



## MEDIA RELEASE

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### Consider credit guarantee facility to make customary land bankable

The Government should consider a credit guarantee facility to enhance bankable customary land leases in Papua New Guinea (PNG), according to a PNG National Research Institute (PNGNRI) Spotlight.

The NRI Spotlight Volume 16, Issue 10 titled “*A credit guarantee facility to enhance bankable customary land leases in Papua New Guinea*” by Research Fellow, Logea Nao, highlights that currently, banks are hesitant to accept customary land leases as security to access credit facility for development as a result of perceived risks associated with loan default. To address this, this paper proposes a credit guarantee facility for customary land.

A credit guarantee facility or initiative is an intervention by a third party, in the form of funding to clientele interest groups such as small and medium-sized enterprises (SME), farmers and women groups. The proposed credit guarantee facility for customary land could be similar to the current Government-funded SME credit guarantee facility. The customary land credit guarantee facility would allow for leases on customary land to be accepted as collateral by banks by guaranteeing loans in the event of a default.

Potential benefits of a credit guarantee facility include:

- Improve the livelihoods of customary landowners;
- Encourage the mobilisation of customary land for development;
- Serve as an incentive for investment;
- Encourage banks to lend; and,
- Increase revenue for Government.

The paper also proposed that the Government should consider the following factors that could impact on the success of the guarantee initiative:

- Addressing the issue of moral hazard;
- Ensuring that the competing objectives of the guarantor, lender and borrower are geared towards making customary land bankable;
- Establishing guidelines for such things as guarantee claims and debt recovery;
- Identifying the most appropriate host of the facility; and,
- Ensuring that the fund is self-sustaining.

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