

Anyone watching elections in PNG has to fasten their seat belts and prepare for a heck of a ride. The recent national elections have richly lived up to the country's reputation for robust politicking, as well as for less than optimal competence in the conduct of the poll.

The weeks-long polling period ended in mid-July and spawned numerous stories of corruption by electoral officials, counting go-slows by public servants determined to squeeze cash out of the system, allegations of interfering with ballots, intimidation at polling stations and other irregularities and illegalities. The electoral preparations themselves proved sub-standard, with severe shortcomings in anticipation of electoral rolls, distribution of ballot papers and other essentials.

Former Prime Minister Sir Mekere Morauta, a successful candidate and one with a specially antagonistic relationship with Prime Minister Peter O'Neill, was one of many who roundly criticising the chaos, corruption and unlawful interference with the process. PNG's Electoral Advisory Committee resigned, declaring its position untenable in the absence of information necessary to monitor the process, and commenting that the Electoral Commission was "deaf, blind and dumb." Election-related violence and widespread electoral roll problems prevented thousands from voting and allegations of vote buying and other forms of money politics, including use of state funds, further marred the process. In a sop to Cerberus, the Commonwealth Group commented that the results would probably reflect the wishes of the people of PNG.

Results in some seats have still not yet been declared, and the prospect is that some disputed cases will be taken before the courts. Though some sound and fury can be expected to continue in relation to disputed results and the conduct of the elections generally, this will not affect the overall result. A significant feature of that result is the election of a considerable number of MPs opposed to the leadership ambitions of Prime Minister O'Neill, whose party suffered a number of casualties but nonetheless won more seats than any other. The immediate post-election period was, in line with tradition, characterised by strategies to attract (some would say buy) the allegiance of MPs so as to gain the numbers necessary to form a government.

On 2 August, the new parliament convened and, amid some scenes of chaos, elected O'Neill as the new Prime Minister. He will command a reasonably comfortable majority in the new House, but one much reduced from the past and will face a larger and more determined opposition than previously. Interest will now turn both to the formation of a new cabinet, and, given that there can be no no-confidence motions for the next 18 months, to what the nation can expect from its new government. The Prime Minister has made some anodyne remarks about working to ensure better infrastructure, health and education outcomes, and has set out some broad lines of policy, but there are few indications of any detailed plans for the future

We can be much more sure about what the new government will face. It certainly has looming demands in the shape of its budget difficulties, hosting the 2018 APEC summit, and dealing with the Bougainville independence referendum the following year. Regrettably, certainly does not extend to include any great hope of arresting declining standards of probity and competence in government. The elections themselves have shown the corrupting effect of a "spoils to the victors" mentality, and many MPs will bring just that mentality to the bigger issues of national government. The government's precarious financial position has seen reduced funding to basic areas of health, agriculture and education, as well as disappointing performance in providing new infrastructure, while by contrast many hundreds of millions have been safeguarded for ill-monitored development expenditure by individual MPs. In an unfortunately-timed omen for the problems ahead, the Mid-Year Economic and Fiscal Outlook Report shows a substantially increased deficit and public debt, the latter now exceeding legislated limits, and foreshadows the need to reduce government expenditure.

Australian businesses with current or potential interests in PNG will need to watch keenly for developments in coming months in a range of areas. These include:

- a) The country's fiscal condition. This has deteriorated in recent years because of a mixture of falling commodity prices and poor government decision-making. The results have included deleterious effects on areas of special interest to business, including particularly infrastructure and availability of foreign currency.
- b) The ill-coordinated government, worsened by political self-interest and nationalistic tendencies. Recent years have seen governance processes characterised by ill-disciplined and poorly coordinated statements and activities by ministers. These have been of particular concern in the resources area, where worrying ideas have been floated by ministers, MPs and senior officials on issues like state equity in mining projects. Some observers draw comfort from the thought that O'Neill, as a businessman, will rein in the more extravagant flights of fancy, but that is not the same thing as predictable government processes for determining the business environment. Moves towards amended, or new, mining legislation will bear special watching.
- c) The certainty of the contract before the law. The legal system has been one of the better-working institutions in recent decades, and that will remain essential to considerations of PNG as a place to begin or expand business operations. The courts have, on numerous occasions, stood up to the government, but there have been instances where they have not received the support of government for the proper execution of their functions. Any significant erosion, either of the independence of the courts or the resources available to them,

would send a bad signal, as would signs of corruption which have openly infected other areas of public administration.

- d) Corruption, law and order and security. These are all areas of real concern to Australian business, and the picture has been of decline in all areas. Corruption has undoubtedly worsened in recent decades, raising serious issues of legality for foreign companies. Security issues affect companies' costs significantly, as well as causing recruitment and other problems, and anti-corruption and law and order agencies and individuals have met with lack of support, and in some notorious cases active opposition, from the government. Prime Minister O'Neill, himself the subject of serious corruption allegations, has spoken of further anti-corruption measures, but action has yet to happen.
- e) other enduring facts of life for businesses in PNG include elements which make for a high-cost environment, including utilities, security, expatriate salary levels and expensive imported inputs. Businesses also face a jungle of red tape and governments have been slow to make regulatory changes necessary to promote business activity. These elements account for PNG's very poor ranking in global indices of ease of doing business, while international rating agencies and banks express concerns about issues like debt sustainability and exchange

Add in the fact that Papua New Guinea has a relatively small population, the great majority of which is located in often hard-to-reach rural areas, and a small middle class and low levels of employment in the formal sector, and it is easy to see how, taken together, the business facts of life seem daunting even when account is taken of the country's enormous resources richness.

A key question for the future is the ability and readiness of the new government to take measures to change some of those facts of life for the better. It would take a fearless optimist to answer that question by uttering the comfortable words that past performance is not necessarily a guide for the future.



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