ninth Annual Statement to Parliament on Australia's Development Cooperation Program

Ministerial Statement by
the Hon Alexander Downer MP,
Minister for Foreign Affairs
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Australian overseas aid—making a difference

I am pleased to make the Ninth Annual Statement to Parliament on Australia's Development cooperation program.

This last year has been one of major challenges and change, particularly in the Asia-Pacific region. Australia has been at the forefront of responding to those challenges. We have promoted our national interests, in a way which has strengthened our standing in the region and the world. It has been a year of achievement, with the aid program playing a practical and positive role in Australia's contribution to the stability and development of our region.

Australian support, including through the aid program, has helped our neighbours emerge from the economic crisis and set out on the path to recovery and sustainable growth.

We have helped Indonesia begin its transition to democracy, with substantial assistance for that

country's first democratic elections in four decades.

Australia has been instrumental in the East Timorese being able to choose their own future—and is now playing a strong part in helping them realise that future.

Papua New Guinea—our largest aid partner—has a new government, which is committed to economic reform. Australia is providing solid backing to its reform efforts. Our aid program in Bougainville continues to underpin the peace process on the province.

We have continued to help the island nations of the South Pacific pursue their economic and social reform agendas.

Australia responded quickly and effectively to help the Solomon Islands government deal with the impact of the Guadalcanal/Malaita tensions, including through emergency humanitarian and rehabilitation assistance.

The Government has ensured that the aid program is well-placed to play its part. We have provided additional funds to the program for East Timor. In September, the Treasurer and I announced an additional contribution of \$35 million over three years to the Heavily Indebted Poor Countries Initiative (HIPC), to help lower the debt burden of the world's poorest nations.

We have assisted East Timorese and Kosovar evacuees in Australia. These commitments will increase official development assistance this financial year to over \$1.6 billion. Thus at this stage, our ODA/GNP ratio looks set to increase from the previously estimated 0.25 per cent to 0.28 per cent.

These increases are substantial. But volume is not the only—or even the most important—measure of the Government's achievement in the development field. More important are the quality and impact of development. This has been a long-standing concern of mine. And the Government has lifted aid quality, as demonstrated by the recent review of Australia's aid program by the Development Assistance Committee of the OECD.

This peer review by other donor countries concluded with a press release on 7 December in these terms:

'Australia's development cooperation program has gone through an impressive process of restructuring and renewal since the last peer review in May 1996. Continuing reforms and adaptations to aid policies and management have improved the quality and impact of the program. A strengthened approach to program planning, implementation, and evaluation are an integral part of (the) focus on quality. These reforms put Australia in the vanguard of DAC members' aid management practices.'

This could not be a more positive report card on Australia's aid program from our peers. It really is quite excellent.

Governance

The different challenges over the last year have had their own individual natures and circumstances. But in reviewing the year, we see that a common thread is ‘governance’.

Governance covers many powerful concepts, including good government, capacity building, transparency and accountability, human rights, and the equitable rule of law. It is about what makes a good society—where citizens and groups voice their interests, mediate their differences and exercise their rights, both in the private sector and in the public domain.

Societies in which decisions by Government can be questioned and contested are ones in which good decisions are more likely to be made. The process through which governments are forced to pause, consider alternatives, and then defend their decisions promotes better outcomes.

This Government has recognised the critical role of governance in achieving good development outcomes. In my 1997 annual report, *Better Aid for a Better Future*, I made governance a specific focus for the aid program. Since then, governance has grown to 15 per cent of aid expenditure, or over \$220 million in 1998–99. The program targets four main areas to advance good governance: economic and financial management; law and justice; public sector management; and the development of civil society.

The importance of governance has been thrown into even sharper relief this year as we look more closely at some of the key developments, starting with the East Asia financial crisis.

The East Asia crisis

There are many explanations for the crisis. One explanation which is relevant to all the affected countries is governance—quality of prudential supervision of banks; transparency and accountability of economic decision making, and so on.

Governance is also the key to the region's recovery and its sustainable future. For these reasons, Australia has sought to strengthen governance capacities within the region.

In last year's statement I referred to the major \$50 million package of economic governance assistance for crisis-affected economies. Implementation of the initiative is well underway, with over \$40 million of activities now completed or in progress.

To support APEC's response to the crisis, Australia commissioned a study on the impacts of the crisis on children and social safety nets. To address some of the issues highlighted in the study, the Prime Minister announced at the APEC leaders meeting in Auckland a three-year, \$5 million *Social Protection Facility for East Asia*.

Governance was also a major theme of the major international meeting on aid responses to the Asia Crisis which I convened in Sydney in March this year. The meeting went a long way in shoring up greater international coordination and reinforcing political commitment to address the economic and social impacts of the crisis.

Delegates emphasised in particular the importance of strengthening governance frameworks to promote a quick and sustainable recovery.

The meeting also endorsed my proposal to establish the Asia Recovery Information Centre. This Internet-based information exchange centre is now based at the Asian Development Bank in Manila. It will enhance coordination between donors and regional governments to promote sustained recovery.

Fortunately, the past 12 months have seen the economies of East Asia reviving. The five crisis countries—Indonesia, Malaysia, Philippines, Thailand and Korea—are now expected to have average growth rates of almost three per cent in 1999 and four per cent in 2000. While this is good news, there is no cause for complacency. The situation still remains fragile. There is a

risk that the strengthening recovery could reduce the urgency of reform. A continuing emphasis on governance issues is vital.

This point was reinforced by His Excellency Anand Panyarachun, former Thai Prime Minister, when he was in Australia last month as a guest of the Centre for Democratic Institutions, a body which I established 18 months ago. Mr Anand noted Thailand's achievements over the past decade and emphasised the importance of democratic, open, and accountable government in working towards his country's goals.

Within East Asia, mention should be made of Indonesia, which in many ways suffered most from the crisis. As I have indicated, our aid program has been helping Indonesia's transition to democracy and its emerging economic recovery. We provided \$14.3 million to support the Indonesian elections. We commenced a \$70 million, three-year package of capacity building in economic and financial management. We have provided humanitarian assistance to ensure people have food and medicine and to keep children in schools. We look forward to supporting the efforts of the new Indonesian government to achieve a more prosperous and democratic nation.

Our leadership role in East Timor speaks for itself. We provided over \$20 million to the United Nations Consultation Process on Autonomy. Since the ballot, Australian leadership of INTERFET has helped restore security. Australia has also played a critical role in the international humanitarian response, providing basic shelter, food, and water to the people of East Timor.

The challenge of building a new nation is great, including the development of an open, accountable and efficient government and administration, as well as a strong civil society. It will require a major and coordinated effort from the international community. Australia will play a significant role in sharing the burden. Assistance to the East Timorese people—that is, those in both East and West Timor—will total at least \$75 million this financial year, including the additional \$60 million for the aid program I announced on 22 November.

Papua New Guinea

Turning to another close neighbour, the election of the Morauta Government in Papua New Guinea has provided a new impetus for economic policy reform and improved governance.

Australia's aid program is providing support for this reform impetus.

On 1 September, I announced that the final payment of budget support to Papua New Guinea, worth some \$30 million, would be brought forward. We have provided further technical assistance to the key economic agencies in the PNG Government.

In October, the Prime Minister and PNG's Prime Minister, Sir Mekere Morauta, signed a new treaty on development cooperation. The treaty will build on the governance results already being achieved through the aid program. It provides for the establishment of an 'Incentive Fund', which will reward excellence and promote contestability among Papua New Guinean Government agencies and community and private organisations. It will support reform efforts that local communities want, which have real impact, and which will last.

During the Prime Minister's visit to PNG, he committed \$120 million to help retire Papua New Guinea debt and implement structural adjustment programs. While this loan is not aid, it is another demonstration of Australian support for PNG's reform agenda, and in particular PNG's re-engagement with the IMF and World Bank.

Australia also continues to support the Bougainville peace process through a program of reconstruction and rehabilitation and logistical support for the continuing peace negotiations. Technical support has also been provided to the Bougainville provincial authorities to strengthen their planning processes.

South Pacific

As well as PNG, other South Pacific countries remain a strong focus for the aid program. Improving governance is one of the keys to helping the island nations achieve the maximum possible degree of self-reliance.

An important tool in recognising and rewarding those Pacific Island countries showing demonstrated commitment to essential economic and public sector management reforms is the Policy and Management Reform initiative. This initiative has been steadily increasing over the last four years to its current level of over \$14 million; and has funded such diverse projects as a new computerised customs system and a regional media training project.

Community involvement

Before concluding my statement to Parliament today, I want to acknowledge the Australian community's involvement in tackling the challenges facing developing countries in our region.

I have been struck by the generosity of the Australian people and their belief in a fair go for all. Community involvement in the aid program has been further extended through the Australian Youth Ambassadors for Development program. The program, now in its second year, has placed 140 young Australians in the region.

The Government has also moved to recognise and strengthen the important relationship between the Government and non-government organisations in Australia's overseas aid program. A few months ago I issued a policy statement which provides the framework for a productive working relationship between the government and NGOs.

Another initiative involving the community is Destroy A Minefield, which I launched in November. This initiative will assist minefields clearance in Cambodia. Every two dollars raised in the community will be matched by one dollar from the Government.

Conclusion

With a year of achievement behind us for Australia in general, and the aid program in particular, we look ahead to building on that success.

We can maximise the impact of our aid efforts in reducing poverty and achieving sustainable development if we continue to do three things.

First, we need to remain focused on those areas where we have the real capacity to assist. Governance is one of those areas.

Second, we need to be alert and responsive to the rapidly changing environment, particularly in our region. No one accurately predicted all the tumultuous events that occurred in the last few years. The only safe prediction for the future is that the unexpected is likely to happen—and we need to be able to respond quickly.

Finally, what really matters is that things actually change for the better.

I want to see us play our part in partnership with our neighbours, to help them reduce poverty and achieve sustainable development. That is the test. The way we do that is to continue to make our aid program professional, driven by quality, and focused on real impact.

That way we will make a difference. ■

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