

Economic decline and political reform in Papua New Guinea

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Papua New Guinea occupies a special place in discussions of the relationship between politics and development. On the one hand, it is one of the few post-colonial states to have maintained an unbroken record of formal democracy over a significant period of time. Despite the well-publicised travails of the 2002 elections—which featured widespread administrative problems and, in some areas, rampant electoral violence and voter fraud—all Papua New Guinean parliaments have been chosen via the electoral process since the introduction of national elections in 1964, making it one of the longest continuous democracies in the developing world. Indeed, the 2002 elections saw the ninth turnover of power in Papua New Guinea since independence, as the government of former Prime Minister Mekere Morauta was replaced by a coalition led by the country's most resilient political figure, Sir Michael Somare, in his third incarnation as prime minister.

This putatively successful record of democratic persistence is, however, deceptive. There has been a growing crisis of governance and a steady economic decline across many sectors since independence in 1975. The country fares poorly on many social and economic indicators, suffering poor job generation, high levels of unemployment and violent crime, and low levels of literacy, education and social opportunity. By some

measures the country's per capita GDP is lower today than it was at independence. Papua New Guinea's ranking on the United Nations Human Development Index (a composite measure of socioeconomic indicators which includes information on health, education and employment levels) is similarly low, at 122 out of 162 countries (United Nations Development Programme 2001).

In most countries, such a decline usually leads to some kind of coup or other overthrow of the existing regime (Londregan and Poole 1990). In Papua New Guinea, however, the country's extraordinary level of ethno-linguistic diversity makes all forms of collective action difficult. On some indicators, Papua New Guinea is the most heterogeneous country in the world. With its 852 languages and thousands of small ethno-political groups, Papua New Guinea is almost certainly the world's most fragmented society in ethno-linguistic terms if not in cultural ones. One consequence of this fragmentation is the difficulty of building and maintaining broad-based social coalitions. For example, even though there may be widespread dissatisfaction with the way the political system works, it is nevertheless unlikely that any one group will ever be able to amass sufficient collective support to overthrow the government in power. The result is that, even though it has

not delivered much in the way of development, the existing political system persists in part through its own inertia and the formidable problems in producing a realistic alternative. Papua New Guinea's remarkable record of continuous democracy owes much to this essential characteristic (see Reilly 2000).

Although ethnic heterogeneity has helped the continuation of formal democracy in Papua New Guinea, its public policy consequences have been much less positive. In a comparative study of Africa's 'growth tragedy', one widely-cited study found that economic growth and the provision of public services tended to be lower in more heterogeneous countries than more homogeneous ones, both because of the under-provision of public infrastructure in divided societies and because of the problem of rent-seeking that ethnic divisions exacerbate (Easterly and Levine 1997). It appears that this relationship also holds more broadly within countries as well as across them: in a forthcoming article, Robert Phillpot and I show that this is also the case for Papua New Guinea. We find that more ethnically heterogeneous provinces have much lower levels of social, human and physical capital than more homogeneous ones, even controlling for differences in land potential, physical area, population size and other constraints. We conclude that an important cause of differences in provincial development is thus differences in underlying levels of societal heterogeneity (Reilly and Phillpot, forthcoming).

One reason for this link between social heterogeneity and (under)development is the dilemma of collective action (see Olson 1971). As Easterly (a former World Bank economist) notes, even for an innocuous public service like building a road, ethnic groups in different regions will want services in their own region but, in the absence of a national consciousness, will place little value on those built elsewhere (Easterly 2001:271). If politicians do not see their role as part of a national government but rather as delegates chosen to deliver resources

back to their own group of tribal supporters (as is the case in many parts of Papua New Guinea), they will not invest as much in public infrastructure as they would in a more homogenous society. The result is lower provision of many types of public services than would otherwise be the case.

The economic consequences of a fragmented society

Ethnic divisions in Papua New Guinea have many other consequences, particularly for the way politics—and therefore policy—is conducted. One of these is a weak and fragmented political party system, which has resulted in an unstable executive and frequent changes of government via 'no-confidence' votes on the floor of parliament. Other problems relate to use of a first-past-the-post electoral system in highly fragmented electorates, which has contributed to increasing election violence and a plethora of politicians elected on exceedingly slim vote shares (Reilly 1997). With an average of over 20 candidates per seat contesting recent elections, there have been increasing number of cases of politicians winning a seat with as little as 6 or 7 per cent of the vote. By my calculations, the parliament elected in the 1997 election received the support of just 18 per cent of voters: in other words, 82 per cent cast their ballot for losing candidates. This is by far the lowest level of electoral support for a parliament of any long-term democracy in the world.

These political shortcomings have direct negative impacts for economic development. Comparative research across a range of contemporary democracies suggests that broad-based parties with strong ties to the electorate are associated with higher overall levels of development than more weak party systems with high degrees of fragmentation, such as Papua New Guinea's (Powell 1982:101). Other studies have found that

party system fragmentation represents a particular barrier to achieving substantive economic reform (Haggard and Webb 1994). By contrast, more stable and programmatic political parties have greater capacity for translating public preferences into coherent government policy, with direct consequences for economic performance and development.

Similarly, the issue of minority winning candidates has direct public policy implications. Research by Bueno de Mesquita, et al. (2001) suggests that regimes which rely on only a small percentage of the population for their overall vote share have, in general, much weaker economic growth than those with more broadly-based governments. Encouraging the election of a more stable and aggregative political party system, more broadly-supported candidates and more representative political institutions is thus an issue that touches directly upon much broader issues of economic growth and development.

Political reform in Papua New Guinea

In recent years, it has become increasingly accepted that one reason for Papua New Guinea's economic decline is due to the shortcomings of its political system. But until Mekere Morauta's prime ministership, there had been limited attention paid to tackling these problems. In 2001, however, the Morauta government embarked on a sustained attempt to deliver a more stable form of political system via changes to the rules by which governments are elected and take office. These political reforms encompass a revision of the electoral system, the introduction of new rules controlling the formation of executive government, and a series of financial and other incentives which aim to promote the development of a more structured and disciplined political party system. Taken together, they represent an attempt to deliberately 'engineer' the

development of a stable party system in a democratic state. If successful, they should help bring a degree of predictability to Papua New Guinea's robust but chronically unstable form of parliamentary democracy.

The specific features of the reform package encompass new rules governing the formation, composition and funding of political parties; new constitutional provisions aimed at stabilising executive government and limiting no-confidence votes against the executive; and reforms to the electoral system aimed at encouraging the election of more representative and widely-supported candidates. The following sections discuss the most pertinent details of the new provisions.

Encouraging political parties

The first part of the reform package is aimed at stimulating the development of more meaningful political parties. Under the new arrangements, all political parties must be registered before they can compete at elections. In order to qualify for registration, a political party must be formally incorporated as an association; it must have a constitution; and it must have financial members as well as a secretary, treasurer and public officer. There is also a legislative requirement that parties exercise internal party democracy: all financial members of a party must be free to choose their executive at periodic elections in which all members have a right to vote, and to stand for election to party executive positions. The broader aim is to move parties away from being 'owned' by a few dominant personalities and encourage them to become more broad-based entities. It is hoped that, over time, this will encourage the development of a more structured and institutionalised party system.

To address the chronic under-representation of women in Papua New Guinea's politics (only two of the 109 members elected in 1997 were women), parties that put forward female candidates

for election will be able to recover up to 75 per cent of their election expenditure, so long as the candidate in question gains more than 10 per cent of the vote. Again, the intention of these provisions is not just to encourage more female candidates, but to encourage parties to become more open organisations which any citizen, including women, can join and take part in.

The provision for party registration is tied to a new system of party funding. As well as being able to accept contributions from foreign sources (which had previously been banned), all registered parties are now eligible for public funding. However, unlike the customary forms of public funding in Western countries which tend to be based on each party's vote share, the new legislation delivers party funding on the basis of each elected MP. Under the law, each registered party will receive 10,000 kina (about US\$3,000) per MP per year. A party which has two representatives in parliament will receive K20,000 per year, whereas a party with ten representatives will receive 200,000 kina per year. Independent MPs, or those belonging to unregistered parties, receive nothing. This 'top-down' approach is aimed at strengthening parties at the parliamentary level. Parties now have a strong financial incentive to recruit independent candidates and other members of parliament into their fold. Again, it is hoped that this will help to move parties away from being purely vehicles for personal advancement and encourage intending candidates to stand for election under a party banner rather than as independents.

Stabilising executive government

This incentive to attract new members comes at a price, however. As part of the push to combat party-hopping and stabilise executive government, restrictions are now placed on the freedom of MPs to change parties, and specifically to leave the party with which they were aligned when first elected. Any MP

elected as a party member faces a range of penalties if they join another party or become an independent during the course of the parliament. In such a case, a 'leadership tribunal' decides whether their grounds for resignation from their original party were valid—which, according to the legislation, is only possible if the party has breached its own constitution or been declared insolvent. MPs elected with party endorsement must also vote in accordance with their party position on key parliamentary appointments. In effect, this means that each party member must vote with a majority of MPs from that party in four areas: on a vote of no-confidence against the prime minister or ministry; on the appointment of a prime minister; on a vote for the national budget; and on a vote to amend the constitution. Members can abstain from a vote, but if they vote against their party's position they face a range of possible penalties, up to and including dismissal from the parliament. Given that the majority of Papua New Guinean parliamentarians fail to be re-elected at election time, it is unlikely that many of them will risk this option.

To facilitate this process, every parliamentary party must also have a recognised parliamentary leader. After an election, the largest party in parliament is invited to nominate a new prime minister and to form the government. If the nominated candidate fails to win a majority of votes, then the process is thrown open to any contender, and the groupings that can pull together enough support will form the government. MPs elected as independents cannot join a party at the first sitting of parliament prior to the vote for prime minister and, if they have voted to appoint a particular person as prime minister, they must continue to support that same person in future votes of no-confidence against the prime minister or the Ministry. All of this is supposed to have the effect of limiting the bargaining power of independents (whose votes are regularly 'bought' in a variety of ways at present), and giving them

much less leeway on key issues than party members—and, once again, giving them an *a priori* incentive to contest elections under a party label.

Taken together, these provisions are intended to provide a stimulus towards the formation of a more encompassing and structured party system at the parliamentary level. Over time, it is hoped, the incentives towards party aggregation at this level will encourage the growth of more meaningful, broad-based and policy-focused parties beyond the confines of parliament as well. This will not happen overnight, of course, and it may not happen at all. The dissolution of the Papua New Guinean party system is a reflection of the fragmentation of its traditional society and the lack of clear ideological issues in a political process dominated by two-way exchange obligations, high levels of corruption and the perennial quest for 'development'. Political parties have so far found it difficult to build much in the way of voter loyalty or a stable membership base. But inherent in the new party system laws is the expectation that parties can be 'built', to a certain extent, not from the bottom up (as is usually the case), but from the top down, by forcing what are currently shifting coalitions of independents and weak parties into more structured and indeed permanent alliances over the course of each parliament. This holds out the prospect that a meaningful party system can somehow be fashioned out of the chaotic base metal of the Papua New Guinea parliament. Whether such an approach is actually feasible, however, remains to be seen.

Changing the electoral system

The final—and possibly most important—reform in Papua New Guinea has been the decision to change the electoral system away from the current first-past-the-post system to a 'preferential' system. All elections after June 2002 will be held under this system, a modified form of the alternative vote used in

Australia that enables electors to rank-order candidates on the ballot, by marking '1' for their favoured candidate, '2' for their second choice, '3' for their third choice, and so on. Under the system, any candidate achieving an absolute majority of first-preference votes is immediately elected. However, if no candidate has over 50 per cent of first preferences, the lowest-ranking candidate is eliminated and his or her lower-order preference votes are transferred as marked to remaining candidates. This process continues until a majority winner emerges, or until there are no more votes remaining to be transferred.

In Papua New Guinea a 'limited preferential' system has been chosen, meaning that voters will have to mark a minimum of three preference votes on their ballot paper. This means that most seats will not be won by an absolute majority, as many voters will doubtless choose to mark only the three preferences required. It should, however, ensure the election of much more broadly supported candidates than is the case today. In addition, by enabling voters to express their preferences between candidates, rather than simply their first choice, the new system is likely to mitigate the effects of 'vote-splitting', as aligned candidates will now be able to aggregate their vote totals via secondary preferences. Because of the potential impact of these lower-order preferences, office-seeking candidates should have an incentive to attract as many secondary preferences as possible from voters who gave their first-choice vote to other candidates—thus promoting 'centripetal' rather than 'centrifugal' political incentives (see Reilly 2001). In sum, the new system should aggregate common interests while ensuring a majority victor—two crucial weaknesses of first-past-the-post elections in Papua New Guinea.

Preferential voting is not new to Papua New Guinea: an 'optional preferential' vote was used for three early elections in 1964, 1968 and 1972 under the former Australian

administration. First-past-the-post was introduced at independence in 1975, after a constitutional commission suggested that it would be much simpler to run and would produce similar outcomes to the preferential system (see Reilly 2002). This proved to be a serious misjudgment in the context of Papua New Guinea's clan-based politics. Because first-past-the-post re-cast electoral politics as a zero-sum contest between clan-based candidates, most voters had little alternative but to express their choice in a 'friendly' versus 'antagonistic' pattern along pre-determined ethnic lines. Rising levels of political violence, widespread dummy candidature and 'vote splitting' (friendly candidates with little hope of winning standing in order to 'split' an opposition block vote) and increasingly unrepresentative elected members appear to have been a result.

By contrast, research and analysis of the three earlier elections held under the optional preferential system provides clear evidence of how different electoral rules can encourage different kinds of political behaviour. First, under optional preferential voting, most winning candidates were elected with a majority of the total vote, rather than the small pluralities of 5 or 10 per cent of the vote that have become common since then. Elected politicians could thus legitimately claim to represent—and be accountable to—a much broader proportion of the electorate than is the case today. This enabled candidates with significant existing support bases to reach out to selected allies for secondary support. Traditional tribal contacts and allegiances, for example, could be utilised to create majority victors, as was the case in a range of seats at the 1972 elections, where a number of winning candidates forged close connections with rival tribes and urged supporters to cast their preferences for a member of that tribe as well as for themselves (see Rumsey 1999). Another strategy, and increasingly common by the time of Papua New Guinea's third election in 1972, was for groups and candidates to form mutual alliances, sometimes campaigning together

and urging voters to cast reciprocal preferences for one or the other.

These alliances were a response to the incentives presented by the electoral system for campaigning on a common platform, whereby the sharing of preferences between aligned candidates was perceived as a rational activity which maximised prospects of electoral victory. They also appear to have given some impetus to the need to organise politically, and can thus be seen as the forerunners to the establishment of political parties in Papua New Guinea. It is noteworthy that the Morauta government has emphasised that the electoral system change is part of a package of interlocking reforms, all of which are aimed at reshaping Papua New Guinea's party system, and that all three objectives—promoting political parties, stabilising executive government, and changing the electoral system—should be seen as being a complementary and mutually interdependent part of one coherent package.

The 2002 elections and prospects for the future

Ultimately, only time will tell if institutional reform will work to improve governance and development in Papua New Guinea. The recent experience of the 2002 elections does not inspire confidence. These elections, which were widely condemned as the worst ever held in Papua New Guinea, saw over 30 people killed in ethno-political electoral disputes, the violent disruption of polling in many parts of the highlands, and polling abandoned in six seats in the Southern Highlands. As well as major problems of electoral fraud and violence in some parts of the country, there were widespread administrative problems as well. Even in urban areas, there were numerous cases of ballot papers failing to be delivered on time, and allegations of corruption on the part of some polling officials. This has to raise doubts about the prospects of a new and

more complicated electoral process being competently administered when there are so many problems under the current system.

The new political party laws, by contrast, did seem to have some effect. While a record number of both parties and candidates stood for election, the overall number of independents winning seats declined sharply. However, this has not—as yet—resulted in a more aggregative party system: 42 parties stood for election and no less than 24 won seats, making the 2002 parliament the most politically fragmented ever.

The first tests of the new executive formation laws came in August 2002, following a Supreme Court ruling that the vote for prime minister could go ahead without the six Southern Highlands seats. The largest party after the elections was the National Alliance, led by Sir Michael Somare—Papua New Guinea's first prime minister and most successful political figure to date. Under the new laws, he was thus invited to be the new prime minister, and was in fact elected by an 88–0 vote at the first sitting of the new parliament, as numerous small parties moved to support his candidacy. As these 88 parliamentarians are now obliged to maintain their support until the next election in 2007, Somare appears to have become the first prime minister in the country's history to be guaranteed security of tenure in office. He will need the stability of government this ensures, as he surely faces many challenges on the road ahead.

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