



CENTRE FOR ABORIGINAL ECONOMIC POLICY RESEARCH

**Governance for sustainable development:
Strategic issues and principles for Indigenous Australian
communities**

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Abbreviations and acronyms

AIATSIS	Australian Institute of Aboriginal and Torres Strait Islander Studies
ANU	The Australian National University
ASX	Australian Stock Exchange
ATSIC	Aboriginal and Torres Strait Islander Commission
ANUIIA	ANU Institute for Indigenous Australia
CAEPR	Centre for Aboriginal Economic Policy Research
HREOC	Human Rights and Equal Opportunity Commission
IOG	Institute of Governance
NARU	North Australian Research Unit
NNI	Native Nations Institute
RA	Reconciliation Australia
WCED	World Commission on Environment and Development

Abstract

This Discussion Paper examines the concepts of ‘governance’, ‘good governance’ and ‘sustainable development’ in the context of Australian Indigenous communities and regions. It explores the hypothesis that there is vital link between governance and sustainable development.

The first half of the paper defines the key concepts and reviews the existing barriers facing Indigenous communities and their organisations in securing sustainable socioeconomic development. It identifies the key ingredients of successful development and then those over which Indigenous Australians actually have some local control. On the premise that it is best to make a start in areas where local control can be exercised, building ‘good governance’ is identified as the key ingredient—the foundation stone—for building sustainable development in communities and regions.

The second half of the paper then proposes a set of key ingredients and core principles which Indigenous communities might use to build more effective governance. These draw on the professional and field experience of the authors and other Australian research, the international findings of the Harvard Project in the USA, and the Gitksan leader Neil Sterritt’s applied research on governance with Canadian First Nations.

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Introduction

This paper examines the concepts of ‘governance’, ‘good governance’ and ‘sustainable development’ in the context of Australian Indigenous communities and regions. It explores a hypothesis that has been investigated over a 14-year period by the Harvard Project on American Indian Governance and Economic Development, but which has received little comprehensive attention in Australia; namely, that there is a vital link between governance and sustainable development.

In the first half of the paper, the terms are defined and the existing barriers facing Indigenous communities and their organisations in securing sustainable development are reviewed. The paper then suggests that rather than focusing on the plethora of explanations put forward for lack of development, a more useful analytic approach is to identify the keys to successful development and then determine which of those Indigenous Australians actually have the greatest degree of local control over. On the basis of that analysis it is argued that getting ‘good governance’ is the key ingredient—the foundation stone—for building sustainable development in communities and regions. In other words, sustainable development is a governance issue. Poor governance arrangements can impede or entirely obstruct development; legitimate and effective governance can sustain it.

The second half of the paper suggests that governance is an issue over which Indigenous communities and their representative organisations potentially have significant control. Furthermore, it is only when effective governance is in place that communities and regions will have a solid foundation for making sound decisions about their overall goals and objectives, what kind of life they want to try to build, what assets they have or require, what things they want to retain, protect or change, the kind of development they want to promote or reject, and what actions they need to take to achieve those goals.

The conclusion draws on the professional and field experience of the authors, other Australian research, and heavily on the international research findings of the Harvard Project in the USA, and the applied research of Gitxsan leader Neil Sterritt with Canadian First Nations.¹ The paper proposes a set of key ingredients and core principles for building good governance in Indigenous communities and regions. It is from those fundamental ingredients and principles that good governance for more sustainable development will grow.

Understanding ‘governance’ and ‘good governance’

Governance can broadly be defined as: the *processes, structures and institutions* (formal and informal) through which a group, community or society makes decisions, distributes and exercises authority and power, determines strategic goals, organises corporate, group and individual behaviour, develops rules and assigns responsibility.

Fundamentally, governance is about power, relationships, and processes of representation and accountability—about who has influence, who decides, and how decision-makers are held accountable (Plumptre & Graham 1999). It is not the same as ‘government’. Rather it focuses our attention on a much wider range of stakeholders and their relationships and networks, including individuals, government, private sector, and non-government organisations (see Sterritt 2001; Westbury 2002). While ‘self-government’ means having jurisdiction and a mandated control over the members of a group, its land and resources, ‘governance’ is about having the structures, processes and institutional capacity in place to be able to exercise that jurisdiction through sound decision-making, representation and accountability (Hylton 1999; Sterritt 2001).

Governance enables the representation of the welfare, rights and interests of constituents, the creation and enforcement of policies and laws, the administration and delivery of programs and services, the management of natural, social and cultural resources, and negotiation with governments and other groups (de Alcantara 1998; Hawkes 2001; Westbury 2002). The manner in which such governance functions are performed has a direct impact on the wellbeing of individuals and communities.

‘Good governance’, then, is essentially concerned with creating the conditions for legitimate and capable rule, and for collective action. It leads to the social, cultural and economic developments sought by citizens (see Cornell et al. 2001; Plumptre & Graham 1999; Sterritt 2001). It has also been characterised as having four main attributes (Institute of Governance (IOG) 1999; Plumptre & Graham 1999; Sterritt 2001; Westbury 2002):

- *legitimacy*—which concerns the way structures of governance are created and leaders chosen, and the extent of constituents’ confidence in and support of them;
- *power*—the acknowledged legal and cultural capacity and authority to make and exercise laws, resolve disputes, and carry on public administration;
- *resources*—the economic, cultural, social and natural resources, and information technology needed for the establishment and implementation of governance arrangements; and
- *accountability*—which concerns the extent to which those in power must justify, substantiate and make known their actions and decisions.

‘Governance’ has only recently been introduced into the terminology of Australian debates and research. Like most imported terminology, there is confusion about its meaning and a touch of parochial scepticism about its potential usefulness. But there is also a view that the term helps to identify some critical generic problems that are faced by Indigenous Australians. For several decades now Australian commentators (both Indigenous and non-Indigenous) have been asking a series of related questions about why so many Indigenous organisations and enterprises seem to fail; what are the most effective structures for running a community and delivering services; how community assets and resources can most effectively be

managed; how Indigenous organisations and leaders can become more accountable to their members; how the different rights and interests of all residents in communities can be represented and protected; and whether different communities can work together for regional development objectives. These familiar questions share one important underlying thread—governance.

A brief survey of relevant research

The term ‘governance’ has a long history in the worlds of international aid and development (see de Alcantara 1998; Stoker 1998; World Bank 1994). Issues of Indigenous governance and best practice have also been a key policy and research focus in Canada and the USA for a number of years. International indigenous literature of relevance includes Neil Sterritt’s (2001) *First Nations Governance Handbook: A Resource Guide for Effective Councils* which provides a valuable policy and practical tool for governance reform and capacity-building by Canadian First Nations.

In the USA, the Harvard Project on American Indian Economic Development has conducted systematic research into the relationship between Indian governance, sovereignty and sustainable economic development. It has produced a substantial and relevant literature (see Begay, Cornell & Kalt 1998; Cornell 1993, 2002; Cornell and Gil-Swedberg 1995, Cornell & Kalt 1992, 1995; Jorgensen 2000; Kalt 1996). Its research findings have also informed the delivery of executive education, teaching and policy services to Indian nations by the National Nations Institute (Begay, Cornell & Kalt 1998) and the establishment of a national best-practice awards program, *Honoring Contributions in Governance of American Indian Nations*.

In Australia, the early ethnographic and colonial literature on Indigenous forms of governance and leadership has been usefully summarised by Smith (1976), and by Rowse (1992, 2001) who surveys the attempts to move towards Indigenous local government (at least in the Northern Territory), and Indigenous peoples’ apparent preference for a tightly-tied delegated representation model.

Several Australian researchers have considered what might constitute the cultural geography of governance, and the most effective and relevant Indigenous units for governance—asking who constitutes the ‘self’ in self-determination at the local, regional and national levels. An early examination of the emerging pattern of dispersed community governance by Wolfe (1989) identified benefits as well as costs of this pattern (see also Sullivan 1987, 1995). Sanders and Arthur have explored concepts of autonomy and governance structures in the Torres Strait region (Sanders 2002; Sanders & Arthur 2001), and Westbury and Sanders (2000) and Smith (2002a) have examined the benefits of a model featuring regionally-dispersed governance and service delivery. Smith (2002b) has examined the conceptual underpinnings and applicability of jurisdictional devolution for community governance, and the Australia Institute (2000), Crough

(2001), Sanders (1995); and Smith (2002c) have explored alternative financial frameworks for resourcing Indigenous governance.

Nettheim et al. (2002) have discussed the central importance of governance issues for land and resource management and provide useful literature sources. Amongst others, Dodson and Pritchard (1998) and Dodson and Strelein (2001) have analysed the shifting interpretations of self-determination and nation-building in Indigenous affairs policy. Peters-Little (2000) explored the concept of 'community', and its impact on Indigenous organisational politics. Several researchers have discussed a range of corporate governance issues in the native title and land rights context, including Smith (1995) and various papers in Smith and Finlayson (1997), and Mantziaris and Martin (2000). Jardine-Orr et al. (2003) have more recently explored the connections between Indigenous housing and governance. Martin and Finlayson (1996) have analysed the concept of organisational accountability from Indigenous and non-Indigenous perspectives.

The Aboriginal and Social Justice Commissioner of the Human Rights and Equal Opportunity Commission (HREOC 2002, 2003) has provided a valuable overview of a range of Indigenous governance issues in the context of contemporary government policy and international human rights. In 2002, Reconciliation Australia convened the first national conference on Indigenous governance in Australia; key papers from that conference are available on their website (www.reconciliationaustralia.org/).

Overall, however, there has been no holistic, systematic approach to researching Indigenous governance across different types of communities and regions in Australia. Similarly, little comprehensive research has been conducted in Australia into the connections between Indigenous governance and sustainable development, or into what constitute the fundamental principles of good Indigenous governance.

The concept of 'governance' now provides us with a timely organising perspective, a frame of reference. It enables us to develop a policy-relevant language with which to discuss the characteristics and implementation of local-level governance and self-determination, affording a connection between theoretical propositions and achieving them in a workable form on the ground. It also allows us to identify the barriers to, and benefits of, securing good governance. The rapid transfer of the term 'governance' into current bureaucratic, research and Indigenous vocabularies suggests there is a need for such a concept. But it is important that local substance is given to its meaning, and to how the concept might be investigated in the Australian context. This paper attempts to provide a preliminary framework for consideration of these issues, and to identify principles which will assist Indigenous efforts in 'governance building' on the ground.

The challenge of 'sustainable development'

Indigenous Australians currently face a number of major development challenges. Some arise from the socioeconomic conditions of Indigenous communities and

lands. Research over the last decade by the Centre for Aboriginal Economic Policy Research (CAEPR) indicates that Indigenous Australians continue to have the highest rates of poverty, unemployment, early mortality, and the lowest levels of education in the country. Household and family incomes remain lower than average, and reliance on government transfers including social security payments is high.

Since the Indigenous population is increasing at a faster rate than that of other Australians, their levels of socioeconomic disadvantage are likely to remain high, if not to increase. Communities suffer from substantial historical infrastructure and funding gaps, and many Indigenous Australians live in substandard conditions, often in regions remote from essential services and subject to high cost disabilities. One of the most urgent tasks facing Indigenous leaders, their communities, and State and Federal governments is that of improving the socioeconomic wellbeing of all Indigenous people.

Other development challenges are actually the products of success. An increasing number of Indigenous groups are negotiating resource development agreements, securing native title and land rights determinations, and establishing enterprises. As a consequence, they face the challenge of managing major land and natural resource endowments, and the daunting task of trying to generate sustained socioeconomic development.

The concept of 'development' as applied to Indigenous societies is a complex one, and has been the subject of debate at national and international levels for some years. There are many definitions of development and a common feature is to emphasise beneficial progress or improvement. One straightforward approach defines development as 'change or transformation that makes life better in ways that people want' (Lea & Wolfe 1993: 1-2). What 'sustainable' means in such circumstances has similarly been the subject of considerable debate. The World Commission on Environment and Development's *Brundtland Report* (WCED 1987: 43) proposes that development is sustainable when it 'meets the needs of the present without compromising the ability of future generations to meet their own needs'. The World Wildlife Fund and the International Union for the Conservation of Nature have said that for development to be sustainable in this way, 'it must take account of social and ecological factors, as well as economic ones; of the living and non-living resource base; and of the long-term as well as short-term advantages of alternative actions' (World Conservation Strategy 1980, cited in Dodson 2002: 3).

The principle of 'sustainable development' is now seen to rest on three 'interdependent and mutually reinforcing pillars'; namely, 'economic development, social development and environmental protection at national, regional and global levels' (United Nations Department of Economic and Social Affairs 2002, para. 5). But how are these to be secured in Indigenous communities? And where do cultural values and Indigenous conceptions of development fit? What constitutes development for one group may not be development for another, and the factors influencing sustainability are often viewed differently in a cross-cultural context.

Sustainable development is, as Dodson (2002: 3–4) characterises it, ‘a direction more than a place’; it is about ‘innovation and opportunity’ and involves value judgements about the direction and speed of change. It is also multidimensional, involving social processes concerned with the distributional aspects of benefits and adverse impacts. And it involves political and administrative processes concerned with negotiating the rights and interests of stakeholders involved (Dodson 2002). For many Indigenous Australians, the ‘test’ of sustainability relates to being able to answer a set of difficult questions arising out of these different dimensions: What kinds of activities and changes might be acceptable and consented to now, and acceptable to people over the generations? Will the economic or other benefits of a current development initiative still be available for future generations? Might future negative impacts outweigh any benefits? If people know now that some benefits are only short-term, will those benefits nevertheless act as a building block for the capacity of future generations to meet their own needs, or will they compromise future choices?

One of the greatest challenges for Indigenous people, therefore, will be to integrate economic activity with their social concerns, cultural priorities and legal rights, and with effective governance systems. In particular, the exercise of ‘informed consent’ continues to be a central feature of negotiations about development, especially in the context of land rights and native title in Australia (Dodson 2002: 4; see also HREOC 2003: 103, 111). The concepts of ‘informed consent’ and ‘integrated development’ are both fundamentally concerned with issues of control, capacity, and power—that is, with governance. While many Indigenous communities are attempting to exercise informed consent about development which addresses these concerns, there appears to be a significant failure rate. What then, are the barriers holding back Indigenous communities and regions?

Current barriers to sustaining community and regional development

Indigenous communities, regions and their organisations face substantial problems in initiating development, let alone sustaining it. Hundreds of consultancy and research papers have been written, and many government inquiries have been undertaken to examine the economic failures and the reasons for the lack of sustained development. The literature cites a wide range of causal factors and obstacles. Some arise out of the internal conditions of Indigenous community, cultural and organisational environments. Others arise out of the wider external political, policy and economic environments within which Indigenous communities operate. The distinction between these internal and external factors is partly analytic. In reality, the causal factors interact with and influence each other.

One causal factor located within the external environment and identified by the literature is the fact that Indigenous Australians have highly variable (or no) property and resource rights. Some groups do have statutory property rights, but

extremely limited or non-existent revenue-raising jurisdiction. On the one hand, it is stated that Indigenous inalienable freehold and native title land restricts development. On the other, it is argued that the lands returned to Indigenous ownership have been badly degraded by previous non-Indigenous owners, and require substantial financial inputs and rehabilitation.

An additional barrier, noted repeatedly, is that Indigenous people lack financial capital and credit. While the barrier to capital acquisition has sometimes been laid at the door of inalienable title, it has been pointed out that perhaps the more critical explanation lies with banks in Australia which will not establish flexible lending practices or provide financial services on Indigenous-owned lands; unlike equivalent institutions overseas.

Some reports have noted that Indigenous cultural and 'adventure' tourism are potential niche markets for economic development. However, certain critical external factors are thought to impede such development. Many communities are remote from markets and have high transportation costs, small populations and low economies of scale.

Another external factor cited for the failure of socioeconomic development is that Federal, State and Territory Government policies and service delivery are poorly coordinated and inefficiently delivered. A raft of inquiries and reviews report that Government funding is stop-start, scattered across numerous departments in different program buckets, and lacks transparency and 'downward accountability'. Community organisations are tied to the grant funding drip-feed, overloaded with inappropriate program objectives and performance indicators, and onerous 'upwards accountability' burdens. The history of Indigenous organisational incorporation is that such organisations often have unworkable or externally imposed structures and constitutions.

These external causal factors interact with a number of other barriers arising from within the community environment. The literature abounds with comments about poor community capacity for economic development. Indigenous community organisations, and individuals in general, lack the human capital that usually underwrites successful economic development and also lack the means to develop human capital. For example, it has been noted that Indigenous organisations and individuals lack financial management and business skills, and that there are poor levels of financial and overall literacy. Many communities are reported to have substantial infrastructure gaps and high rates of capital deterioration. As a consequence, while some communities and groups have low natural resource endowments, others have natural resources but low levels of control over them. It is also reported that substance abuse and dire health problems are destroying Indigenous social and cultural capital.

It is documented that communities lack effective 'whole of community' planning and training for development. But conversely, it is said that communities have too much planning and not enough action, and leaders are overloaded with meetings. Similarly, it is commonly stated that labour markets are non-existent in many communities so there are not enough 'real' jobs. Other reports suggest there is

plenty of paid local employment, but that non-Indigenous people or Indigenous people from elsewhere occupy the well-paid, full-time jobs; or they suggest that there is plenty of work, but that Indigenous cultural values hold people back from engagement in the labour force. Another factor cited is that there is too much training but no jobs, so that people recycle through endless training schemes.

A frequently cited set of internal factors concern the problems of scale and duplication: that is, there are too many organisations operating within communities and many are of such a small scale that they cannot sustain continuity of knowledge and administrative capacity. Local organisations compete with each other for resources and staff, and undermine community decision-making and planning. It is also said that factionalism within communities destroys the stability of governing bodies, that community leaders and governing boards are inept at governing, or look after their own families first and avoid their wider responsibilities.

It has also been pointed out that the management of community governing bodies is often in the hands of non-Indigenous people who use them as testing grounds for economic and political experiments. It is hard for small Indigenous organisations and remote communities to secure the services of experienced professional staff and to keep them. The fast turnover of non-Indigenous staff undermines good leadership and decision-making, and the lack of financial literacy within communities and organisations means they are vulnerable to financial malpractice and exploitation.

'Culture' itself is discussed in many reports as being an influential factor in development at the local level. It is argued, on the one hand, that Aboriginal cultural values, traditional collective structures and consensus decision making hold back economic development. They are said to be at odds with western ideas of capitalism and the market place, and to undermine individual and family enterprise initiatives that require savings and profit-making. Some Indigenous groups are characterised as being opposed to economic development because it undermines their culturally-based behaviours and values. Other reports argue that 'culture' should be central to any development initiative, but are unclear as to how this is to be achieved.

This list of causal factors cited in the Australian literature is daunting.² But it must be remembered that many of these obstacles hold true not just for Indigenous communities but for other Australian communities, especially those in rural and remote locations. Also, some statements are misrepresentations or only partial explanations, and some are more important than others. Taken together, they simply emphasise that there are many factors undermining sustainable development in communities and regions, and often the implication is that Indigenous Australians have control over all the problems listed, and should be trying to fix them all. Furthermore, one long list of explanations for failure does not give us a clear idea of what *can* be done to improve the chances of economic success, or where to begin down at the community level.

The extent of Indigenous local control over the key ingredients of development

A potentially more useful approach is to focus on success rather than failure—to identify the key ingredients of successful economic development. From that baseline we can determine the factors over which Indigenous communities and their organisations actually have the greatest local control, and which they can do something about. Such an approach should give communities and organisations a better sense of where to focus their time and energy to get the best results.

In Table 1 we have adapted a matrix approach developed by Harvard Project researchers to assess the links between American Indian economic development and local areas of control (see Cornell & Kalt 1992). We have amended it to account for the different historical, statutory, cultural and socioeconomic conditions of Indigenous Australians.³ The Table sets out what are standardly seen to be the key ingredients for sustainable socioeconomic development. These are assessed in terms of how much local control (low, moderate, or high) Indigenous communities have over them now, not in some hopeful future set of circumstances. The key ingredients have been grouped under the headings ‘external environment’, ‘internal assets’ and ‘development strategy’.

Table 1. The degree of control that Indigenous communities exert over the keys to sustainable development

Degree of Indigenous control	Low	Moderate	High
External environment			
Political jurisdiction			
Market and development opportunity			
Distance from markets			
Access to capital			
Internal assets			
Natural resources			
Human capital			
Governing structures, processes and institutions			
Aboriginal culture and customary economy			
Development strategy			
Economic policy			
Development activity			

Source: Adapted from Cornell & Kalt (1992) to suit Indigenous Australian conditions.

The focus of Table 1 is on whether Indigenous communities have local control over particular factors, not on whether Australian governments, the private sector or national representative organisations can, or should, take responsibility or

exercise predominant control. Obviously all the key ingredients overlap and interact with each other, but not all are equally easy for Indigenous communities to control or change. In some instances, communities and regions are stuck with what they have; in others they can try to alter the situation. The 'rating' we provide is essentially subjective. It shows a close correspondence to the ratings produced by the Harvard Project, but with lower Australian ratings for political jurisdiction, access to capital, and control over human capital.

Low levels of control over key ingredients

In Table 1 Indigenous communities are rated as currently having a low level of control over a number of ingredients required for creating sustainable development. For example, while communities can work towards improving their resource management practices and try to take advantage of technological innovation, they can do little to control or improve the quantum of their natural resource endowments, or their distance from markets.

The lack of clear Indigenous property and resource ownership rights in Australia means that much of the resource wealth generated on lands to which people have traditional attachments flows to the private sector and government. There is extremely limited or non-existent revenue-raising jurisdiction on lands to which Indigenous Australians have inalienable freehold title or native title. And there are no tax benefits, tax exemptions, or pooled grant arrangements for Indigenous groups equivalent to those found in the USA and Canada.

Similarly, Indigenous market opportunities are often subject to national and global economic forces outside community control, or consist in specialised niche markets with low turnover, high cost disabilities and erratic opportunities. Access to the necessary quantum of reliable capital is also extremely difficult for communities to secure—especially on Aboriginal land. Jurisdictional authority is a matter of Federal and State government control, and subject to external statutory arrangements and policy conservatism. Communities cannot easily change jurisdictional issues in the short term, and there is no equivalent to the USA self-determination legislation, or Canadian constitutional protections.

Communities can invest in their human capital through their socialisation practices, and by actively engaging in education and training. But the process of socialisation has been severely disrupted in many Indigenous families. Moreover, the structural, funding and health obstacles to full engagement in education and training are entrenched, and the payoffs of engagement can generations to appear.

Moderate levels of control over key ingredients

Indigenous communities are assessed as currently having a moderate degree of control over their cultural capital, and their customary economy. Communities can reinforce and strengthen areas of their culture and their capacity to undertake activities within the customary (subsistence) economy. But culture is a hard thing to engineer and direct, and innovative change takes a long time. Many

communities find their engagement in the customary economy restricted by lack of transport, lack of access to traditional lands and funding, restrictive external regulations, and lack of statutory recognition.

High levels of control over key ingredients

Table 1 suggests that the key ingredients over which Indigenous communities can currently exercise the greatest degree of control are their own local processes and structures for governing themselves, and their local development policies and strategies. Communities and their representative organisations can create the local conditions for more legitimate and broadly representative rule, more effective decision-making, capable delivery of services and collective action.

Arguably then, the best approach for communities to follow in trying to achieve sustainable economic development would be to focus initially on those key ingredients over which they have the greatest degree of local control; that is, their governance arrangements.

The consequences of focusing on areas of poor control

On the evidence available, many Indigenous communities and their organisations have been going about development backwards, getting caught up in issues over which they have little or no control. The most common way communities and organisations proceed is to focus all their energy on:

- starting up a never-ending variety of new business projects that are uninformed by wider ‘whole of community’ needs and realities;
- responding to externally driven development proposals and other people’s economic agendas;
- chasing transitory opportunities, usually single major development projects;
- chasing transitory grant funding, and tying their scarce local expertise into whatever repackaged programs are on offer from government and the private sector; and
- focusing on short-term outcomes where success is usually measured by immediate economic impacts such as money and jobs (neither of which seem to last).

Given local conditions of socioeconomic disadvantage and great need, this approach is both tempting and understandable. But the result is that the overall direction of development in communities is usually haphazard, and easily influenced by strong individuals who come and go. Many Indigenous communities are littered with failed economic projects that started off well, but turned bad when:

- they failed to secure capital or the grant money ran out;
- community leaders and organisations failed to protect profits on behalf of members;
- enterprises could not attract customers, or external market forces changed;

- project managers found themselves overwhelmed by the workload, or by conflicting and politicised instructions from community leaders; and
- good projects were undermined by community factionalism or organisational politics.

This ‘Tatslotto’ approach to economic development produces the inevitable outcome—the odds are against winning, and most of the time communities lose their money.

Building effective governance: an alternative approach

If development is approached by starting from those areas where communities and their organisations have the greatest control, then the ratings set out in Table 1 strongly suggest they should concentrate on building up stable, capable and legitimate governing institutions, structures and processes. This will provide communities and regions with the solid foundation and capacity to make sound decisions about development and to plan for the future.

The international evidence for the merits of this approach (for both indigenous and non-indigenous groups) is clear. It is only when effective governance and holistic development strategies are in place that economic and other development projects have the chance of becoming sustainable (see Cornell et al. 2001; Cornell & Gil-Swedberg 1995; Cornell & Kalt 1992, 1995; Hylton 1999; Institute of Governance (IOG) 1999; Jorgensen 2000; Plumptre & Graham 1999; World Bank 1994). In other words, sustainable development is—fundamentally—a governance issue.

The approach advocated here is not proposed as a ‘fast-track’ answer to development. Nor are we inferring there is a neat linear progression in the steps that need to be undertaken. Communities do not have to suspend all development initiatives until they get their governance in order, but neither should they embark on new development initiatives without also commencing the harder work of building effective governance. For many communities and their organisations this may mean having to create a whole new mindset; and it will be hard not to fall back into reactive mode. But focusing on the fundamental step of first getting good governance has been shown, internationally, to work with other indigenous groups, and is worth pursuing in Australia.

Good governance: the core ingredients and principles

In the following section we propose a set of core ingredients and operating principles which communities and their organisations should consider if they want to build more effective governance. The list is based on our own work with communities and organisations over many years, as well as the conclusions of many other researchers in Australia. It also draws on, and owes a great debt to, the groundbreaking work of researchers from the Harvard Project and the Native

Nations Institute in the USA, and to Neil Sterritt's governance research and workshops with Canadian First Nations.

There is no single model of good governance for Indigenous communities and regions, so there is little value in a checklist approach. Different structures and processes will suit different groups. Nevertheless, whatever form or level of aggregation of governance is developed, communities and regions will all face similar generic challenges—structural, institutional, financial, administrative, corporate and ethical. To address these common challenges, Indigenous communities do not each need to re-invent the governance wheel, in isolation from the best practice that is being developed in the country and overseas. There are universally accepted guiding principles to inform 'governance building' at the local level. They include the need for transparency, certainty of resources and authority, equity and fairness, flexibility and choice, internal and external accountability, procedures for appeal and redress, efficiency and effectiveness, legitimacy and mandate, participation, leadership, strategic vision and capacity.

If communities want to strengthen their capacity for more effective governance in these areas, they will need to actively consider and promote certain key ingredients and principles within their governing bodies. A discussion of these now follows.

Stable and broadly representative organisational structures

Indigenous community and regional governing bodies usually undertake a very wide range of management, administrative, policy-making, service delivery, financial, socioeconomic, legal, political and cultural roles. In order to undertake these duties, different areas of functional responsibility need to be clearly demarcated and coordinated. How well this is done within a governing body will directly determine the extent of its capacity for effective and consistent decision-making and action.

Organisational structures for governance can take many different forms and still be effective. But they all need to be able to support local objectives and the sound management of internal assets. They also need to be able to broadly represent the rights and interests of all community and regional members. Often the governing structures of communities have been externally imposed, or at least promoted, and then they are locally adapted. But they are not always appropriate to community circumstances or to representing the mixed cultural traditions and statutory rights of residents.

When governing structures regularly change, and when key functional responsibilities are ignored, poorly coordinated, or given undue priority over others, then ineffectiveness and conflict are increased—for the organisation and for community residents. When governing structures represent the interests of a few, or of one class of residents over others, their legitimacy and local mandate can quickly be withdrawn by marginalised community members. A common form of Indigenous withdrawal is seen in people's refusal to participate in local

governance processes, or to feel any sense of personal responsibility for improving or addressing governance problems.

Capable and effective institutions

Having good governance means being capable of future-oriented planning, problem solving, revising objectives, re-designing structures, and taking action. To do this governing bodies must be backed up by supportive institutions. No social group can simply rely on the goodwill of either its leaders or its citizens, or on their promises to do the right thing. Social groups need institutional mechanisms. These are the 'rules of the game'—both formal and informal—that regulate and delimit the behaviour and authority of individuals and groups (see Cornell 2002, Cornell et al. 2001; Sterritt 2001).

Institutional 'rules' for a community organisation include, for example, its constitution, the policies set out by the governing body, the charters, laws and regulations which direct the operation of the community, agreed standards of behaviour, business codes that determine development, the rules for decision-making, elections, voting and meetings, and rules for setting out the roles and responsibilities of the governing board, executive, management and staff. Importantly, these institutions should be informed by culturally-endorsed standards of what constitutes right and wrong behaviour, of who has legitimate knowledge, and who has the 'right' or authority to represent community residents and regional interests.

In today's world, these institutions or 'rules of the game' for how governing bodies and leaders should behave cannot simply stay inside people's heads. They must be plainly set out, consistent, and hard to change, so that strong individuals cannot undermine them for their own personal or political interests.

Sound corporate governance

Institutional capacity informs corporate governance which, in turn, lays the solid foundation for overall governance. For Indigenous communities and regional organisations, corporate governance is the system by which governing bodies are directed and managed.

Requirements for good corporate governance have recently been set out for Australian companies by the Australian Stock Exchange (ASX). Even given cultural differences, a number of these are directly relevant to Indigenous community and regional governing bodies (ASX 2003).⁴ Good corporate governance requires:

- that the authority, roles and responsibilities of leaders, boards and managers are clearly set out in public policies, and given effect to;
- that decision-making is responsible and fair;
- that governing boards are of an effective composition, size and level of experience to adequately discharge their duties;

- that boards and management are able to understand their roles and responsibilities, evaluate risks, and to safeguard and facilitate the rights and interests of all their members;
- that these roles and responsibilities are periodically reviewed; and
- that remuneration for leaders, managers and boards is transparently defined in terms of actual performance against these (ASX 2003: 11; Sterritt 2001).

These areas of corporate best practice are missing from many Indigenous community and regional governing bodies.

Indigenous leaders and governing boards or committees have to know exactly what they can and cannot do. These understandings should be set out in clear rules that everyone knows, and which are enforced. Corporate best practice can be facilitated by having formal accountability and performance checks and balances for leaders, boards and executive managers written into constitutions, corporate charters, and by developing service and performance agreements. A distribution of governing roles and authority across a governing organisation will also help to ensure that no single individual has unfettered powers. Formal public disclosure should also be made of the division of responsibilities reserved to leaders, governing boards and delegated managers.

The limitation and separation of powers

Like all other communities, Indigenous communities need systems and processes which prevent those people who exercise legitimate powers from using that power for their own personal gain and from changing the rules to suit their own interests. Self-determination should not mean 'selfish' determination. Such behaviour causes conflict and can destroy a community or regional governing body's capacity for generating sustained development.

Preferably, leaders and boards should make the overarching policies, enforce the rules, and provide strategic direction. But leaders and governing boards should not be routinely interfering with the daily implementation of those policies by their managers and staff. Inserting local politics and the interests of powerful leaders into day-to-day business decisions invariably runs economic and other development projects into the ground. The Harvard Project reported that the chances of Indian business being profitable increased by over 400 per cent when they were insulated from such local political interference (Cornell & Kalt 1995).

Indigenous governing bodies need to develop and promote a clear separation between the powers and responsibilities of leaders and boards, and the daily management of community businesses and services. Having independent management committees helps to protect community businesses and projects from interference. So does the establishment of transparent financial reporting, written and well-communicated codes of conduct, minuted board meetings, and written employment contracts which safeguard as well as encourage performance and fair dealing. These measures also help leaders and governing boards resist the pressures on them to selectively help family and friends.

Fair and reliable dispute resolution and appeal processes

Good governance involves stewardship—that is, being able to manage the affairs of *all* community and regional members in a way which safeguards and facilitates the effective exercising of their different rights and interests. Indigenous governing bodies therefore need to be able to address conflicts of interest or corrupt behaviour amongst leaders or staff, respond to appeals over unfair dealings, and adjudicate the grievances of their members, and to do so in a consistent and non-politicised way.

Good governance will not be easily built on a system of dispute resolution that is based on appeals to family connections or to a romanticised view of how things were done in the past. This does not work very well for business in any society, and people often question the independence and fairness of decisions made by individuals who are closely involved in the disputed issue.

The rules for decision making, and procedures for dispute resolution and appeal need to be formalised to a degree. A crucial issue for most Indigenous governing bodies is to devise mechanisms for fair dealing that will be locally supported and effective. For example, communities may want to consider establishing ‘internal’ mechanisms such as a committee of elders, Indigenous ethics committee, processes of delegation or creating local community courts. Or they might seek to establish external mechanisms such as recourse to a nominated mediator or independent arbitrator, or secure access to the services of representative bodies or non-government organisations with dispute resolution functions.

The system must enable binding decisions to be made when leaders or governing bodies act outside their authority or corruptly. So long as governing bodies are seen to be making politicised decisions, or failing to act against corrupt behaviour, they will not be viewed as legitimate by community and regional members. Whatever mix of internal culturally-based and external mechanisms is decided upon, all appeals processes and outcomes should be fully documented.

Effective financial management and administrative systems

Governance is not only about structures, processes and power; it is also about resources. Sound governance requires access to, and control over, financial, social, economic and natural resources and technology. Without an effectively resourced capacity for governance, there is unlikely to be sustained community or regional development (Australia Institute 2000; Smith 2002c). The design of sound financial management and administrative systems is a fundamental component of good governance. The related capacity of Indigenous leaders and members of governing boards to understand their own financial responsibilities, and to provide financial due diligence and oversight is also a critical ingredient.

To develop their financial capacity, governing bodies need access to accredited financial management expertise, simple and workable local financial systems, local financial management training, financial mentoring, local banking services, and effective financial backup support (see Aucote 2003; IOG 1997, 1998; Smith 2002c). All financial procedures, policies and guidelines should be

documented in writing. Another core ingredient of good financial governance is the development and safeguarding of the integrity of financial reporting. Governing bodies should publish periodic reports of their financial status and dealings, and have these independently verified. Preferably, best-practice financial management systems should be shared between communities and regions. This would help buffer governing bodies against the vagaries of changing levels of staff expertise and financial misbehaviour.

Good governance relies upon a professional administration staffed by competent people who operate in terms of community policy and strategies rather than their own. Community and regional governing bodies also need to develop their own local record systems, written employment policies, and standardised and fair rates of pay and work conditions for leaders, boards, management and staff. Written employment contracts should be developed for all staff and organisational leaders which tie remuneration to individual performance against community policy and service objectives.

Simple and locally relevant information management systems

Information management is a governance issue. All too often evaluation of program and service outcomes is a 'top-down' process imposed on communities and organisations. If governing bodies want to be able to plan for, and facilitate community members providing their informed consent to, future development, they will need a capacity to monitor their own performance and outcomes, and to rectify operational problems (Smith 2002a; Taylor 2003).

The local collation and management of community and regional profile data for planning and evaluation purposes is a basic component of good governance. Local Indigenous data systems could include, for example, information about community and regional assets, locally meaningful indicators of current and future population change, data on health, education, training, employment, welfare and income levels, community grant funding and service delivery, as well as other social and cultural data deemed relevant to future planning.

Governing bodies will need to develop the capacity to collect and interpret this basic information. People resident in communities and regions are usually in the best position to know the local facts, and to assess what kinds of information are most relevant to their development goals and the diversity of their circumstances. Having a local capacity for information management and analysis will provide governing bodies with a solid basis on which to make informed decisions and provide their informed consent to development proposals, to set realistic development strategies, and to plan for the future changes in their populations.

Regularly updating local data systems will also be necessary. This will help to ensure that development plans and strategies are kept up to date rather than becoming static documents that are quickly outdated. Community management of information systems will require local access to up to date technological support. Local training in these areas will be needed to enable community residents to take up valued local jobs. Administrative, information and reporting

systems should not be cumbersome or elaborate—simple and straightforward systems usually work best.

Effective development policies and realistic strategies.

The challenge of good governance goes beyond simply acquiring the financial and other resources needed at community and regional levels. The experience of indigenous groups in Canada and the USA echoes the warnings of the World Bank which now judges that underdeveloped countries have been held back not by a financing gap, but by an ‘institutions’ and ‘policy’ gap (World Bank 1994: 33-5).

The economic system of most Indigenous Australian communities has been characterised as hybrid—a mix of customary subsistence production, welfare income, government grant funds, business and market income, private sector resource development and project income (Altman 2001). As noted in Table 1, communities and regions have little direct control over many of the national and global components of this wider economy, but can nevertheless exercise important control over the local direction of development.

To do so, governing bodies and their members will need to come to some agreed understanding about two key issues: first, what kind of local economic development *system* they want to support, and second, which economic *strategies and activities* they will pursue to achieve that. Among the important issues they will need to consider at the local level, for example, are the extent to which people want or need to rely on public and private sector funding; how that funding is best managed and used; the ongoing value and role of customary economic and cultural activities; the management and use of the land base in the context of cultural and environmental values; the extent to which businesses are community-owned, individually owned or family based; and how the different rights and responsibilities of traditional owners and other Indigenous residents in communities are to be recognised and facilitated.

Governing bodies should be able to formulate broad policies which draw on the relevant expertise of residents and traditional owners, and which encapsulate their understandings about preferred directions. Then they will need to devise strategies that set out future community and regional development objectives and activities, and the local controls they will need to establish over development. If this strategic planning is not done, development will simply happen by default and is unlikely to be sustainable.

Cultural ‘match’ or ‘fit’

Underlying all these key ingredients and principles of good governance is the issue of legitimacy and mandate. Each community and region will have to find some degree of match or ‘common ground’ between the types of governing structures and procedures it wants to develop, and the culturally-based standards, values and systems of authority of community members. For example, common ground must be found about issues such as who should hold power,

how power should properly be exercised, how decision making and disputes should be handled, and about the respective rights and responsibilities of different members and leaders. The more a governing body finds some cultural 'fit' or 'match' in these matters, the more it will secure the ongoing mandate of its members.

The concept of 'cultural match' has recently been introduced into the Australian debate by the Harvard Project research team (see Begay, Cornell & Kalt 1998; Cornell 2002; Kalt 1996). The *Macquarie Dictionary* defines the term 'match' as 'being able to correspond with a counterpart; to cope with another as an equal; to fit together, as two things; or to form a suitably associated pair or alliance'. A 'cultural match', then, involves a complex two-way process of adjustment and innovation. Some connections and relationships will need to be newly created, and some areas of autonomy will need to be identified and protected, in order to facilitate effective and capable governance.

The concept has a certain resonance with the deep cultural imperative or 'tension' which seems fundamental to traditional Indigenous Australian webs of social and political relations. This is the tension between a preference for individual and group autonomy on the one hand (marked by a tendency towards localism, smallness of scale and separatism), and for connectedness on the other (marked by wider territorial and cultural alliances, and a desire for larger scale political and economic action).

Problems arise for many Indigenous governing bodies when they lose sight of the fact that their ongoing legitimacy is often grounded, at the local level, in culturally-based values, priorities and behaviours. But achieving a cultural match to secure a mandate is difficult, especially when so many communities are the historical constructs of colonisation and a mix of cultural traditions. Cultural match is not simply a matter of importing romanticised views of traditional Indigenous structures or authority, and expecting them to handle economic development decisions, financial accounts and daily business management. Creating a cultural match is more about developing strategic and realistic connections between extant cultural values and standards, and those required by the world of business and administration. As Kalt (1996) notes, it is about 'cultural appropriateness with teeth'. Most importantly, while Indigenous governance arrangements need to be informed by local cultural standards if they are to be regarded as legitimate by community members, the governing arrangements also have to work—governing bodies have to be practically capable of responding and taking action in the contemporary environment.

Conclusion: getting good governance for sustainable development

The diversity of Indigenous culture suggests there is not going to be a 'one size fits all' model of governance to suit all circumstances. Different structures and processes are likely to suit different groups. But Indigenous Australians also

share many core cultural traits, face common obstacles in securing sustainable development, and experience similarly high levels of disadvantage. The set of guiding principles and core ingredients laid out above for building 'good governance' are based on the shared Indigenous experience of such connections and challenges. Their practical value has been identified by long-term research in the USA and Canada, and is backed up by the local experience of many Australian Indigenous leaders and researchers. They appear to be universally accepted as applying across cultural boundaries. They could usefully be considered by Indigenous governing bodies as key benchmarks for good governance.

We have suggested in this paper that strengthening certain key ingredients and principles for good governance will greatly enhance a community or regional governing body's political and business stability. Enhanced capacity in these areas will enable a governing body to fairly represent all their constituents, become less dependent upon the erratic quality of people employed as staff, to resolve conflicts over development activities more effectively, to plan for future population changes, and to create an environment that is conducive to sustained socioeconomic development.

Importantly, these core ingredients and principles of good governance are not going to be implemented in Canberra or Darwin, by researchers or consultants, or even by distant departments or representative Indigenous organisations. There are many issues for which those agencies and groups can and should take responsibility. But the ingredients and principles described here can only be developed if community and regional leaders and organisations recognise their importance, and create local solutions that take them into account. This may require a new mindset in many communities and regions, and substantial effort will be required to build local capacities for good governance. But the bottom line is that without improved governance capacity, communities are unlikely to be able to make informed decisions about what kind of local development they want to support, and which strategies and activities will achieve better outcomes. Without improved governance capacity, there is unlikely to be sustained development, and valuable opportunities will be squandered.

Notes

1. In 1998, Diane Smith and Julie Finlayson coordinated a visit to Australia by Neil Sterritt and other Gitksan representatives from British Columbia to discuss the findings and native title implications of the *Delgamuukw* case—a Canadian land rights case conducted in the courts over a 10-year period which compares in significance to *Mabo No. 2* in Australia. Subsequently, in 2001, Smith undertook professional development study leave and had further discussions about Indigenous governance and economic development with Neil Sterritt in Canada and with Professor Stephen Cornell and Dr Manley Begay from the Harvard Project and the Native Nations Institute (NNI) at the University of Arizona, Tucson. In 2002,

Reconciliation Australia facilitated a visit to Australia of these same indigenous leaders and researchers so they could participate in a national conference on Indigenous governance in Canberra. And in 2003, Smith again visited the Harvard Project and NNI Directors in Tucson for ongoing discussions about the possible establishment of a 'Harvard-style' longitudinal Indigenous governance research project in Australia.

2. This set of factors bears a striking similarity to those that have been identified over a period of 14 years by researchers from the Harvard Project in the USA (see Cornell & Kalt 1992), and by the Canadian Royal Commission on Aboriginal People (see Royal Commission 1996, vol 2 Chapter 5; and Wien 1999).
3. There are also important similarities between the structural conditions experienced by Australian Indigenous and American Indian societies. These similarities reinforce the relevance of the Harvard matrix for Australian comparative purposes (see Daly & Smith 2002).
4. We are beholden to Karen Aucote for pointing out the ASX report (2003) on Australian company corporate governance and best practice, and for her input into ongoing discussions about financial best practice for Indigenous communities. These best practice guidelines are similar to those advocated by the Toronto Stock Exchange, and used by Neil Sterritt (2001) in governance workshops with Canadian First Nations.

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