

Papua New Guinea Elections 2022: What Business Needs to Know**Bill Farmer AO**

Electioneering has now begun in earnest for the 2022 PNG elections and will run until 1 July.

We can expect to see in coming weeks a democratic maelstrom, as some 3500 candidates compete for the 118 parliamentary seats. The PNG Electoral Commission has had to deal with last-minute electoral redistribution, with the creation of seven new electorates, and faces a daunting logistical task as it prepares for voting in remote and inaccessible areas and villages. Past experience suggests that competition for the spoils of office will be marked by violence in some areas, particularly the Highlands; by allegations of cheating, standover tactics and corruption; by problems with, and disputes over, the electoral rolls; and by attempts to interfere with the poll results. The formation of a new government will follow a fevered post-election period as political leaders jostle for the support of uncommitted Members of Parliament, with the promise of ministerial positions, jobs or other inducements. All going as scheduled, a new government should be formed in the days following the return of writs on or before 29 July.

It is pointless to put faith in predictions about the outcome of these elections, given that there are no opinion polls in Papua New Guinea. Another phenomenon in elections since independence in 1975 has been an exceptionally high turnover of Members, with usually over half of incumbents losing their seats. Elections tend to be highly localised affairs, characterised by emphasis on what candidates have done or might do for the electors, with strong clan and other loyalties also being significant influences on outcomes. Party loyalties and affiliations, by contrast, can be very fluid, with a focus on individual ambitions and, overall, relatively little focus on national issues or ideology.

Having said that, we can say some things about potential outcomes. There are likely to be few, if any, women elected to the new Parliament: the current House has no female Members and there have been only seven female MPs since independence. By contrast, as well as the high turnover of parliamentary membership, we can expect to see a range of familiar faces, Big Men in particular regions, returned to parliament. We can also expect Prime Minister Marape's PANGU Party to benefit from incumbency, and the early election theatrics are revolving around a potential battle for the premiership between Marape and his Prime Ministerial predecessor Peter O'Neill. Other powerful figures, with an eye to the main chance, could also pursue leadership ambitions in the post-election political jockeying. The process of forming a parliamentary majority will be characterised by pursuit of personal interests all round, and ideological or policy considerations will be peripheral. Indeed, the political elite probably have more in common with each other, even known opponents, than with the vast majority of their compatriots in Papua New Guinea's thousands of villages.

What, then, can we say about the government which might emerge from these processes? We cannot exclude the formulation of new directions by the next Prime Minister, along the lines of Prime Minister Marape's declaring on taking office in 2019 a "Take Back PNG" initiative focussed on securing a better return from the country's gas, mineral, forestry and other resources. And there have been some developments aimed at attracting votes, for example references by Marape to instituting free education throughout the country. But, despite the country's economic position, there does not seem to be a strong appetite for reform from any quarter of the elite, whose members in any event do well out of the existing way of doing things.

The new government will face a number of difficult issues as the five-year parliamentary term begins. There will be substantial implications for business as these issues are addressed, or if the new government repeats past performance in falling short of effective responses.

Perhaps foremost is the economy, and a range of issues with direct consequences for business. The government has experienced a serious decline in its revenues, to a point where the multilateral banks would normally question a government's capacity to run a state. A downward trend in revenue:GDP ratios reflects declining aid volumes and a reducing share of benefits accruing to government revenues from resource exploitation. The latter phenomenon has arisen in part from government approaches to taking equity in some resource projects. The country of course remains highly prospective, there is emerging interest by resource companies like FFI, and government has been keen in recent months to move towards announcements of new or resumed resources projects. However, future policy approaches would need resetting to bring about a longer-term amelioration of the unsatisfactory revenue return.

Overall, the revenue crisis has seen serious erosion of funding for basic services in health and education, and a performance of COVID vaccine roll-out among the worst in the world [and certainly the worst in the South pacific]. A positive has been the Australian Government's extension of budget support loans to PNG, \$A600 million this year at low interest rates, and this process can be expected to continue when the new government prepares its budgets. Yet, serious as these issues have been, revenue challenges will be exacerbated by the end of the decade, as the Ok Tedi mine closes by 2030 and a number of resource projects currently at the approval phase move into periods of tax relief based on their construction costs. It remains to be seen whether a new government will face up to the real need for reform or follow the path of least resistance, muddling through.

The poor governmental revenue position has major implications for businesses operating in PNG. Surveys show that two of the private sector's top concerns are crime and corruption, which among other things impose high security and other costs and expose businesses to unequal competition with unscrupulous competitors. Making any advance in tackling these issues would require both political will and effective resourcing of the police and other potential anti-corruption bodies. Although the Marape government has established an anti-corruption commission, it has not yet begun operations, and there are well over a dozen unresolved allegations of major corruption, many of these alleging involvement by senior political figures. The national police force itself is widely regarded as being involved in corrupt and criminal practices, has not grown in relation to total population growth, and is seriously under-funded. The incoming government's approaches to these issues will be a major focus of business concern.

Other issues highlighted by business as impediments to their operations include the persistent over-valuation of the Kina and the continuation of foreign exchange rationing, both of which have negative consequences for purchase of imported inputs and repatriation of dividends. The likely overall lack of appetite for reform may well see a continuation of these unhelpful policies. It is also hard to be optimistic about the potential for substantial reform or initiatives in dealing with other issues imposing costs and difficulties on business, including skills shortages, public service degradation and what can seem capricious interpretations of tax and other law.

The next government will inevitably have to deal with two other issues with implications for business.

The first of these is the approach the country takes to its relations with China and Australia. The new Australian government is showing an active approach to expanding cooperation with Papua New Guinea, as with other South Pacific countries, and has a solid starting point in the various Australian initiatives in recent years in areas like infrastructure, electricity, communications, defence cooperation and budget support. Some of these have the potential to offer positives for business operations in the country and a good process of Australian government/business dialogue would seem a positive part of a whole-of-Australia approach. For its part, China has recently upped the wattage in its charm offensive with Papua New Guinea, with a visit by its Foreign Minister, and the already substantial Chinese involvement in resources projects and infrastructure [much of the latter in sub-optimal ways] seems likely to be accompanied by initiatives in other areas. Some of these could provide benefits for business more generally. But, given the operating style of some Chinese companies, and their propensity to enlist the support of national or regional politicians, allegedly in some cases for inducements of one sort or another, we could well see negative effects on the business environment, particularly in relation to integrity, certainty and equality of treatment by government.

A second issue, and one with existential implications for Papua New Guinea, is the future status of Bougainville. Some parameters have already emerged on this issue: the great majority of Bougainvilleans support, and clearly expect to proceed to, independence; eventual decisions about future status will be the subject of determination by the national parliament; and there is an expectation that the issue will be concluded by 2025, that is during the life of the new parliament. Thorny issues include the gap between Bougainvillean expectations and aspirations and potential attitudes in the new national parliament, including by some prospective leaders who make no secret of their antipathy to the idea of independence for Bougainville, in some cases because of the potential encouragement of separatist sentiments in other parts of the country. Another question mark must be put beside the capacity of Bougainville to generate both the revenue and the skills necessary to run an independent country, as well as promote economic activity and employment. Current Bougainville Government revenues fall far short of the amount needed for self-reliance. From a business perspective, Bougainville has a number of fisheries, forestry and of course mineral resources, and there are signs of foreign commercial interest in these areas. In time, these could offer real commercial opportunities, but as with the issue of a possible re-opening of the Panguna mine, major issues would include very substantial set-up or rehabilitation costs, landowner relations, government attitudes to foreign investment and commercial operations, and a degree of certainty about political stability and the legal system sufficient to enable major investment decisions.



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