



THE NATIONAL
RESEARCH INSTITUTE
PAPUA NEW GUINEA

DISCUSSION PAPER

PROPERTY AND HOUSING POLICY DEVELOPMENT

Thomas Webster
Satish Chand
Lindsay Kutan

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- (a) the promotion of research into Papua New Guinea society and the economy
- (b) the undertaking of research into social, political and economic problems of Papua New Guinea in order to enable practical solutions to such problems to be formulated.

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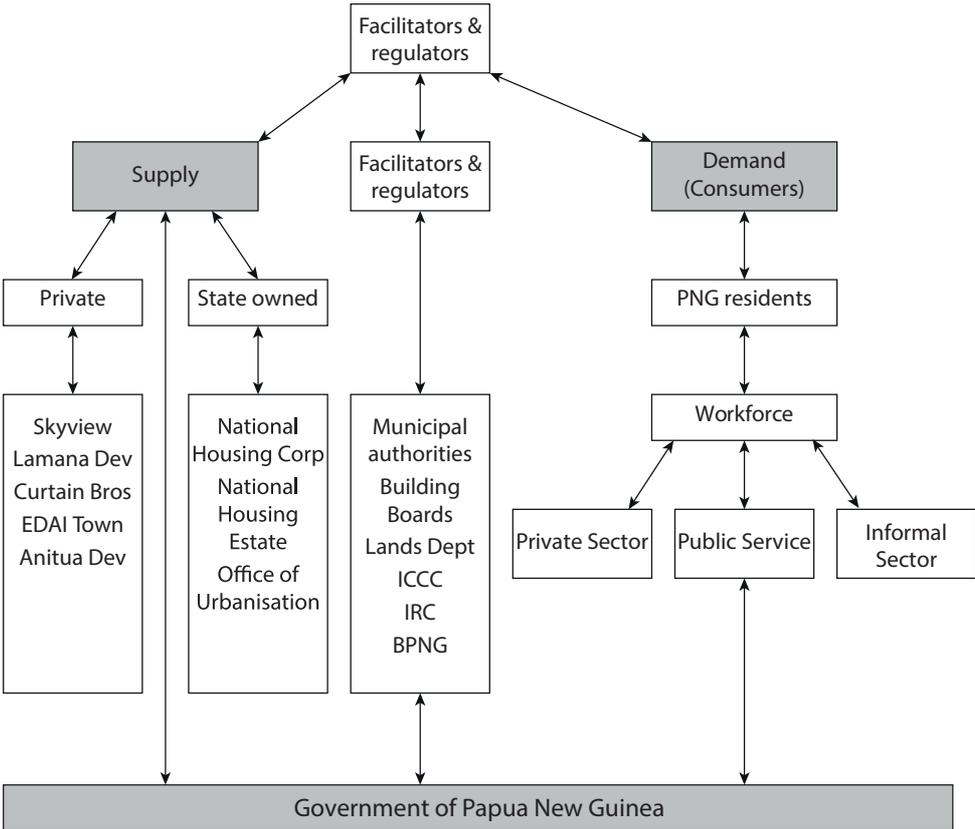
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Abbreviations and Acronyms

BSP	Bank of South Pacific
BPNG	Bank of Papua New Guinea
CB	Curtain Brothers
DOT	Department of Treasury
ETDL	EDAI Town Development Limited
FHOS	First Home Ownership Scheme
GGC	Glory Group of Companies
IASER	Institute of Applied Social and Economic Research
ICCC	Independent Consumer and Competition Commission
ILG	Incorporated Land Group
IRC	Internal Revenue Commission
LNG	Liquefied Natural Gas
NCD	National Capital District
NEC	National Executive Council
NHC	National Housing Commission
NHEL	National Housing Estate Limited
NHTF	National Housing Taskforce
NRI	National Research Institute
PPDT	Property Policy Development Taskforce
UDL	Urban Development Leases

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Figure 1: Stakeholders, property and housing sector



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Executive Summary

The shortage of affordable housing to meet the needs of a rapidly growing urban population in PNG over the last decade has resulted in sharp increases in the rental prices of houses and units, pushing most working Papua New Guineans to seek accommodation in inadequately serviced settlements of the towns and cities. The seriousness of this problem was most obvious in Port Moresby following the commencement of the large PNG Liquefied Natural Gas (LNG) Project that came on-stream in April 2014. The spike in the costs of housing and deterioration in its quality has resulted in loss of productivity of the public and private sectors, plus poor health and sanitation conditions for households pushed into unplanned settlements.

The shortage of affordable housing has serious economic implications. Households lose the opportunity to seek employment within the booming sectors of the economy, the customary landowners whose land is settled upon by squatters lose a valuable asset, and the broader economy loses out on the spillover benefits from the construction of residential properties. The construction industry has backward linkages into earthworks, manufacturing and service sectors, meaning that growth in construction activity creates jobs in all sectors of the economy.

Access to affordable housing has been problematic in PNG. The supply of affordable homes is constrained by the lack of land around the major growth centres for development. Most State land located within the vicinity of Port Moresby for example, has already been built upon. The remaining land that is held under customary title is difficult to access on a long-term and secure basis. The newly introduced reforms to the incorporation of land groups and the registration of customary land provide the opportunity to develop real estate on land leased from customary owners. The process of registration, construction of trunk infrastructure, subdivision of the land, sale of the plots and the construction of buildings takes considerable time. Lead time from a green field earmarked for development to the final sale of a home can be up to a decade.

The long lead time for development of urban space is due to bottlenecks in the supply chain for houses. Amongst the key constraints to the supply of affordable homes are: (i) lack of security of tenure; (ii) absence of sufficient trunk infrastructure in the form of roads, sewerage and reticulated water facilities, and electricity; (iii) limited access to, and the high cost of finance; and (iv) regulatory burdens in the form of compliance with physical planning requirements. The poor status of land administration is also a major bottleneck.

The Government has attempted to address these concerns over the past three decades through the commissioning of taskforce type reports. The first such attempt was made in 1978 when the Morgan Committee was tasked to recommend means to increasing the supply of affordable housing. This was followed by the National Housing Taskforce in 2007 and the Independent Consumer and Competition Commission (ICCC) Report of 2010. The key recommendations from each of the above-mentioned studies are similar and consistent with the current analysis, with the exception of the National Housing Taskforce Report of 2007 that did not get to the NEC. The recommendations of the two reports considered had been endorsed and approved by the NEC for implementation. Disappointing

however, and worthy of mention, is the fact that most of the recommendations from the previous reports whilst technically sound, remain to be implemented.

In approving the ICCC Commissioned Report, the NEC established a Taskforce, with the National Department of Treasury as the lead agency and given responsibility for implementing the recommendations. The Treasury Department has since established a Housing and Property Development Secretariat at the NRI to assist in coordinating the efforts of the Government.

This particular report was commissioned by the Housing and Property Development Secretariat under the Supervision of the NRI to do the following as per the defined scope of work:

1. Undertake an analysis and document the evolution of Housing and Property Development Policy approaches (or lack thereof) in PNG, outlining major policy or process changes and current policy and administrative challenges to the housing and property development sector; and
2. Provide a Work Plan, including a list of five priority policy actions and activities requiring the attention of the NRI, the Department of Treasury and the Property and Policy Development Taskforce (PPDT) Secretariat in the next five years.

In reviewing the literature and considering the various documents available, the three NEC sanctioned reports on the Housing and Property Development Sector between 1978 and 2010 emerged as key to understanding the backgrounds on the status and the subsequent recommendations that emerged from them. Other literature augmented the information gleaned from these key documents.

A preliminary presentation was made by the consultancy team to a combined team of NRI Researchers that included the Director, Deputy Director and representatives from the Department of Treasury on the findings from the literature review and of the information that emerged from discussions with the private large scale estate developers. The discussions concluded that a project approach framework would be appropriate so that research activities stem from, and are determined by, issues that arise from implementation of real projects led by the private sector, with the State agencies providing a facilitative role as well as performing regulatory functions in a more coordinated manner. Such an approach would make research more relevant and, at the same time, issues identified in this study as inhibiting the delivery of affordable housing would be addressed in a more coordinated and effective manner.

The main findings that emerged from this review are enumerated next:

1. There is a serious void in the institutional arrangement to coordinate input on housing from the Government and other stakeholders. The delay in development of real estate and the high cost of housing is at least partly due to the poor coordination across stakeholders from the conceptual planning stage when a green field is released for development to the final sale of houses. In other words, the supply chain for housing is long, resource-intensive and complex, with many bottlenecks in-between. The smooth operation of this supply chain requires synchronisation of the actions of various government agencies, in their roles as facilitators and regulators, and the remaining stakeholders. This complex range of stakeholders is portrayed in Figure 1 of this report. The weakness in coordination across stakeholders was first recognised by the Morgan Committee in 1978 and the need to address this was a

key recommendation they made to the Government. This same issue was raised as a key concern and recommended for attention in the ICCC report of 2010.

2. A common recommendation from all previous reports and endorsed by NEC decisions is for the Government to withdraw from direct provision of housing but instead to provide the policy settings to facilitate and support the private sector meet demand for housing. However, these decisions have not been implemented.
3. Recommendations that the public sector jettison its past stance of employer-provided subsidised housing have not materialised. The Government as the largest formal sector employer has set the path for the private sector to provide subsidised accommodation to its employees. The provision of subsidised housing to employees is fiscally burdensome but it also robs households of a means to save and accumulate wealth.
4. There has been a serious lack of consistency and coherency in Government policy and actions. There is stark evidence of contradictions in policy decisions by the NEC resulting in poor and confusing follow-up actions. The frequent changes in leadership, both at the political (NEC) and bureaucratic levels have not helped and, together with the lengthy and complex processes in property development, have paralysed sound policymaking on public housing over the past three decades. As a result, most ad hoc attempts by Government to address the housing situation have failed.
5. A follow on issue is that of a lack of effective project management skills to better manage the complexity of tasks and synchronising of critical tasks and activities of the many stakeholders. A lack of the appropriate use of project management skills results in a waste of time, funds and effort in bringing to fruition many of the State sponsored projects. They also adversely affect the efficiency of the private sector property developments in the provision of real estate services.

Discussions with Private Sector Developers revealed the following as constraints to growth in supply of affordable homes.

- Non-availability of alienated land within urban areas. Developers preferred alienated land to land under customary title as the former is perceived as providing greater security of the rights to property.
- High costs of trunk infrastructure such as roads, water and sewerage, electricity and so on. They acknowledged the funding made available by the Government for home ownership schemes but stressed that affordability is adversely affected by the high cost of providing trunk infrastructure which are passed on to home buyers.
- Lack of support and effectiveness of key State agencies in securing the requisite approvals from the Physical Planning Board, the building boards, and of timely responses from providers of utilities such as water and electricity. The above translates into loss of time and resources with the costs passed on to the buyers of property.
- High cost of building materials which are at least partly due to high import tariffs.

In view of the findings and the agreement reached in the preliminary discussions for a Project Committee approach to address the constraints identified in this review, we recommend that the Government activates the NEC decision to establish a Taskforce headed by Treasury with five key Government Departments as members. The work of the Taskforce at

the higher level committee is to coordinate policy decision-making and developments; and establish special Project Committees for coordination across key government agencies, the developers, financiers, and so on, to support the speedy implementation of each project.

Project Committees should be established for each large scale private sector-led development. This should start with the Skyview Estates and EDAI Town Development in Port Moresby. Its membership would be from the relevant stakeholders and they would be responsible for the nuts and bolts issues of each development including the following five:

- Land—Identify alienated land and allocate this for housing estate development. If there is no alienated land then work with customary landowners as per the new land laws.
- Trunk infrastructure costs. The costs can be allocated under the annual Government budget. This can also be negotiated with each developer under tax holiday arrangements. Treasury can negotiate and recommend to NEC on a case by case basis.
- Better Coordination and Input from State Agency Service Providers and Regulatory Agencies.
- Pooling limited Project Management skills and tools for improved efficiency and effectiveness in synchronising different tasks of the various State agencies and developers.
- Providing space for the training of project managers at tertiary institutions.

The NRI should play a pivotal role providing Secretariat support services to the Taskforce and that of its Project Committees. In doing so, sound technical advice is provided for policy development and policy implementation. At the same time, any emerging issues can be further researched and the findings can provide inputs to policy implementation.

The research work plan that we recommend aligns with the key findings enumerated above and more so would in future emanate from the work of the Taskforce and the various Project Committees.

Introduction

Scope and Purpose

The NRI houses the Secretariat of the Government of PNG's Property Policy Development Taskforce (PPDT). The main task of the Secretariat and NRI is to support the PPDT to undertake policy research and to promote and facilitate the development and implementation of policy initiatives that would provide for a viable, affordable, quality, planned property sector development in PNG.

The NRI over the next five years under a plan of work approved by the Department of Treasury and the Council of the National Research Institute would undertake the following activities:

- Provision of technical advice—through the commissioning of short term research focused on the specific issues and structural impediments that constrain the growth and development of the property sector.
- Facilitation of Formal Policy Forums to discuss and review reform approaches and models for Housing and Property development.
- Conducting of internal meetings and Consultations to clarify policy options and create consensus on the chosen option for the growth of the Property and Housing development in PNG.¹ This initiative will be driven by the Department of Treasury (DOT) to ensure that inter-agency as well as cross-sectoral consultation takes place.

This report commissioned by the PPDT responds to two specific questions set out in the Terms of Reference:

1. Undertake an analysis and document the evolution of Housing and Property Development Policy approaches (or lack thereof) in PNG, outlining major policy or process changes and current policy and administrative challenges to the housing and property development sector.
2. Provide a Work Plan, including a list of five priority policy actions and activities requiring the attention of the NRI, the Department of Treasury and the PPDT Secretariat in the next five years.

Approach, Structure and Outline of Report

The consultancy team reviewed the limited key documents that were available, beginning with the Morgan Committee Report of 1978, the National Housing Taskforce (NHTF) Report of 2007 and the ICCC Report of 2010. The team also put together recent NEC decisions on Property and Housing Sector and this is included in this report as part of the reference material. Material from the NHC included copies of the Corporate Plan 2006-2011 and other working materials.

The analysis focused on the insights of three key government-sanctioned housing policy review reports that provided snapshots of different times; the post-Independence period

¹ From the PNG NRI Consultancy Scope of Work Contract Document, Page 5.

through the Morgan Report (1978), the high economic growth period through the NHTF Report (2007) and the follow on ICCC Report (2010). An Institute of Applied Social and Economic Research (IASER) research report by Stretton (1979), referred to throughout this report, complemented information from the time of the Morgan Committee. Stretton was a researcher at IASER and is mentioned as having assisted in the work of the Morgan Committee. Other literature, where available, informed and complemented the insights of these key documents.

In reviewing the documentation available, the analysis also brought into play the team's own experiences and insights, as well as some of the significant historical events and background leading up to the current situation captured in Section 2 of the Report.

In doing so, it became obvious to the team that most of the technical areas identified as constraints in recent reports (NHTF and ICCC) such as access to suitable state and customary land, physical planning, trunk infrastructure, financing and so on, had been identified as constraints and appropriate remedies were proposed in the Morgan Report of 1978. Most of the recommendations proposed then, including the key proposal of establishing an "Effective Coordination Mechanism" kept re-surfacing in the subsequent reports.

The problems could be that it is not that we do not know WHAT to do but HOW to do it. We also do not know what could be the problems and issues that underpin the problem and why this is the case. Why is this issue of 'Better Coordination' resurfacing in these reports?

In trying to understand this better, the team set out to map out in a simple framework and capture in a nutshell who the key stakeholders were, what roles they played and the kinds of complexities that exist, in an attempt to synchronise these inputs so that at the end of the day, there is a flowing pipeline delivering houses onto the market on a continuous basis. Figure 1 attempts to map out and represent those involved in the supply side, the State entities involved in regulatory and facilitation work in the centre, and, on the demand side, the issues to do with the consumer.

Section 2 presents a historical overview of significant policy developments in the properties and housing sector. The evolution of issues in the sector and various government responses are highlighted using the three key policy documents analysed, combined with other data including personal experiences.

The team then set out to meet with major housing and real estate developers in Port Moresby to tease out from their experiences and point of view, the problems and issues that could be addressed by Government. The information provided assisted in better understanding the complexities of the multiple stakeholders and especially the input of State agencies in facilitating in areas such as access to land and trunk services, and in regulatory roles such as physical planning and building board approvals. These findings are presented in Section 3.

Section 4 teases out the key issues emerging from the literature reviewed and from the interviews with property developers as areas to be addressed. It discusses how and why they have impeded addressing the housing needs issues and what needs to be done. The Section particularly highlights the complexities of housing and property development, and the need for Institutional Arrangements for better Coordination and Effective Planning and Implementation of Strategies.

Section 5 sets out recommendations for the PNG NRI and the Department of Treasury to consider. The main proposal is for a Project Type approach to address the constraints identified, with Department of Treasury playing a lead role, as well as to enable NRI in identifying, planning and conducting policy relevant research.

Historical narrative of developments

Colonial government legacy of housing migrant workforce

The problems to do with housing issues today in some respects have their origin in the past colonial and post-colonial government attempts to provide housing for a migrant workforce. Expatriate employees were provided “temporary” housing whilst on assignment in PNG and this also extended to local employees recruited as public servants whose engagement was seen as temporary, with employees eventually returning to their tribal homelands. This also extended to the private sector and was probably accentuated by the concept of “indentured plantation labourers” who were recruited from their tribal homelands to work for a certain period of time, with housing provided by the employer, and then returned to their homeland.

The Morgan Committee Report brings this point out clearly as noted below.

“The establishment of government services in Papua New Guinea placed on the administration at the time a responsibility to provide housing for expatriates recruited overseas for positions in the Public Service in Papua New Guinea. This accommodation was highly subsidized as part of an inducement to attract them to Papua New Guinea. Later, the administration began to provide low cost housing for Papua New Guinean employees, many of whom were being drawn from other parts of the country to work in urban and other areas where they had no land rights and hence no housing of their own. These houses were also provided on a subsidized basis.

As more and more people sought work in urban areas, either in Government or in private enterprise, the provision of housing for this migrant population became an urban problem. In order to bring the situation under control and to meet the existing and future needs of the local community with adequate standards in housing, the Housing Commission was established in 1968 under the Housing Commission Ordinance, 1967 (their emphasis) (1978:10).

The public sector as the major source of formal employment thus in some sense influenced employment conditions for the private sector too. The fact that the government was providing housing to its employees meant that the large private sector firms had to do the same for its own employees. The subsequent growth of enclave developments within the minerals sector such those in Panguna and Ok Tedi provided further impetus to employer provided housing for the majority of its workforce.

National Housing Corporation and the issues in the 1970s

Demand for houses within the urban sector consistently outstripped supply. The NHC, established in 1968 attempted to meet the increasing demands of an urban workforce through various schemes such as settlement blocks with self-housing schemes, low cost houses for the low and middle income workers and then managing the high covenant houses vacated by the colonial officials for the high level officials. The rapid growth of the urban population and Port Moresby particularly exacerbated the growing shortage of

urban housing. Furthermore, the constant changes of Government policy directives to appease a strong public service union that did not want to pay high rents confounded its best attempts to deal with the situation (Stretton 1979:8–26). Apart from the self-help housing schemes, most houses built by NHC were rental properties in a weak or somewhat non-existent housing market.

This policy approach was also supported by a Global Development Paradigm of a Basic Needs approach to development which espoused Housing and Shelter as basic needs. The discussions around the issue of shelter were on suitability of materials, adequate size of shelter, and the provision of utilities such as water, sewerage, electricity, and so on.

Stretton (1979), summarises the housing situation at the time after Independence brought about by the historical past that had the following characteristics:

- A housing stock completely inappropriate in terms of the income of Papua New Guineans and the country's aspirations for a more equitable society;
- A highly stratified housing market;
- A large number of employees who expect housing to be supplied by their employer at nominal rates;
- High rental subsidies which were inversely correlated with the income of tenants;
- A lack of interest in home ownership, except for residents in settlements and urban villages;
- A poorly developed housing market;
- A private building industry which remains underdeveloped, most houses being constructed by the NHC;
- Housing being a strong political issue as attempts to change the current policy will reduce benefits accruing to a vocal and politically powerful section of the community; and,
- A more enlightened attitude to squatter settlements and self-help housing schemes than is found in many third World Countries. (1979:6–7).

The Government attempted to introduce cost recovery schemes to fund high costs of maintaining houses by increasing rents and by selling houses to reduce high maintenance bills, but this was met with stiff resistance from strong public service associations.

The Morgan Committee

The Government therefore established the Morgan Committee to undertake an inquiry to investigate and propose recommendations to address the problems of the housing sector (Morgan 1978). The first thing the Morgan Committee did after being appointed and before going into providing a detailed report was to obtain clearance and endorsement for strategic policy direction based on NEC endorsement of eight principles that the Morgan Committee proposed:

1. The individual should accept responsibility for providing his own housing at a price he can afford.
2. Public subsidies for formal housing should be phased out.
3. The Government's responsibility for housing its employees should be phased out.

4. The greater part of housing should be provided by self-help methods.
5. An adequate supply of land for housing and development should be made available based on fair and equitable arrangements between owners and potential users of the land.
6. The axiom of “best value for money” should govern inputs of government money into housing.
7. Private finance should be utilised for housing in preference to Government resources.
8. Maximum participation by Papua New Guineans in housing development. (1978: 12).

Following endorsement by the NEC of these eight principles, the committee then expanded on the principles making various recommendations. The first four of the eight principles proposed a strategy for getting individuals to be responsible for their housing and reducing the role of the State. Recommendations ranged from direct provision by the NHC, self-help housing and the financing of these strategies.

Making housing the responsibility of the individual employee rather than that of the employer was a major shift from the existing paradigm but one that has not had much traction in terms of implementation—an issue we return to later.

In recognising the complexities of implementing the recommendations within the framework of various entities with different responsibilities at various levels of Government, the Morgan Committee emphasised the need for better coordination and recommended specifically for the establishment of a Department of Urban Management to take responsibility for planning and development of urban areas.

A summary of the key areas from the Morgan Report are highlighted in the annotated bibliography, Appendix A.1., of this report. Many of these points are raised and discussed again in Section 3 where the discussion is around why some of the sound recommendations have not been implemented and the same issues keep resurfacing.

1980s–2000: Limited information but large estates built by NHC

While there is little documentation available to inform us on what happened during the 20-year period, 1980 to 2000, there is evidence that the NHC was active and several new suburbs emerged between 1980 and 1990.² A number of suburbs emerged in PNG towns and cities during that period and it would therefore be useful to establish what happened during that period to learn from the lessons, if any.

The NHC was also active in a resettlement policy introduced by the Government for the NHC to develop Settlement Blocks with subdivisions for individuals to lease and build their own houses that did not meet the strict standards imposed by the Building Boards. Examples of the above within Port Moresby include Horsecamp and Erima where leasehold titles for the self-help housing blocks initially held by NHC were gradually transferred to individuals (Stretton 1979: 24–26)³. There could have been similar blocks allocated in

² We know that the suburbs of Gerehu in Port Moresby, Eriku in Lae and others such as Warakum were built during that period. Personal reflections of Thomas Webster.

³ Personal knowledge of Thomas Webster as PNG Land Board member approving lease titles for these blocks of land to many individuals as part of satisfying a process where the land is advertised as vacant land and then allocated based on reports from the National Housing Corporation and references from

other urban centres of PNG.⁴

These developments happened during a period leading up to the decade of the new millennium, a period of fiscal turmoil for PNG, starting with the Bougainville crisis and followed by the Asian Financial Crisis of 1997.

There was no literature identified that could assist in understanding what happened during this time or why and how these developments occurred as they did. Perhaps the recommendations of the Morgan Committee were implemented during that period that led to successful development of large suburban developments and self-help housing schemes by the NHC. How did these developments come about? What factors contributed to these developments? And more importantly, if the systems and processes did exist and were functioning, what happened that led to the deterioration, where current systems and processes seem to resemble those of the 1970s, calling for similar recommendations to those contained in the Morgan Report?

This could be the subject of a research program to understand what happened during the periods 1980–2000.

The National Housing Taskforce

A sharp spurt in demand for housing within the NCD and the surrounding regions came about during the economic activities brought on by the PNG LNG Project Construction Phase accompanied by improved windfall to government revenues as a result of high prices for agricultural commodities.⁵

Prices of housing and accommodation rentals went through the roof, more than tripling in prices in some locations⁶. Where rentals were K800 a week in 2005, they reached K3000 a week by 2008⁷. Many senior public servants and politicians living in rental accommodation were as a consequence forced out to squatter settlements, where rentals were still affordable, despite the large increases. Private citizens and employees of business houses were equally affected.

In response to mounting pressure to do something, the Chief Secretary to Government in 2007 established a National (NHTE) Chaired by the Secretary for Treasury with membership from the key Central Agency Departments. The NRI was appointed a Strategic Adviser to the taskforce. The taskforce identified areas of constraints to the development of a sound housing market and made recommendations for Government to adopt a more comprehensive rather than piecemeal approach to addressing housing problems. This was to address pressure from some central agencies of government to either purchase houses or identify land and construct houses—or do both simultaneously.⁸

An NEC submission with a draft policy articulating a policy change from one of Gov-

the community leaders that the person had been the occupant of the land

4 The Ministry of Housing Draft Policy Document of 2002 has a whole section on a Policy on Self Help Housing for settlements indicating that this is based on past success.

5 Levantis and Sanida (2015), NRI Report on PNG Economic Outlook.

6 See Gouy J., Kapa J., Mokae A., Levantis T. (2010), Parting with the past: Is Papua New Guinea poised to begin a new chapter towards development? Pacific Economic Bulletin, Vol. 25, No. 1.

7 Personal knowledge of Thomas Webster for a three-bedroom unit at Gordons 5. "In 2005, I looked at a flat to rent. It was quoted at K800 a week. In 2008, the similar flat was rented by NRI for the Asian Development Bank funded HIV Behavioural Research Team Leader for K3000 a week."

8 Personal knowledge of Thomas Webster as NRI team leader of the advisory team to NHTE.

ernment providing institutional housing to that of a private sector-led supply of housing to the general population was proposed. Key recommendations highlighted in the report included:

- Implementation of Land Taskforce Recommendations in order to increase supply of land for housing while at the same time improving land administration systems to address security of property rights.
- Encouraging private sector involvement in housing projects and for Government Agencies to withdraw and provide facilitation and regulatory services.
- Improving access to finance for both developers and for home buyers.
- Putting in place appropriate institutional arrangements to ensure successful implementation of strategies.

The policy was targeted at the whole community rather than just the public sector. A separate albeit related point is that private demand for housing is likely to be more stable than that from the public sector given that the latter is prone to fiscal crises similar to those faced in the 1990s and the 2000s. The role of Government would be to facilitate appropriate interventions in land release, ease of regulatory requirements, options to reduce burden of costs and provision of home financing options.

The Strategic Policy focus was to reduce the fiscal burden of subsidised temporary institutional housing for senior public servants and to promote home ownership schemes by the private sector. Such a strategy would also contribute to economic growth by increasing private sector investments and employment. Privately-owned properties would then constitute part of the portfolio of assets of the individual who could draw on the equity when in need and following retirement.

The Housing Minister, the Minister responsible under powers delegated by legislation, refused to sign and sponsor the NEC submission despite the Treasury Minister signing off on the submission. The NEC Secretariat refused to include it on the NEC agenda because the relevant Minister had not signed off on it.

We can with the benefit of hindsight now speculate on the reason why the Minister for Housing refused to endorse the submission to the NEC. Only a year earlier, NEC had approved a National Housing Corporation to establish a separate company to undertake commercial property development and approved that this be done with a K200 million loan (NEC Decision No. NG70/2007). If the NEC Submission with the NHTF recommendations were approved by NEC, this could negate and jeopardise the implementation of the NHC sponsored housing and commercial property development decision.

Secondly, senior government officials may not have supported the proposed Strategy. The ICCR Report for instance, points out that the Department of Personnel Management opposed withdrawal of Government from the direct provision of housing, and this may have added weight to the stalling of the decision-making process (2010:89).

Furthermore, whilst there is no documentary evidence, a few of the State agencies including Department of Personnel Management are known to have bought blocks of housing units to house their senior staff during that period⁹. In short, the politics of government

⁹ The Department of Personnel Management is said to have bought flats along Ela Beach for use by its senior staff. In the 2009 Budget Outlook report by Treasury, a Trust Account for Pilot Public Service Housing of K15m had been allocated and spent. We speculate that funds allocated under this item could have been used. Also the Constitutional Law Reform Commission bought units at Gordons to house their senior staff.

provided housing won over the economics of private sector driven housing provision.

The Independent Consumer and Competition Commission Report

Given the limited progress made with having a clear policy guideline and the increasing number of failures with ad hoc arrangements, the Treasury Ministry then formally requested the Independent Consumer and Competition Commission (ICCC) to undertake a review into the state of the Housing Industry. Through this process, the Treasury Minister could take the submission directly to NEC as a report from the ICCC.

The ICCC undertook a comprehensive review and produced in 2010 a well-documented report on the key issues facing the industry. This report took into account the work of the NHTF and also proposed a more holistic approach to addressing the housing supply constraints.

The ICCC Report made the following key recommendations that emerge from this report:

- Examine professional services provided by real estate companies and provide a regulatory framework (page 114).
- Increase supply of State Land for housing (pages 115–117).
- Increase supply of Customary Land (page 115).
- Remove distortions and inequities of ‘Institutional Housing’ (page 117).
- Stop ‘crowding out’ the private sector through the inefficient operation of NHC and other agencies (page 117).
- Address the high cost and scarcity of subdivided land and housing (page 118).
- Encourage innovation and reduce costs of construction (page 118).
- Consider Urban Renewal Policies (page 119).
- Address urban drift by ‘pro poor’ and ‘pro-growth’ economic policies on a national geographic basis (page 119).
- Develop policies for squatter settlements which occupy state land (page 119).
- Address housing affordability.

The main theme of the report again proposed a private sector-led housing supply strategy with the public sector withdrawing and confining itself to a facilitating and supporting role. It sets out a whole set of strategies to implement the recommendations.

The report goes on to recommend for the establishment of an “umbrella coordinating and supervising agency” involving nine key national level agencies for developing broader policy settings and strategies (2010:99). Another section addressed what it called “Implementation Strategies”, mainly to do with coordinating the inputs of various agencies and the timing and sequencing of these inputs.

The National Executive Council endorsed the ICCC Report and approved all the recommendations contained in the report.¹⁰

However, the implementation of these recommendations have not progressed as intended,

¹⁰ NEC Decision No.45/2013 of 21 February, 2013.

with many decisions by the NEC that are clearly in contradiction to the recommendations.

Ad hoc Attempts by the Government

It is appropriate to put housing policy into context by highlighting some of the attempts by the Government to address housing issues that could appropriately be termed 'ad hoc' in the absence of the more holistic approach as recommended by the NHTF and the ICCR Report. Some attempts were made but almost all are known to have failed and these need to be mentioned.

The Government attempted a number of Homeownership schemes since the 1980s with the aim of assisting citizens to own homes, but all these attempts were not sustainable. Most provided financial packages whilst others, specifically in the public sector, also included sale of government houses at concessional terms to sitting tenants. These sales largely benefited officials who designed those policies at that time. These were reviewed and summarised in the NHTF for the purposes of drawing lessons from these, but it seems that there is inadequate documentation around these initiatives to draw lessons for improvement.

In the late 2000s, the Government through the Minister for Public Service initiated a Public Service Housing Scheme by awarding a contract of about K39 million to a private company with limited experience in PNG and the construction sector to build around 200 houses to be purchased by public servants.¹¹ Only 14 houses were constructed and the company admitted in 2012 that it could not deliver on the project as the costs had increased and it was reported that the project funds, which had been fully paid upfront, were returned to the Government.

Another project was the Taurama customary land registration and development project. It was supervised by the Office of Urbanization under the National Land Development Program. The aim was to develop that area as a suburban residential development, with plans to release about 5000 allotments for housing in the initial phase. Again, the complexities and dynamics of registering customary land groups, the statutory requirements of the Physical Planning Act and procedural requirements that were not well understood by the project managers all collectively contributed to a collapse of the program. It ended in an unplanned housing development that is described as an urban settlement area by some commentators¹².

There was a NEC decision of December 2007 that approved the establishment of the NHEL and also approved a Nine Mile housing project to build 200 houses with funding from the 2008 Budget and the 2006/2007 Supplementary Budget.¹³ It is not known whether funding was allocated and if so, what happened.

In early 2013, the Government established a Ministerial Land and Housing Committee to take responsibility for providing overall high level policy direction on the development of affordable housing in PNG and the progression of the National Land Development Program¹⁴. The Ministerial Committee after identifying two large parcels of land, directed the National Housing Commission to take responsibility for the development of one known as the Duran Farm project and the Office of Urbanisation with the Department of National Planning on another site in Gerehu. Despite the Duran Farm project being launched with

11 News source from the website: pipd.eastwestcentre.org/pireport/2012/May/05-16-06.htm

12 Personal knowledge of Thomas Webster as member of the NLDP.

13 NEC Decision No. NG70/2007.

14 NEC Decision No. 135/2013.

some fanfare in November 2014, with the Minister responsible reported to have said that there would be:

*“2,500 accommodation blocks, one high school, three primary schools, five pre-schools, four police stations, one fire station, one hotel, 58 shops, two mega malls the size of Vision city, six churches, three sporting grounds, three health clinics and four apartments”;*¹⁵

there has, however, not been any further news on the progress of implementation.

The Chairman of the Ministerial Committee on Land and Housing and Minister for National Planning announced in January 2015 that 2000 land titles of projects in Port Moresby and more in Lae would be given free of charge to ordinary Papua New Guineans and that these would be expanded to all provinces.¹⁶ The Minister further added that K1 million would be allocated to each District for the construction of ten houses per District project. Details of these projects are not available and it is not known whether funds have been allocated and spent on these projects. No further pronouncements have been made on these projects.

The Government in 2014 announced the decision to allocate a K200 million first home owner loan fund to be managed by the Bank of South Pacific¹⁷. Many saw these facilities as linked to the two State funded projects where public servants could purchase land and housing packages. Despite some criticisms about the feasibility and attractiveness of this facility (Yala 2015), as discussed in the following section, it is the private sector who really welcomed this intervention.

It would be useful to conduct studies on how the funding facility is being utilised and the lessons that can be drawn upon to inform government on further improvements in order to ease the burden of payment by homebuyers as well as areas to reduce costs through support to private sector developers.

There has since been limited information released on the progress of the two Government sponsored projects. Both projects will most likely fail as did those others in the past.

Senior Government officials do not quite understand the underlying complexities of constructing properties and the problems and issues that needed to be dealt with in order to get houses ready to live in. During the NHTF consultations with Departmental Heads of the Central Agencies Committee, senior officials at different times asked the NRI Advisory Team why the Government could not simply find some land and build houses¹⁸. The standard advice given was that there was limited land available and that there is a process to go through to get land and even if land was available, the relevant state agencies such as NHC were dysfunctional and would not be able to undertake the massive construction of site services, the infrastructure and then the actual houses. Despite the advice given, the Government still proceeded with the sort of ad hoc trial and error type projects described above.

The other contributing factor is that of the prevalence of corruption in PNG¹⁹. Projects proposed could have been intended as vehicles for government funds to be pilfered and not

15 www.pngfacts.com/news/png/png-national-housing-corporation-launches-mega-housing-project

16 www.pngfacts.com/2015/01/png-government-to-give-free-land-titles.html

17 www.bsp.com.pg/Media-Centre/News—Announcements/2014/National-Government-and-BSP-ink-First-Home-Ownership-Scheme.aspx

18 Personal knowledge of Thomas Webster as NRI team leader of the advisory team to NHTF.

19 The 2015 Corruption Perception Index by Transparency International ranks PNG at 139 out of 168 nations for whom this data has been collated.

for the objective of delivering houses. In other instances, the multiple layers of processes such as facilitating land release, complying with the regulatory requirements of physical planning and buildings boards, and the construction and installation of electricity, water and sewerage services provide opportunities for corruption by gate keepers who can demand payments and deny progress, stalling and even contributing to project failures.

Private sector response to housing market demands

The private sector in sharp contrast to the public sector has responded positively to meeting the rising demand for residential accommodation around Port Moresby following the commencement of the PNG LNG project. At the higher end of the market particularly in Port Moresby (Town) and Boroko, several high rise projects have emerged with three bedroom apartments being built and put on the market for K2 million and more per unit²⁰. Land-owners have combined with developers in building a new town centre on the outskirts of the city (i.e. EDAI Town) and close to the PNG LNG processing plant²¹.

Many other projects have spawned within the outskirts of Port Moresby with land and housing packages being advertised. Some of these are described in Section 3 where data drawn from interviews with the developers are presented.

These developments by the private sector have occurred without much support from the Government despite the strong recommendations from the Morgan Committee Report, the Taskforce Report and the ICCC Report to the Government.

The private sector developers have welcomed the Government's intervention in providing a first home buyer loan facility but much more could be done such as meeting the costs of trunk infrastructure developments²². If State owned agencies improved efficiency in their regulatory functions such as physical planning and building board approvals, inspection and approvals for installation of electricity, water and sewerage services to projects and so on, the benefits from reduced costs would be passed on to the homebuyer.

The private property developers in the discussions expressed keen interest to look at ways of reducing further the costs of the houses that they were building with a view to making them affordable for first home buyers using the funds made available. Specific financial modeling studies could be undertaken to identify how and where costs could be reduced and linking to the home loan financing options that could ease burden of repayments by the homebuyer.

The main risk identified by the developers is that the property boom generated a lot of interest from a range of developers and that homeowners are not protected if payments are made upfront and developers fail to deliver. There is a need for legislation to protect the buyers.

The other more interesting development is the expansion of squatter settlements on the peripherals of the planned development areas.²³ These have existed for some time, accommodating mostly low income earners but have also seen in recent years more and more workers in the middle and high income brackets moving to these areas as rentals increased in the developed areas.

20 For the range of prices in Port Moresby 2010, see Gouy et al (2010) Table 2.

21 See Section 4, one of the Project Developers interviewed and Aleker, forthcoming.

22 See data from interviews with property developers in Section 3.

23 These are distinct from planned self-help housing project areas by the NHC in the 1980s such as Horse-camp, Erima, etc in Port Moresby that have clear and distinct land titles.

Others had been pushed to new settlement areas by property developers with titles to the land that they had been squatting on. These developments have been aided and abetted by local Members of Parliament who see potential for amassing votes in the next elections. (see Morgan (1978); and Chand and Yala (2010).

Many in the settlement areas responded to the property boom and rising rental costs by constructing nice houses and either renting the whole house or bedrooms to different tenants with shared common facilities.

Many of the settlements are by people from similar language groups and have adopted governance and management systems that maintain security and allow them to negotiate for basic services such as water and electricity. Recently, the Prime Minister has been reported to have attended a meeting at a settlement and committed to issuing proper land titles to the settlers in order to guarantee security of title so that they cannot be forced to move²⁴.

Settlements have provided a low cost housing option for many Papua New Guineans. They offer opportunities for those who are entering the workforce a low cost accommodation option where one could live and save money for a deposit on their first home.

Since the closure of the Government owned hostels that provided for entry level workers in the public service, and the absence of the State providing low cost homes for low income earners, settlements are an alternative. Studies need to be conducted on the dynamics at settlements and how these settlement areas can be improved, not only to provide workforce entry level homes, but also for those low income earners who will live there permanently.

Such studies can also assist in understanding the development of different segments of the Housing Market where provision is made for different costs of housing types, providing the flexibility for one to progress as income and affordability improves.

Summary

The discussion outlines some key attempts by the Government to better understand the demands of the housing sector and to respond appropriately with clear strategies to address the constraints. Three key Government sanctioned reports commissioned at different times over a thirty-year period illustrate the attempts by the Government, responding to pressures from the public, to provide appropriate accommodation for the workforce, and the challenges faced.

Many of the technical deficiencies have been identified but remain much the same, such as the need for proper physical planning to release land for housing, financing property developments, relief for home buyers or reduced rents for tenants. They had been identified in the Morgan Committee report of 1978 and now re-emerge as major areas to be addressed in the ICCC report of 2010, more than thirty years later.

How to improve on these areas has been a challenge and remained latent until a property boom in the late 2000s, triggered by high volumes of economic activity due to the LNG Gas project. This pushed house prices and rentals to unprecedented levels, sparking interest particularly from Government officials who were feeling the effects, but also from the wider community.

Despite the Government approving the recommendations of a technically sound and comprehensive report of the ICCC on what needed to be done, the Government response was ad hoc and in many respects contradictory to the recommendations that the NEC had endorsed. State sponsored housing projects failed mainly due to two key points, as argued

²⁴ www.pngfacts.com; Prime Minister Peter O'Neil promises land and titles to settlers. 29/10/2015.

in Section 4. First is the fact that policy makers lack appreciation and understanding about the complexities involved in implementing property and housing development policies, requiring the input of many stakeholders and requiring proper sequencing and coordination of efforts over a period of many years.

Even when the processes are followed, the increased corruption levels leading to inefficiencies and the decisions made weaken and undermine Government efforts to bring houses onto the market for buyers at a reasonable price.

Another factor that has not been adequately dealt with and continues to influence government policy is the issue of taking responsibility for housing. A legacy from the colonial government era, first identified by the Morgan Committee in 1978, it continues to hinder effective development of policies for housing. This reduces the incentive for individuals to save and buy homes, not only to meet their current needs for shelter, but as a long term savings and wealth creation strategy.

On the other hand, the private sector had responded positively to meeting the housing needs at various levels ranging from high cost houses to simple accommodations in the settlements on the peripherals of urban centres. This has been done with limited support from the government except for the first home owner financing scheme and as documented, the private sector developers have welcomed this initiative.

The three key commissioned reports by the Government all endorse and recommend a private sector-led strategy in meeting the housing needs of the population at large. They have called for, and the Government has endorsed, the recommendations for the Government to withdraw from direct input and for the Government to support the private sector in the facilitatory and regulatory functions.

However, this has not happened and various Government Agencies have continued to compete in the housing market, while the supporting roles are weak and contribute to the increased costs of houses.

How have the private sector fared in this environment, even though they seem to have been more successful? What have they done, what problems have they encountered and how can the government support the private sector more effectively? The next section presents information gathered from interviews with three large property developers who provide that insight.

Findings from consultations with property and housing developers

A major deliverable in the Terms of Reference of the consultancy was to interview at least four major private Property and Housing developers. The purpose of the interviews was to ensure that the housing and property policy development framework accommodated the realities and challenges experienced by the private developers. Hence the interviews were designed to gauge the current developments each developer was engaged in, the emerging issues faced and prospects of future investments in the property sector.

In reviewing the ICCR Report 2010, and others that called for a holistic policy framework that accommodated all players in the housing and property market, a framework of the property and housing sector that encapsulated the functions and roles of all respective players in the property market was created. This is pictorially presented in the Stakeholder: Property and Housing Sector Framework in Figure 1.

Using this Framework, attempts were made during the consultations to include representatives from all regulators, financial institutions and state facilitators/developers, although this was not stated in the TOR. However, due to non-availability of the key representatives of the above stakeholders for the interviews and the stakeholder consultation meetings at NRI, the consultants conducted interviews only with the Private Developers to ensure the fulfilment of the TOR. Attempts to speak to the State owned developers, namely the NHC, the NHEL and the Office of Urbanization coordinating a development in Gerehu, were all unsuccessful.

Six major Private Developers were invited to participate in the interviews:

- Curtain Brothers
- Lamana Development
- EDAI Town Development Limited
- Glory Group of Companies
- Anitua Construction
- Pacific Palms Property Limited

Only three Private Developers were available for the interviews:

- EDAI Town Development Limited
- Glory Group of Companies
- Curtain Brothers

The questions to the Private Developers were framed into three main themes:

1. understanding their current property developments;
2. the emerging challenges and issues they are faced with; and

3. the priority areas that they would like for policy development.

The following is a summary of the interviews with the Private Developers structured within the above themes:

Glory Group of Companies

Glory Group of Companies (GGC) was established in 2008 in Port Moresby²⁵. The company is involved in construction and property development. Since its inception, GGC has strived to provide quality and affordable homes in a safe and secured gated community. Below are pictures of the three major projects that have been rolled out since 2009.



Glory Garden

Ela Vista Apartments

Skyview Estate

Current Property Developments (Residential)

Glory Group of Companies currently has three major property developments in the market as reflected in the photographs. They are the Ela Vista Apartments (Ela Beach), Glory Garden Estate (8 Mile) and Skyview Estate (near Air Transport Services which is catering for 500 houses). These three projects cater for the various income brackets in the market with the Ela Vista Apartments priced at more than K2 million thus targeting corporate clients such as Air Niugini; the Glory Garden at 8 Mile focusing on the middle and upper end of the market with a price range of K700,000 for high set houses to K1.2 million for executive houses; and, the Skyview developments focusing on the middle class and building low set houses for less than K500,000. The building materials are sourced locally and also imported from abroad. For instance, the houses have steel frames, hence the roofing and the house bearers are imported as there are no manufacturing industries that cater for their requirements.

Glory Group of Companies property development projects are on State land. Glory developments do not want to deal with customary land as there are too many claims and disputes. However due to the shortage of the State land for the interest of urban expansion GGC suggested that perhaps the State should consider acquiring land from the customary landowners and deal with the private developers.

Challenges and Experiences from Developers' Perspective

The main challenges facing these property development projects are the long bureaucratic processes involved in acquiring State land and building properties. Additional challenges include the development of the trunk infrastructure by the State such as roads, sewerage, electricity and water for the project. For instance in the Skyview developments, advance payments were made to PNG Power to connect electricity. At this stage, during which

²⁵ See further information about Glory Group of Companies in Appendix C

phase 1 of the project is underway, the power connection is not fully installed. There are similar problems with Eda Ranu with the connection of water. In addition, locally skilled workers in the building industry are short in supply and need to be supplemented with skilled workers sourced externally.

Shortage of State land within the urban area is a major challenge. Hence, direct interventions by Government in the housing market result in wastage of resources. There have been too many failed government housing projects before the Duran Farm, the newly initiated Government project on affordable housing. GGC suggested that the Duran Farm concept is a good idea. However, it should be given to the private sector.

On the other hand, GGC is very supportive of the Government's initiative of the First Home Ownership Scheme (FHOS) which the Government has partnered with Bank of South Pacific (BSP). This is seen as a good policy which has encouraged the private sector to respond to the demand.

The general perception of the home buyers at the Skyview Estate indicates that young professionals wish to invest in properties. This has been reflected in their plans that properties acquired were for investment, as a few have indicated that they will sell the property bought in the 1st phase and reinvest the proceeds in the 2nd phase.

Future Investment Prospects

Glory Group of Companies would like to invest further in the properties market. However, apart from the health of the local economy, good policies such as the FHOS which provides subsidised loans to Papua New Guineans are important.

On the other hand, the Government should come up with regulations to protect the consumers. For instance, there needs to be regulation on filtering out the genuine developers. There are experiences that consumers purchase a home in the expectation that it would be built, but in the end the project fails and no one is held accountable.

EDAI Town Development Limited

EDAI Town is located along the PNG LNG corridor, in the North-Western part of Port Moresby. It is a joint venture initiative with Boera Holdings Limited (a local landowner company) and JC-KRTA Consulting Group, a Malaysian company. As a result of this partnership, they have incorporated a company called EDAI Town Development Limited (ETDL)²⁶, which is the developer for EDAI Town. Since the launching of the township by the Prime Minister, Peter O'Neil, in October 2013, EDAI Town successfully received their first batch of tenants in February 2016.



Double-storey Town Houses



High Set Stand Alone House



EDAI Town Construction Phase

²⁶ See further information about EDAI Town Development Limited in Appendix D.

Current Property Developments

The main emphasis in the EDAI Town Development is to promote affordable houses to all Papua New Guineans. The developers have recognised the critical need for affordable housing and have taken the initiative to meet this need in a gated community concept.

There are three phases in the township development. The construction of Phase 1 began in February 2014 and is currently underway, and 86 of the 136 houses have been built. Phase 2 and 3 will see the construction of more houses, a commercial precinct and recreational parks. The developers foresee a community of 10,000 residents living in EDAI Town.

EDAI Town consists of four types of houses which vary in price according to their land sizes. The types of houses include traditional high set homes (3 + 1 rooms), modern two storey homes (3 + 1 rooms), double-storey duplexes (3 bedrooms) and double storey town houses (3 bedrooms). The land sizes are categorised into small (less than 450 square metres), medium (between 450 and 550 square metres), large (between 550 and 650 square metres) and extra-large (greater than 650 square metres)²⁷.

The price ranges of the respective houses are as follows:

- Traditional high set home price varies from K498,000 for a small house and K560,000 for a medium house to K590,000 for a large house.
- Modern two storey home prices vary from K730,000 for a small house and K760,000 for a large house to K790,000 for an extra-large house. The double-storey duplex price is K398,000 per unit, with land.
- Double storey town house prices range varies between K268,000 for intermediate units and K348,000 for high-end units.

EDAI Town was given a 99 year state lease in February of 2015. ETDL indicated that they prefer dealing with state land rather than customary land.

Emerging Challenges and Experiences from Developers' Perspective

The following challenges were highlighted by ETDL:

- Shortage of large tracts of state land.
- Project financing for developer.
- Home loan financing for buyer. The FHOS is a good initiative from the Government.
- Need for training of skill labour. Having realised this need, through the project phases, the developer intends to re-skill and create opportunities for the locals, hence 95 percent of the workforce are locals.
- High material costs—most of the building materials are imported in bulk because of the lack of local supporting industries. For instance, the houses are made of steel structures and the bulk of these building materials were imported and then assembled on project site.
- High construction cost—the trunk infrastructures is being provided by the Developer. For instance the 1 km road within the EDAI Town is already costing above K5 million. The Developer attributed the high costs to:

²⁷ The house size is the same, but small, medium and large refer to the size of the land and not the size of the house.

- High business cost;
- High financing cost; and,
- Lack of foreign currency.

Future Investment Prospects

ETDL is looking forward to building the next two phases of the EDAI Town project. However, the main concern raised about the future of the property and housing industry is the need for a legislative framework that would protect the buyers from the developers. Currently, the developers are not regulated, hence the property buyers may face financial risk if the developer fails or abandons the project. ETDL suggested that the government should perhaps think of regulating developers of more than 10 hectares of property for transparency and accountability. They may also need to purchase insurance to protect buyers of property who commit funds to the project.

On the other hand, the FHOS with BSP is a good initiative by the government. These are the types of initiatives that need to be facilitated by the government, as they raise the demand for affordable housing. However, on the developer's side the Government needs to provide the infrastructure and land for the developers. The cost of infrastructure and land are major factors that inflate the prices of the properties.

Curtain Brothers

Curtain Brothers (CB) are renowned for the Harbour City development in Town and the Motukea Dry Dock development. Recently, PNG Ports Limited relocated their wharf from Fairfax Harbour to Motukea, onto the wharf newly constructed by CB. These construction projects within PNG and overseas have defined CB as a major private developer of major infrastructure.

Current Property Developments

CB has recently re-directed its focus to building major residential properties. With that in mind, it has registered a company called South Pacific Homes that would be solely focused on carrying out that plan. Below are preliminary designs that CB may consider building.



A 2 - 2 BED / 1 BATH

Two Bedroom - Low Set



IA 3 - 3 BED / 1 BATH

Three bedroom - Low Set



4 - 4 BED / 1 BATH

Four Bedroom - High Set

Emerging Challenges and Experiences from Developers' Perspectives

- There are not enough developers that offer housing and land packages for the buyer.
- They have estimated that the property market now is 10,000 houses below the de-

mand. In order that this shortage is met, the onus is on the government to provide the mechanisms to deal with this housing shortage.

- Duran Farm intervention is good in rhetoric but may fall short in terms of implementation. The NHC does not have the capacity, experience and possibly the finance to develop this site, and the trunk infrastructure put in place is sub-standard.

Future Investment Prospects

CB is venturing into obtaining large tracts of land and creating subdivisions with a view to developing real estate on these subdivisions:

- Their main focus would be to build five types of houses both in the high set and low set designs.
- Most of their dealings are on State Land.
- NHC have made a deal with Curtain Brothers to provide 1000 allotments in the newly developed Duran farm. Apparently, it was mentioned that Duran farm has been given to three developers to develop.
- Their focus is to have a low input cost of for example K50,000 to K100,000 per house.
- They understand that mortgages are not allowed on customary land.

Key Priorities Areas for Research from Private Developers' Perspective

During the consultation with the private developers, each developer was given the opportunity to highlight priority areas which they deemed important for further research. Following is the summary of the key priority areas emerging from the discussions:

- Land availability is a major constraint. The short supply of State land in the urban setting is a constraint to increasing the supply of housing. Research to see how land currently held under customary tenure could be used for urban development is long overdue. Alternatively, the Government should consider offering, on a project basis, 10 hectares of State land to each qualified private developer. The Government can play the regulatory and monitoring role and ensure that the developers deliver on the agreement to build affordable and quality houses.
- The process and the length of time involved in the construction of the trunk infrastructure such as roads, water, electricity and sewerage to new housing project sites is long, cumbersome and costly. There needs to be further investigation into how to improve the efficiency of State Owned Enterprises, which include PNG Power and Eda Ranu, and the Departments of Lands, Transport and Works in managing the trunk infrastructure. New housing projects encourage urban living lifestyles. For instance, most of these housing projects are within the concept of a “gated community” where the upkeep of the facilities and the maintenance of the houses require the collaborative efforts of the tenants. This urban living lifestyle requires changes in mindset. Research on ways to educate the younger generation to adapt and accommodate the urban living lifestyle is important. Furthermore, there is a shift in the traditional perception of houses being primarily for accommodation; young professionals purchasing these properties now treat these houses as assets.
- Research on reducing the input cost of construction from the developer's perspec-

tive is very important to provide the affordability. For instance if the land is worth K50,000, and input cost of construction is less than K300,000, the total cost of K400,000 is affordable as per FHOS of the government. Practically, one of the areas of research could be focused on tax concessions to the private developers to assist in reducing the input cost of constructing affordable houses.

Summary of Findings from Consultation with Non-State Property and Housing Developers

In summary, all three non-state developers, CB, GGC and ETDL are currently engaged in providing affordable homes in the housing market. They all preferred constructing houses on land with State leases rather than on customary land. When building on State land, secure land titles can be issued and the land disputes experienced with customary land can be avoided.

The Government Policy of the FHOS is favourably acknowledged among the developers. The policy has stimulated demand which has allowed the private developers to respond in their current housing projects. However, due to the shortage of land in the urban areas most of these privately-led developments are occurring on the periphery of the city. Concerns on affordability were raised particularly when there is high cost of trunk infrastructure such as water, roads and sewerage networks. In addition, there is a need for better coordination between the state agencies in the approval processes. Inefficiencies in the processing of urban development leases have contributed to the delay in project completion and added to the overall costs of the development.

All developers agreed that affordable housing is dependent on the low input cost of construction. Currently, prices of building materials used in the construction are high as most materials are imported. Tax concessions could therefore be considered by the government. Furthermore, skilled local labourers are in short supply hence supplemented by foreign workers, which increases the cost of labour. In addition, the high cost of land affects affordability. Reference to government initiatives such as the Duran Farm is only feasible if the private developers are given the opportunity to develop it, rather than engaging the State to be directly engaged in the construction of houses. Reducing these input construction costs is important for affordable houses.

The priority areas of research from the private developer's perspective can be summarised as follows:

- Land availability—Research on release of customary land for the purpose of urban development to address the shortage of State Lease land.
- Efficient coordination of utility services provided by State Owned Enterprises to reduce the cost and time involved in the development of a private housing venture.
- Changes in the mindset of the young generation towards savings and home ownership in urban settings. Furthermore, encouraging the idea that houses are not just for accommodation but are assets that can be used as a vehicle for investment towards the creation of wealth.
- Research on reducing the input cost of construction from the developer's perspective

Key issues that have affected the housing and property development sector

This section discusses key issues that have emerged from the review of the policy documents analysed, the recommendations proposed and the decisions and actions of the Government and, combining these with the findings from discussions with the large property developers, highlights areas that need to be addressed.

Lack of Consistency and Lack of Coherency in Government Strategic Policy Direction

It is obvious that continual changes in Government Policy as well as a lack of adherence to stated policy strategies as a result of pressures from different sectors of the community continues to undermine any progress and prospects for progress to effectively address the housing issues in PNG. Competing vested interests have produced a confused and compromised policy space on urban housing.

The most recent case in point is that of the National Executive Council in Decision 45/2013. The NEC accepted the ICCC Report and in the same decision “Approved all the recommendations of the ICCC Report” to be implemented. The ICCC report recommendation (4) clearly stated:

“Remove distortions and inequities of institutional housing—freeze all new institutional housing initiatives (including by SOEs and statutory authorities) to end economic distortions which benefit some citizens at the expense of others. ...”
(2010:117).

The recommendation goes on to state that NHC should progressively divest itself of real estate properties.

The next recommendation (5), then goes on to state, “Stop...‘crowding out’ the private sector through the inefficient operation of the NHC and other agencies.”

However in making the decision to accept the ICCC recommendations, the NEC at that time did not rescind its earlier decisions; that is, Decision No 304/2006, Decision No. NG70/2007 to establish the National Housing Estate Limited, fully owned by the NHC and approved by the NEC to negotiate for loans of up to K200 million in order to commercialise the National Housing Industry (see NEC decisions, Appendix; B).

Furthermore, in a subsequent decision, NEC established the Ministerial Housing Committee to take responsibility for the Affordable Home Ownership Policy that has now been approved for separate State Agencies to be involved directly in the provision of land for housing, thereby competing with the private sector and hence potentially undermining the prospects for private sector-led Property Development initiatives. The above contradicts the 2010 NEC decision “to freeze all new institutional housing initiatives ...”, as quoted above.

The Morgan Committee proposed concrete steps in its report for the “State” to withdraw

from the direct responsibility of providing housing for its employees. This policy has not been implemented, given the fact that the State still owns houses through the NHC, and other entities that were directed to transfer houses to the NHC have not yet done so.

In the last couple of years, various Government agencies have purchased housing units to accommodate their senior employees. Stretton in 1979 reported that the Government directed all Government agencies to transfer properties to the NHC with a view to having these divested over time (1979:4-6). Many departments and government agencies did not cooperate and to this date, no one knows how many properties have been lost in the confusion of frequently changing policy decisions and policy leadership.

Given these changes in policy due to pressures from the beneficiaries, particularly government employees, the State has not completely divested itself of the responsibilities of providing housing. Compounded by frequent changes in government, both at the political level as well as at the bureaucratic level, paralysis on public housing has remained a permanent feature of the policy landscape. As a result, there is lack of clarity on the role of the NHC and its existence continues to negatively influence effective policy development. Such contradictory policies and inconsistencies in Government decision making are counterproductive and need to be reduced.

The establishment of a Ministerial Housing Committee is a move to better coordinate Government decision making and policy implementation. Some of the initial decisions as discussed are indeed contradictory to NEC decisions, but this is an initiative at the highest level of political decision making that needs to be supported by an appropriate technical team. Given strong support based on sound analysis, better decisions that influence and produce the desired outcomes can be made by the Government.

Employee Perspectives on Employer Responsibility for Housing

Many public servants live in NHC rental properties paying a very small fraction of the costs, and they have little incentive to purchase their own homes. Several Government Agencies have in the last few years purchased properties to house their senior employees. Thus these beneficiaries have a vested interest in maintaining the status quo.

The problem of Policy Consistency is also undermined by government officials who see the employer as being responsible for the provision of housing. This is baggage from the colonial past and it clearly undermines efforts by the Government to withdraw from taking responsibility for providing housing for its employees. This also affects and extends to the private sector competing for scarce talent, thus forcing the employers to provide housing directly or through subsidies such as housing allowances as part of their remunerations. Efforts over time to have workers take responsibility for their own accommodation and not to rely on their employers has not had much success.

The ICCC report points out that at their public consultation seminar, a representative from the Department of Personnel Management advised the team that the review should be restricted to that of issues in the private sector as the Government had existing policies for the public sector (2010:15). The report goes on to say that in a submission to the inquiry, the Minister for Public Service wrote that the Statutory Authorities could engage in housing schemes under their Acts. It is obvious and not surprising then that the NEC submission proposing that the State adopt a Facilitatory and Regulatory Role, did not get much support in the policy making process by public servants.

It can be argued that given the high costs of real estate and the current levels of income,

home ownership is simply unaffordable for the majority of the population. Hence there is limited incentive for private home ownership considerations. Even the loan repayment requirements for the recently introduced first Home Ownership Scheme set up by the Government and launched in September 2014, is possibly beyond the income levels of most low and middle income earners in the public service requiring a minimum K30,000 annual income after tax to repay a K200,000 loan over a forty year period (Yala 2015) .

The Government has little to incentivise the growth of the private sector to provide sufficient numbers of houses at affordable prices. As incomes of workers are insufficient to meet mortgage requirements of housing loans, further work is required on identifying appropriate financial instruments to make it affordable for workers to fully engage in home ownership schemes. This is an important strategy to remove this perception persistent among workers and especially policy makers that continue to stifle the development and growth of a vibrant housing and properties market.

Owner occupied housing provides the means for many households to save, invest and build wealth that then becomes a source of income in retirement. Imagine the case for currently retiring public servants if they had been encouraged to purchase their homes when PNG first gained nationhood in 1975 as recommended by the Morgan Report. Many of these retirees would have been sitting on houses worth millions of Kina and there would by now be a strong real estate sector contributing immensely to the economy in terms of jobs and skills.

There is an emerging change in the perception of young workers and this needs to be supported. The information from the interview with Glory Group of Companies indicates a growing group of young middle income workers are keen to purchase houses to live in as well as for investment purposes. This is a change that needs to be supported and enhanced by increasing the supply of affordable housing and the financing of home buyers. In time, it is hoped that workers will take responsibility for their own housing in a dynamic housing market environment.

A key point to note is the possible obstacles that may be posed by influential policymakers who have a vested interest and may want to continue with the status quo. Such negative influences need to be identified and appropriate action taken where needed to limit their effects.

Lack of Recognition and Support to the Private Sector in Supply of Housing

Whilst the need for a private sector-led growth of the housing sector had been identified in the key policy statements of the Government, based on the reports endorsed, the actual engagement with the private sector has been found wanting.

The private sector was virtually non-existent in the Property and Housing Industry at the time of the Morgan Committee Report in 1978. The Committee probably recognised this lack of capacity and proposed 'self-help methods', with the State making sufficient amounts of land available (1978:12). Stretton (1979:62–75) describes the situation and proposes 'An Alternative Housing Policy' where he recommends NHC engineers or/and work foremen who were already supervising small local contractors building NHC houses supervise PNG homeowners who have suitable land, using family labour to construct their homes. The first evidence of a Government policy that indicates the need for involvement of the private sector is contained in the National Housing Policy issued by the Ministry of Housing in 2002:

“The Ministry of Housing will be responsible to formulate policy, coordinate and monitor housing programmes. Principally, the role of the Government in the housing delivery shall be promotional. It shall not engage in direct construction of housing units. The private sector is to be encouraged and enabled to undertake the ‘top down’ approach.” (NHC Housing Policy 2002:3).

However, this draft policy seems to have had little influence in the policy arena.

The National Housing Taskforce identified the lack of private sector participation in the housing market as a major impediment and one of the causes of the housing shortage (2007:2). It defined the private sector as a “whole range of enterprises engaged in the housing market from owners, builders and individual property investors through to large companies engaged in property development.”

The report indicated that a decision by the private sector to invest is determined by the profitability of the venture. Key to improving private sector participation would be to increase access to land and to improve security of property rights and access to capital, which were amongst a host of recommendations proposed.

The ICCC Report supported the thrust of the National Housing Taskforce Report in the need for a Housing Policy focusing on the development of a private sector housing market but at the same time went on to identify what it termed, ‘Applying Economic Principles to Drive Efficiency and Reduce Costs of Housing’ (2010:87–102).

Whilst the recommendations have been fully endorsed by the NEC, the implementation of the recommendations has been weak. In the absence of such a process, and perhaps with the lack of leadership by the Department of Treasury, decisions have been made by the Government that contradict the recommendations approved by the NEC. Of particular concern is the involvement of the State Agencies in the direct supply of housing. This situation may continue unless the Treasury Department takes the lead and starts to promote in a coordinated manner, the development of sound and consistent policy.

Given the importance of the sector not only for the provision of safe and affordable housing but more importantly, for the economic benefits accruing to the wider society in terms of the potential for economic growth, creation of jobs and so on, it is critical and relevant that a Department responsible for economic development policy takes the lead.

There is a strong economic rationale for the private sector to take a lead role in the market for housing. On the supply side of this market is a potentially large construction sector with the supply chain extending deep into earthworks, forestry and timber industries. Growth of home construction will mean increased demand for all material inputs used in construction—concrete, steel, timber, and so on. Home construction is also a labour intensive activity, thus growth of home building creates jobs for both skilled and unskilled workers. Construction furthermore provides the incentives and the opportunity to acquire trade skills. Skills in carpentry, joinery, plumbing, electrical wiring and so on are required in building homes, and apprentices hone their skills in most of these trades in the workplace. Building sites in conjunction with trade schools provide the training ground for the next generation of skilled workers. Thus the cumulative effect of a boom in home building ripples throughout the economy.

On the demand side of the housing market are individuals who need the income, the collateral and the access to finance to be able to purchase their homes. Homes are often the largest investment anyone makes in their lifetime. Homeowners maintain, renovate and extend their homes on a continuous basis, providing a steady source of work and demand

for material inputs. Homes are also the savings vehicles for many urban residents. Consequently, homes comprise the largest item of wealth of most urban households. The family home in a mature market therefore provides access to loans in times of need and acts as a reservoir of savings accumulated over the lifetime of the owner. A home with a secure title in a mature financial market provides access to bank finance at competitive interest rates too.

An absent private market for homes leaves the resident community devoid of all of the above-mentioned benefits. More detailed research is required to quantify the contribution of the housing sector to the PNG economy and even more importantly the potential contribution a well-developed housing sector can make to GDP should the constraints to the sector be addressed. The NRI can undertake such an analysis using the Computable General Equilibrium Model to enumerate the potential impact on job creation, tax revenues to government and overall contribution to economic growth.

It is also strongly recommended that Department of Treasury with responsibility for guiding economic growth policies provides some directions for addressing these constraints.

Lack of Appropriate Institutional Arrangements for Better Coordination in Implementation of Housing Policy Initiatives

The lack of appropriate Institutional arrangements for coordination of policy initiatives seems to be a crucial factor in the lack of, and consequently poor implementation of, government policy in housing initiatives. The need for better coordination was highlighted in the Morgan Committee Report in 1978, the draft housing policy by the Minister for Housing in 2002, the NRI Strategic Advisory Brief of 2007 and the ICCC Report of 2010. The same problems have repeatedly propped up as issues to be addressed in these key policy documents produced over the past thirty years.

These reports repeatedly point out that what has been lacking is the appropriate Institutional Arrangements to effectively coordinate Government input in terms of facilitating access to land, physical planning, town planning for development of trunk infrastructure, land allocation through the land boards, construction of site services such as electricity, water and sewerage, and so on. There are also regulatory functions such as approvals by building boards, clearance by PNG Power on electrical connections and so on.

The private property developers interviewed also identified this problem as a major area that needs to be addressed by the Government.

What is the problem?

The main cause could be that policy makers do not understand and appreciate the complexities involved in the release of houses onto the market. Different layers of activities, done over many years, require the right sequencing in implementation by different stakeholders. It is like an orchestra, where many musicians play, coming in on cue by the conductor, resulting in the harmonious music one hears. In the property and housing sector, there are many musicians but they lack a conductor to bring them together in harmony with each other.

Let us take a look at the main constraint—the supply of serviced land—as an example. The time taken from identification and purchase of a Greenfield (undeveloped land) to the sale of a residential allotment lease may take more than ten years. This requires the input of various agencies in a coordinated but well-orchestrated manner, ensuring that there is steady progress from one phase to the next.

The release of serviced allotments for individuals to apply for lease and build, or for a developer to develop and for individuals to purchase a land and housing package, requires the input of various agencies in a sequential manner.

First, the Greenfield land needs to be purchased by the State. This is apart from the negotiations between different parties which will of course require funding through a budget process requiring approvals at various stages of a lengthy decision making process. The negotiations may involve different levels of government—local, provincial and national—and require the input of multiple agencies—lands department, provincial affairs, the municipal authority and so on.

Next, the appropriate physical planning process—Urban Development Plans as well as the Locality Plans—need to be taken into consideration and possibly initiated. Who initiates this process? At the present time, there seems to be some confusion as to who is responsible. If the Locality Plans have been done and all the necessary approvals for release have been processed, then the Tendering Process takes place for Urban Development Leases (UDL). Developers put in proposals through the National Land Board.

This present process is flawed. UDLs are often awarded to land speculators and developments take a long time to be completed. Sometimes sales of plots take place that are in breach of the conditions of the UDL. These complications add to the increased costs of housing. In other instances, the UDLs are developed as consolidated blocks resulting in the non-release of allotments for individual home buyers to purchase.

The appropriate Institutional Arrangements need to be put in place to address each of the constraints that are identified above. A Project Management Approach needs to be undertaken in order to be effective in dealing with the multiple tasks involving multiple stakeholders over many years.

Stakeholders whose efforts and interests need to be coordinated and addressed

Figure 1 provides a framework to illustrate who the multiple stakeholders in the Property and Housing Sector are. It is divided into three main sections: the Supply Side who are the developers, the Facilitators and Regulators who are mainly Government entities and then on the Demand Side, the Consumers who are the buyers of property.

For the private developers, the enterprise would have to generate a fair rate of return for them to be interested. Factored into those assessments will be access to land, cost of development and whether there will be a market to sell the houses. Many of these areas will be based on whether the State agencies involved in facilitation and regulatory functions will perform their roles effectively as delays will cost money and add to the cost of the final product. It is in their interest and the buyers' interest to have the least cost so that a transaction can happen for their mutual benefit.

The facilitating inputs are activities the Government undertakes to bring about residential development. Greenfield land has to be identified and this includes proper physical planning for town developments, so that areas for suburban residential developments are identified and the links for critical trunk infrastructure such as roads, water and sewerage and electricity are captured in those development plans. This involves the Office of the Surveyor General and the Chief Physical Planner working with the relevant municipal authorities. If the land identified is customary land then the land purchase arrangements need to be done. Under the new laws, ILGs will need to be formed and the land surveyed and registered to the ILGs before the other steps are taken.

In terms of sequencing, the land facilitation work described will need to happen first before

the developer comes in. If this work is not done, then housing developments cannot occur.

Once the land has been zoned and all the relevant approvals have been given, it is then advertised as an Urban Development Lease (UDL). Developers then put in proposals for consideration and for allocation of land.

The large part of the actual construction work then commences. The Developer proposes a more detailed development plan for consideration and approval. Roads and trunk services proposed have to be approved by the relevant agencies following checks if required standards have been met. Once approved, construction work commences. Regulatory Agencies would need to conduct regular checks and provide clearances as required. If these agencies do not do their work, then the construction work can be slowed down, resulting in increased costs.

As indicated by the data from the property developers interviewed, this is a major area of concern. If Government agencies were more effective in their performance, there would be a lot of cost savings, resulting ultimately in reduced prices of houses. They have indicated that it is possible to reduce the price of a basic house to about K200,000 to K300,000 if they can be supported to obtain land and to address the inefficiencies that increase costs unnecessarily.

On the Demand Side of Figure 1 is the consumer or the property buyer. The price must be affordable for the consumers so that they can commence savings, negotiate a loan that they can repay within a reasonable period of time and also have money left to purchase basic items such as food. If the price is not affordable then the consumer demand will not be there. The Government therefore not only has to work with the developers to ensure that the final price is affordable but also to consider financial products and options that enable the consumer to want and be able to buy a home.

The problem with the current system is that everyone is working in a silo, in their own specific area of responsibilities and somehow the demand and supply factors would push the facilitatory and regulatory work of government.

The Morgan Committee indeed identified this as an important area to address in a separate chapter titled “Institutional Change” (1978:45–50). The Committee also recommended the establishment of a new Department of Urban Management to coordinate these activities and the inputs of different agencies at various levels of Government in the development of Urban Centres.

The ICCC report in the same vein recommended the establishment of an “umbrella coordinating and supervising agency” involving nine key national level agencies (2010:99) for developing broader policy settings and strategies. This could address the constraints outlined in Section 2.1 so that there is consistency in policy over a longer time frame.

The ICCC Report also has another section on what it calls “Implementation Strategies” (2010:120–124). This covers issues to do with coordinating the inputs of various agencies and the Timing and Sequencing (2010:121), another key concept and weakness in the implementation of an effective Housing Policy that will be discussed next.

The work of the Ministerial Committee on Land and Housing is a start. It is important to understand the important inputs of the multiple stakeholders and to ensure that facilitators and regulators are performing their roles to sustain the interests of property developers and buyers for a well-functioning system that meets the housing needs of a majority of Papua New Guineans. Critical to supporting the work of the Ministerial Committee, a political body, is the need for sound technical advice so that the decisions and actions of the Gov-

ernment remain consistent and supportive of the growth of the private sector in meeting the needs of housing.

Lack of Project Management Knowledge and Skills

Many state agency sponsored projects in recent years have either failed or have been poorly implemented due, it seems on the most part, to a lack of proper project management knowledge and skills. The projects undertaken by government agencies seem to have lacked the ability to plan, to identify key phases, to plan for implementation, to identify the proper sequencing of key activities, to identify the likely risks and to monitor implementation and take corrective measures.

The frequent changes in Political and Administrative leadership positions and the resulting changes in organisational planning and operational aspects, also pose serious problems for implementation of effective long term strategies.

The lengthy time period for the development of properties highlights the importance of proper planning and the coordination across stakeholders in implementation. The weak institutional processes and the absence of inter-agency inputs complicate this further. Future institutional arrangements need to put in place a framework and process that take these constraints into consideration.

Summary of Discussion

This section brings out the simple misunderstood fact that building affordable houses is not just a matter of constructing a house but a complex sequencing of actions by multiple stakeholders. If coordination is improved, there can be efficiency gains that can result in more houses coming onto the market at affordable prices. Private developers can get affordable houses onto the market if the Government supports them through coordinated effort.

The issue of better coordination of efforts has been raised as a major policy constraint in 1978 by the Morgan Committee and continues to be raised in subsequent reports. If this is not addressed, the housing needs of Papua New Guineans will continue to be unmet.

Other areas in this section of conflicting decision making by Government and the continued influence by key decision makers to maintain the status quo on employer provided housing can be eliminated over time with more effective coordination and more affordable housing coming onto the market.

Finally, the question emerges as to what research needs to be conducted at the National Research Institute. It is clear that one of the tasks required would be to try and map out the systems and processes in the facilitation and regulatory work of the Government in order to generate understanding for improvements. The mapping out and writing about the relationships of the other stakeholders as depicted in Figure 1 is a start.

Research alone will achieve little. The many past reports have drawn on research and knowledge from both domestic and external sources. Most of these were analytically sound, but as is evident, probably the policy environment described in this section has contributed to this situation, where we know what needs to be done, but do not know how to do the things to get the desired outcomes.

A process and policy focused research program is essential to focus research on the essential components in order to address constraints and then move on to the next cycle of the implementation process.

Findings and recommendations

This final section is in two parts and addresses specifically the Terms of Reference outlined in the Scope of Study provided by the NRI. These were:

1. Undertake an analysis and document the evolution of Housing and Property Development Policy approaches (or lack thereof) in PNG, outlining major policy or process changes and current policy and administrative challenges on the housing and property development sector.
2. Provide a Work Plan, including a list of 5 priority policy actions and activities requiring the attention of the NRI, the Department of Treasury and the PPDT Secretariat in the next 5 years.

Section 5.1 responds to the first point of the TOR and summarises the key points highlighted in Section 4 of this study as the main problems underlying the poor growth of the housing and property development sector. This draws from the literature review highlighted in Section 2 and the findings from the interviews with private property developers in Section 3. It then proposes the establishment of a two-tiered committee structure to address the underlying constraints that were identified in this study.

Section 5.2 then addresses the second point of the TOR proposing priority policy actions by the NRI and the Department of Treasury. The section also proposes a Work Plan to be undertaken that links the policy research work of NRI to that of the work of the two proposed committees.

Summary of the Findings

Key Issues identified that have affected the Housing and Property Development Sector as discussed and highlighted in Section 4 are:

- The Property Development Sector is complex, encompassing various stakeholders over a lengthy period of time. A lack of appreciation of this complexity compounded by the other constraints listed below, have led to ad hoc policy initiatives of governments. This has also led to a major policy weakness, the absence of support to the private sector.
- Lack of Consistency and Coherency in successive Government Policy and Actions. There was evidence of contradictions in policy decisions resulting in poor follow up action.
- Employee Perspective on Employer providing housing may have contributed to support for the status quo and hindered development and implementation of sound housing policies. This may be changing due to a younger workforce keen on home ownership and investment opportunities.
- Lack of Support to Private Sector. There was evidence of various government high level reports that proposed support to the private sector and these were subsequently endorsed by Government in relevant NEC decisions. However, there was no

evidence in support except for the recent Government funded Home Ownership Loans facility managed by BSP. This is now enabling first home buyers seeking properties being developed by the private sector and hence driving expansions in property developments. This was confirmed in discussions with the private sector—both on the lack of support to the private sector and the influence of the first home buyer facility.

- Lack of and Need for Appropriate Institutional Arrangements for Better Coordination. Property Development takes time, ten years or more from initial town planning to release of land and housing developments. This requires the inputs of various government agencies in their roles as facilitators and of regulators at different times for successful release of houses.
- A follow on issue is that of a lack of effective project management tools and skills to better manage this complexity of tasks, and better timing and synchronising of critical tasks and activities by the different agencies. A lack of project management skills results in waste of time, funds and effort in bringing to fruition many of the State sponsored projects. It also affects the private sector property developments as identified from discussions with the private sector.

Discussions held with the major private sector property developers highlighted areas needing urgent attention. These are listed below:

- Availability of Alienated Land within Urban Areas.
- High Costs of Trunk Infrastructure such as roads, water and sewerage, electricity and so on.
- Delays in and the high cost of securing approvals for projects.
- High Cost of Building Materials.
- Lack of skilled labour.

Recommendations for policy actions and for NRI research based on findings

Lack of coordination and coherency in both policy development at the higher levels and also in implementation of specific projects where various inputs of the wide range of stakeholders in private sector led projects are needed, is a priority.

It is recommended that a High Level Committee comprising heads of five key government agencies as per NEC Decision 45/2013 to implement the ICCC report be activated. It seems that Treasury Department did not take the lead as directed to set up the “Housing Policy Implementation Taskforce”. This committee can take a long term approach in providing technical support to the Ministerial Committee on Lands and Housing.

The private sector has not been supported and they may be more effective than the public sector in supplying affordable homes.

It is therefore recommended that Project Committees of State Agencies be set up for each large scale private sector led property and housing development to better coordinate support to the project developer. These committees can be set up as Project Committees by “the Housing Policy Implementation Taskforce”.

The National Research Institute would play an intermediary role in hosting the PPDT Secretariat whose main role would be in providing Secretariat Services to the work of the high level “Housing Policy Implementation Taskforce”. The NRI would also undertake policy

research work in providing analysis and conducting research for the Taskforce as well as in providing support to the work of the various Project Committees. In doing so, the NRI would act as a conduit in identifying and undertaking detailed research for the Taskforce and that of the Project Committees.

The next section expands this further by outlining what sort of tasks can be undertaken by the Taskforce and the Project Committees. It also outlines a Research Plan for the NRI.

Recommendation: Establish a National Housing Taskforce as per NEC Decision

High Level Taskforce

The work of the High Level Taskforce would be to take responsibility for overall policy coordination of the Property and Housing Sector Development. The ICCR Report recommendations endorsed by the NEC provide an approved policy framework requiring implementation. A key area of responsibility would be to guide and ensure policy consistency in the work of the Ministerial Committee on Land and Housing, reporting to the NEC.

A priority but more sensitive area is that of the State owned entities competing with the private sector in property and housing developments. Ideally, functional reviews should be conducted of the NHC and other agencies with a view to restructuring and focusing on supporting the private sector. Practically, due to vested interests that could derail the critical reforms required, a more subtle approach is to set up the Project Committees such as for the EDAI Town and Skyview Developments and any other that may be required. Through this work, a more focused support to the private sector is undertaken within the existing arrangements. Over time, it is hoped that the State Agencies would come to appreciate this and re-organise as needed.

Tasks that could be undertaken by the Taskforce include the following items that emerge from this study:

- Identifying towns and cities requiring housing developments and proactively setting up Project Committees to identify Greenfields, develop plans, engage developers and support construction and other arrangements.
- Considering tax incentives for large scale property developers to defray some of the costs of trunk infrastructure that Governments would normally fund.
- Considering duty exemptions for imported materials in the construction of large scale housing estates.
- Commissioning technical reports as required to inform and promote the development of the Property and Housing Development Sector.

Project Committees.

The Project Level Committee would address the nuts and bolts issues of each project such as:

- Assisting Town and City Authorities to develop large scale property developments for housing and mixed developments.
- Land—Identifying alienated land and allocating it for property developments. If there is no alienated land, working with customary land owners as per the new land laws. The property developers interviewed indicate preference for state land, so the work of the committee would be important to facilitate implementation of the new land laws and gain the confidence of private sector developers.

- Trunk Infrastructure Costs. The costs can be allocated under annual Government budget. This can also be negotiated with each developer under tax holiday arrangements. Treasury can negotiate and recommend to NEC on a case by case basis.
- Better Coordination and Input from State Agency Service Providers and Regulatory Agencies.
- Pooling limited Project Management skills for improved efficiency and effectiveness in synchronising different tasks of the various state agencies and developers.

A wide range of projects need to be set up in order to address the varied needs of the community. These include:

- upmarket accommodations;
- middle price range house and land packages for the average wage income earners,
- low cost rental and units under strata title for entry level home owners; and
- serviced sub-urban communities holding communal title, organising themselves into village type home arrangements.

Whilst the mechanism may facilitate better coordination and reduce the scope for corruption in an open and transparent arrangement, this can also be a threat if not implemented in the manner perceived. Appropriate oversight and reporting mechanisms to the Taskforce need to be put in place to facilitate and strengthen the work of the Project Committees.

Research and Policy Analysis Role for NRI

The research plan for NRI would need to be planned and undertaken in a strategic manner addressing policy issues in a cascading manner so that priority areas are addressed first.

The following sets out a proposed work plan for research. Other areas of research would be added to the list emanating from the work of the Taskforce and the Project Committees so that research work informs policy and practice.

Year 1

- Studies highlighting the economic and social benefits of developing the properties and housing sector. The Economic Benefits study could apply the Computable General Equilibrium (CGE) Modeling that NRI has developed to quantify outcomes such as employment, tax revenues and GDP growth. A Social Benefits study could attempt to highlight the social impact and benefits of housing. The outcomes of these studies would be used to champion the need to establish and support the work of the Taskforce and the Project Committees.
- Expand on Figure 1 outlining and highlighting the various inputs of and interactions between stakeholders. A series of studies could be undertaken to highlight the complexities and the importance of the inputs to the successful outcomes of property developments.
- Undertake a Study of the First Home Buyer loan scheme with a view to strengthening and enhancing the scheme that will indirectly spur private sector led developments and deliver affordable homes.

Year 2

- Continue further work on Figure 1 from Year 1 on highlighting critical phases of

inputs by stakeholders.

- Studies to identify job and skill requirements in the construction sector as well as project management skills in public sector organisations.
- Studies for Housing Taskforce Recommended Activities:
 - Tax options for large scale property developers.
 - Options for Duty Exemptions for imported housing construction materials.

Years 3–5

- Studies to establish stock of Government owned Houses in order to establish status, understand extent and consider possible options for divestment of these properties.
- Undertake studies to understand what happened in the period following the Morgan Report in 1978 to the year 2006. There is evidence of large scale developments undertaken by the NHC but there is little information on how these were undertaken and why similar developments could not be undertaken at later periods.
- Studies of settlements and how to improve them as entry level low-cost housing.

Areas for research would also emerge from the work of the Taskforce and the various Project Committees.

Taskforce Secretariat Role

The NRI houses the PPDT and needs to be a key member of both the Housing Taskforce as well as being a member of each Project Committee.

The NRI would perform two critical roles. First, provide high level analytical capabilities to the work of both the committees in analysing and researching issues for better policy development as well as contributing to better inputs to decision making at the project management level. Second, many issues that emerge at the project management level may require higher level policy considerations to resolve issues. Focused Research as required and Analysis of issues that emerge from the Project type approach can lead to better understanding of issues and how to address them.

By housing it at NRI, the research and policy analysis can be conducted and channelled as required to the Higher Level Taskforce or as inputs into the various projects. These can be commissioned as and when required. Longer term research and analysis can be factored into Annual Work Plans.

This also fits in with the NRI Work Plans in the Governance Sector in supporting the development of towns and cities. NRI can promote through the project committee approach the development of proper plans and establishment of towns and cities that act not only as growth centres but are central to government efforts in bringing basic services to the wider rural based population.

Summary

The purpose of this report in response to the Terms of Reference was to identify the major constraints to the development of the Housing and Properties Development Sector and then to provide an over-arching framework for the design of research on housing and property development at the NRI.

We had considered the constraints on the demand and supply of housing from a historical

perspective that was reached by reviewing policy developments and implementation over the past three decades.

The first conclusion we draw is that the Government needs to be clear on its role in facilitating access to housing to both the public and the private sectors. Considerable confusion has pervaded on the above leading to policy paralysis on housing over the past three decades.

We have also highlighted that property development involves multiple stakeholders whose inputs are required at timely intervals over a long period. These complex arrangements are not well understood by key policymakers who are often in the positions only for a short time. As a result, many government sponsored projects have failed.

The lack of project management expertise also adds to the delays and the costs of construction. Consequently, consistent and clear overall government policy guidelines are essential, as are training in project management.

At the same time, whilst sound analysis and recommendations of the major policy recommendations and decisions of the Government over the last three decades have been to support the private sector, there is no evidence of this. Interviews with private property developers call for better support from Government Agencies. On a positive note, the recent decision by Government to fund a first home buyer loan scheme has been welcomed by the private sector.

We recommend that the Department of Treasury take the lead in establishing the National Housing Taskforce as per a recent NEC decision to implement the recommendations of the ICCC Report. The Housing Taskforce would establish specific Project Committees to support development of large scale housing projects by the private sector. Through this work, the objective is to seed a process of change so as to hasten the supply of houses onto the market place.

The NRI may be given responsibility to act as a facilitator for the above akin to its role in the NLDP. The specific responsibility of the facilitator would be to provide the overall policy guidelines and to coordinate the inputs of the multiple stakeholders in ensuring that adequate housing is produced for the growing workforce in a timely manner.

The NRI given its role as a policy think-tank will be able to draw lessons from the above to inform change in other sectors of the economy.

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Appendices

Appendix A: Summary notes on key documents reviewed

A1. Morgan Report

Report of Review on Housing, (31 January 1978).

Morgan Committee (L.R. Morgan, Chair).

1. Introduction

The Morgan Committee was established by the Public Services Commission on the directions of the NEC with clear Terms of Reference as per an NEC decision NG 21/77 of 12 October 1977 (page 51).

The establishment of the Committee was in response to increased pressure from the Public Service Association on attempts by the Government through the Minister for Housing for the sale of government housing and rental increases for high cost housing not sold (page 11). The NEC directed the “Chairman of the Public Service Commission to make a submission on the best ways of resolving the issues of rent, control, maintenance, and allocation of housing for public employees.” (page 11).

The Committee consisted of Leo Morgan who was Secretary for Works as Chair, representatives from the Public Service Commission, the Public Service Association, National Planning Office, National Housing Commission and the Department of Finance. The Committee acknowledges that considerable advice was received from the following: Dr. Colebatch and Alan Stretton of IASER and Mr. Norwood from UPNG.

2. Key Points

2.1. Origin of the Present Situation—Employer Responsibility for Housing

A section up front in what they say as the “Origin of the present situation” provides for us now, provides insights to the “Origins” of an ongoing problem requiring attention that is the Objective of this proposed Research Program. This is quoted in full as it sets out succinctly why many think that the employer is responsible for housing its employees.

“The establishment of government services in Papua New Guinea placed on the administration at the time a responsibility to provide housing for expatriates recruited overseas for positions in the Public Service in Papua New Guinea. This accommodation was highly subsidised as part of an inducement to attract them to Papua New Guinea. Later, the administration began to provide low cost housing for Papua New Guinean employees, many of whom were being drawn from other parts of the country to work in urban and other areas where they had no land rights and hence no housing of their own. These houses were also provided on a subsidised basis.

As more and more people sought work in urban areas, either in Government or in private enterprise, the provision of housing for this migrant population became

an urban problem. In order to bring the situation under control and to meet the existing and future needs of the local community with adequate standards in housing, the Housing Commission was established in 1968 under the Housing Commission Ordinance, 1967. (their emphasis).

The Commission was given the responsibility for developing a public housing programme, stimulating self-help housing and encouraging home ownership. The Commission was required, under the terms of its legislation, to operate as a commercially viable undertaking.

Thus, a situation developed in which two different housing organisations operated under government authority; houses for government employees being administered by the Property and Accommodation Branch of the former departments of Social Development and Home Affairs, and, the Interior, on a subsidised basis, and, housing for other members of the community in the main urban centres provided by the Housing Commission on a non-subsidised basis.

By decision 431/73, the National Executive Council approved the takeover of the Government's low cost housing programmes by the Housing Commission.

Subsequently, Decision Number 183/75, extended this takeover to the Government's intermediate and high cost houses. The principles supporting this moves were:

1. To give officers residing in such housing a chance to buy them if they so wished.
2. To establish progressively only one authority for design, construction, management and maintenance of housing.
3. To treat applicants and tenants in public and private employment on the same terms.
4. To operate housing on a commercial basis.
5. To eliminate the Government's role as a landlord.
6. To place the responsibility on the employee to provide housing for his needs, not on his employer.

In December, 1976, proposed guidelines for a national housing policy were circulated. As these proposed guidelines covered a wide area of social planning, it was questioned whether a body such as the National Housing Commission, which operates on commercial principles and has a good deal of independence in the way in which it spends its funds, should be given the range of authority implied in the guidelines. Whilst not accepted as Government policy, these guidelines were recognised as a basis for formulation of a national housing plan.

Apart from this issue, a draft cabinet submission from the Minister for Housing proposed the sale of government housing and rental increases for high cost housing not sold. Although this submission was not processed with, a major confrontation developed between the Public Service Association and the Government on the mounting problems of the existing arrangements, and the National Executive Council directed the Chairman of the Public Services Commission to make a submission on the best ways of resolving the issues of rent, control, maintenance, and allocation of housing for public employees. (1978:10–11)

The Committee therefore in its deliberations first framed certain principles to be endorsed by the NEC before they could proceed to exploring detailed action plans. The principles recommended and endorsed by the NEC were:

1. The individual should accept responsibility for providing his own housing at a price he can afford.
2. Public subsidies for formal housing should be phased out.
3. The Government's responsibility for housing its employees should be phased out.
4. The greater part of housing should be provided by self-help methods.
5. An adequate supply of land for housing and development should be made available based on fair and equitable arrangements between owners and potential users of the land.
6. The axiom of "best value for money" should govern inputs of government money into housing.
7. Private finance should be utilised for housing in preference to Government resources.
8. Maximum participation by Papua New Guineans in housing development (page 12).

Following endorsement of the principles, the Committee then developed the detailed plans of actions set out in the sections described below:

2.2. "Section 3.1. Self-Help" (pages 15–20)

They proposed self-help housing programs where the Government was to provide a variety of serviced sub-divisions. People could build their own houses and, as they put it, "in accordance with their skills, finance and resources". They proposed that these subdivisions should be located in proximity to public transport and or employment sources with essential services such as sanitation and water. Tenants could have pit latrines and access to communal water points but where they can afford, they can connect.

2.3. Dealing with Public Service Housing; Section 3.2. (pages 21–29)

The Committee adopts the following three principles from the NEC approved eight principles as the key principles on this section that deals with public servants.

- The Government's responsibility for housing its employees should be phased out.
- Public subsidies for formal housing should be phased out.
- The individual should accept responsibility for providing his own housing at a price he can afford.

The committee established that a majority of public servants at the middle and lower levels were meeting their own accommodation and that only a certain number of senior level public servants were occupying half the stock of high covenant houses numbering 5,890 whilst overseas personnel were occupying the other half (page 21). Low cost houses numbered 7,821 at that time and with 34,854 public servants, there were clearly not enough houses for all the public servants. The Committee concluded that it would be impossible for the Government to provide housing as a condition of service.

The Committee recommended that the Government retain institutional houses for specialist services such as Police, Schools and the Military but to charge economical rent for all the houses and hostel accommodation for single officers. The section goes on to detail as to how economic rents would be calculated.

The committee concludes that the increased rental charges when introduced would make home ownership attractive and recommended that non-institutional houses currently occupied by national public servants should be sold to the tenants at a particular price that

they proposed.

A number of specific recommendations outline what needs to be done.

2.4. Section 3.3 Finance (pages 30–37).

This section discusses the costs to government on subsidising housing and makes a case for government to charge economical rentals for housing, but gradually phasing out the subsidies. It also makes the case to pass on a greater share of the costs for development of subdivisions to buyers.

The section also makes an assessment of housing finance and points out that there is low demand at that time but may increase as government housing is implemented. They do not recommend the establishment of a separate financial institution but for existing institutions to meet demands.

A number of specific recommendations are made including that of the National Housing Corporation to be divested of “non-commercial burdens and confined to wholly commercial undertakings” (page 37).

At that time, the National Housing Corporation was also managing the stock of houses for overseas contract officers, which were virtually rent free. The NHC was also providing grants and loans for low cost housing. The Committee’s recommendation was to divest the NHC of other non-revenue obligations and have a clear focus, operating on wholly commercial basis.

2.5. Section 3.4. Land (pages 38–44).

The discussions around issues to deal with land are interesting as the areas of concern and discussions are the same ones that are currently being discussed. The shortages of land it states then in 1978; “are the result of failure to plan for and process existing land in adequate quantities for residential purposes, and, of the failure to acquire land in sufficient time for development” (page 38).

The report points out that urban land problems fall into two categories:

- Firstly, that of acquiring land for subdivision developments; and
- Secondly, that of acquiring land for a town sub-division lease for the purposes of building a house.

At that time, subdivision developments were done by the Department of Lands, National Mapping and Environment or the National Housing Commission.

The report points out the problems with administrative and legal processes including problems with the land board dealing with applications. The main concern though is the lack of overall physical plans, master plans as it calls it for the development of urban areas. This then leads to the problems associated with dealing with sub-divisions developments and that of land sub-divided for individual leases including long delays in dealing with applications. They also note the weaknesses in ensuring that developments comply with approved plans. The committee makes a strong recommendation for the establishment of a Department of Urban Development to take responsibility for development of land in urban areas.

Two interesting areas that the committee raise in its report are the need to utilise customary land on the peripherals of urban areas by registering them and at the same time, that land being part of the urban development growth plans. They make the case that customary land owners need to benefit from the growth of urban developments. The committee

recommends that registered customary land be managed by the proposed Department of Urban Development.

2.6. Section 3.5. Institutional Change (pages 45–50)

The Morgan Committee discussed the issues of clear policy frameworks to guide the implementation. They noted that apart from complications of housing managed by different government entities, there was a lack of clarity on the role of the National Housing Corporation by a series of NEC decisions that made it responsible for social housing aspects but yet calling for the NHC to be a commercially viable entity. The responsibilities for physical planning and development of urban areas were also not clearly demarcated and even more so now with the establishment of provincial governments.

The Committee recognised the need for a government agency to focus on policy developments and coordinating, focusing on coordination of implementation. The aims of their discussions need to be highlighted here as they seem to be the same issues that are being grappled with, forty years later.

- To place all public sector activities related to housing within an organisational framework which improves coordination and strengthens cooperation within government and prevents duplication.
- To enable a distinction between those activities which are to be self-financing and those which are financed wholly or partly from the budget.
- To strengthen and consolidate the policy and planning function for urban development.
- To link questions of housing policy and planning to broader questions of urbanisation and the role of government in this process.
- To draw on functions and personnel within existing institutions to prevent absolutely any expansion of the financial and staffing commitment on the part of government. (1978:45).

One of the key and important aspects of the issues and the responsibility that they recommended be given to the proposed Department of Urban Development needs to be brought out in full as it is even more relevant today than it was forty years ago;

“The Government’s policy for overall urban development should be directed to linking urban areas with their rural hinterland, so that the urban centres play their proper role in balanced development in PNG. Urban growth will continue to occur and housing for the expanding population is important. It will be necessary to co-ordinate the release of land for home building and the development of minimum serviced sub-divisions for self-housing with the expansion of the urban population. This implies the need for a department with overall responsibility for urban policy and management. This includes the administration of land, proper planning and development, and, the coordination of sites and service schemes including the provision of technical and material assistance to home schemes as a welfare and service function of the government. The responsibility for acquisition of land would remain with the Department of Lands, National Mapping and Environment, its role being to protect the rights of the customary owners, and to ensure that acquisition is carried out in a fair and equitable manner. The proposed new Department of Urban Management would be a client department when seeking customary land for urban expansion.

An important issue for the government is the future of the country’s urban areas. These cities and towns cannot be allowed to develop in an unplanned manner. To ensure effective

coordination of all aspects of urban growth, the proposed Department of Urban Management should be responsible for devising and implementing an urban development policy. (1978: 46-47).

3. Comments

Morgan Committee, set up at a period after Independence, identified most of the issues, and made recommendations for addressing these issues, which still persist to date. Some of the recommendations if implemented properly at that time and continued up to now, would have established systems and processes that would have adequately addressed most of the problems with regards to provision of adequate and affordable quality housing.

A2. Urban Housing Policy in Papua New Guinea

Urban Housing Policy in Papua New Guinea.

Alan Stretton

Monograph No. 8, IASER (1979).

1. Introduction

The Monograph is a research report based on work that the Author undertook for the Bank of PNG in a commissioned on demand for housing finance in urban areas for PNG. The author, Alan Stretton was one of the technical persons mentioned in the Morgan report.

Stretton's study was to establish the assertion that following a period where housing was constructed for a migrant town dwellers, firstly colonial officers who were to go back to their homelands and then followed by Papua New Guineans whose origins and strong connections were to tribal community land, there was limited commitment and demand for them to stay on in the city, hence leading to a possible housing market.

2. Key Points Made in the Monograph

2.1. Historical Perspective on Housing Policy (pages 1–26)

The report firstly provides a very useful discussion on the historical evolution of housing policy issues leading to the establishment and dilemmas of changing government policy decisions for the National Housing Corporation. It provides the contextual background information that assists in better understanding the work of the Morgan Committee and its report to Government. It describes in detail the structure of the housing sector from:

- (a) the settlements on the peripherals of towns developed in agreements with customary landowners that provided for migrant settler communities;
- (b) the self-help housing programs with basic land and services provided by Government;
- (c) the low cost housing projects constructed by the NHC for both private and government employees given limited construction capability;
- (d) Government housing managed by different entities that were to be transferred to NHC, with poor records by a number of entities for government employees including expatriate workers.

This forms useful background reading as many of the current and future housing policy issues stem from these historical events.

2.2. Survey Findings (pages 27–54)

The study established from those middle level public servants surveyed in Port Moresby that about 40% of those surveyed wanted to own a home whilst the others were not committed to owning a home, preferring to rent and return to the village for retirement. There was a limited or no housing market at that time. Thus many could not see the capital gains to be made from putting their money in a deposit on a mortgage and then meeting the long term loan repayment requirements. It points out that there was no demand for housing as many expected to be provided accommodation by the employer.

It concludes with Chapter 5, titled “An Alternative Housing Policy” that really is about arranging construction of houses under the self-help housing policy project. It goes on to point out the lack of construction companies and capacities and makes the case for how individuals can organise among wantoks with relevant expertise to build their own houses. This role could also be undertaken by the NHC.

3. Comments

The point Stretton highlights and makes are the expectations created by historical past of employers especially the State providing accommodation and how the Government made various decisions to terminate this expectation of Government workers. However, political dynamics led to change of decisions, creating confusion and over time, the lack of clear policy and direction.

Many of these legacies still continue to this date, confusing and muddling the current policy thinking and actions by government on an effective housing policy.

A3. National Housing Policy, 2002

Government of Papua New Guinea.

National Housing Policy.

Minister for Housing, 19 March 2002.

1. Introduction.

This document is possibly a draft document, but it is the next key document available on National Housing Policy after more than twenty years. Its status is not known at this stage, but it provides useful insights to thinking on Housing Policy, the issues at that time and how they proposed to address those issues by way of this “Housing Policy Document”.

It is interesting that the Minister for Housing and the National Housing Corporation seem to have assumed responsibility for Policy Development and Coordination. The Morgan Committee had recommended for the creation of the “Department of Urban Development”.

2. Main points

2.1. Chapters and Focus Areas of Document

The Document is divided into nine chapters and discusses issues and proposing policy directions on how to address those issues in the following:

Chapter 1. Goals and Objective of Housing Policy.

Chapter 2. Institutional Framework for Housing Policy.

Chapter 3. Land Accessibility.

Chapter 4. Housing Finance.

Chapter 6. Low Income Housing (It also includes rural areas).

Chapter 7. Mobilising Private Sector Participation.

Chapter 8. Provision of Housing for Public Servants.

A key point made in Chapter 8 is that the State now continues to provide furnished subsidised accommodation for public servants and that one of the strategies would be to:

'Phase out the provision of furnished accommodation to public sector employees and facilitate home ownership.' (page 28).

More than twenty years after the Morgan Committee report had recommended the Government to withdraw from the responsibilities of providing accommodation, this problem still persists.

In Chapter 9 on Monitoring and Evaluation, the policy realises that the responsibility for implementation will require the input of various government agencies under different ministers as well as the private sector and so recommends the establishment of an independent National Council on Housing to assess performance and take appropriate action to ensure the smooth implementation of the National Housing Policy.

2.2. Policy on Self Help Housing

There is a separate attachment to the policy document titled:

"Setting out the Papua New Guinea Government's POLICY ON SELF-HELP HOUSING, SETTLEMENT FOR URBAN AREA."

This sets out in some detail how the government will formalise the existence of Urban Settlements and how the Government will legitimise land, the provision of services, construction of houses, the establishment of management systems and so on. This seems to have built on the former self help housing schemes of the 1970s and may be a blueprint for what is happening in Port Moresby now in several settlements that the NCD Government is doing. Further research is required to establish whether this policy document was adopted to provide the blueprint, and if it was, then what the experiences were from the implementation and how this fits into an overall Housing Policy Development.

A4. National Housing Strategy

National Housing Strategy (Attachment Brief to NEC Submission)

The National Research Institute, Port Moresby (2007).

1. Introduction

This document was prepared as part of the work as National Strategic Advisor to a Technical Committee on Housing (Taskforce) established by the Chief Secretary to Government in March, 2007. This was developed initially as a concept note and then developed further after consultations with key Central Agencies and public forums with key stakeholders such as private sector developers and financial institutions. This brief formed the attachment to an NEC submission that sought approval for a strategic direction and following the approval, the Taskforce would then follow up with specific issues for the Government to address.

2. Key Points

The Strategy proposed that the State take on the role of Facilitator and Regulator of a "Pri-

vate Sector” led housing provision rather than the State being a direct provider.

The Brief highlighted what it called particular supply and demand constraints and made recommendations for the State to address in the following areas:

- Implementation of Land Task Force Recommendations in order to increase supply of land for housing and at the same time improve land administration systems to address security of property rights.
- Encouraging private sector involvement in housing projects and for Government Agencies to withdraw and provide facilitation and regulatory services.
- Improving access to finance for both developers and for home buyers.
- Putting in place appropriate institutional arrangements to ensure successful implementation of strategies.

3. Comments

The NEC Submission was not presented to the NEC.

The submission had been signed off by the Minister for Treasury but the NEC Secretariat insisted that the Housing Minister was to sign off on the submission as Housing was a responsibility of the Minister for Housing. The Housing Minister refused to sign off as the decision and recommendation meant that the Housing Department would no longer have a role in or be responsible for implementing a large project that the NEC had only a year earlier approved for the National Housing Corporation to implement.

A5. PNG Housing and Real Estate Industry Review

PNG Housing and Real Estate Industry Review. Final Report

Independent Consumer and Competition Commission, 20 January 2010.

1. Introduction

The ICCC Report is the most comprehensive review of the Sector since the Morgan Committee report. The ICCC review was undertaken upon a direction by the Minister for Treasury and the final report was delivered in January 2010 following a preliminary release of a report for public consultation that resulted in submissions from various interest groups and also a series of public forums.

Given its mandate, the report views issues from a Competition and Regulatory perspective, but sets out policy discussions in relevant areas for addressing housing supply and demand issues.

2. Key Points

2.1. Impact of Housing on Economy

The report commences with a discussion on the importance of the housing and construction industry to the national economy particularly in investments, job creation and input to growth of overall economy. It also uses PNG data to show the growth of jobs created in the Building and Construction Industry, more than 80% between 2005 and 2009 compared to other sectors averaging around 30%. And whilst segregated data is not available, it uses Australian data to show the residential construction component (page 27).

2.2. Key Recommendations.

The key recommendations outlined here reflect the range of issues covered in the report that is neatly summarised (pages 112–113) and the directions of the policy issues recommended for attention by the Government.

- Examine Professional services provided by real estate companies and provide a regulatory framework (page 114).
- Increase Supply of State Land for Housing (pages 115–117).
- Increase supply of Customary Land (page 115).
- Remove distortions and inequities of ‘Institutional Housing’ (page 117).
- Stop ‘crowding out’ the private sector through the inefficient operation of NHC and other agencies (page 117).
- Address the High Cost and scarcity of subdivided land and housing (page 118).
- Encourage innovation and reduce costs of construction (page 118).
- Consider Urban Renewal Policies (page 119).
- Address urban drift by ‘pro poor’ and ‘pro-growth’ economic policies on a national geographic basis (page 119).
- Develop policies for squatter settlements which occupy state land (page 119).
- Address Housing Affordability.

Each of the recommendations has points of actions required.

It concludes with a discussion on ‘Implementation Strategies’, addressing a key point of Government providing Strategic Direction and certainty in policy (page 121).

3. Comments

The ICCC Review in a sense is comprehensive, highlighting many of the issues raised in previous reviews and reports and at the same time making quite an extensive list of recommendations and appropriate actions for implementation.

The issues highlighted will be used in the Research Framework and so researchers working on the research program would need to read through and familiarise themselves with the contents of the report.

Appendix B: Matrix of recent key NEC decisions on housing

Decision No	Meeting Date	Key Decision Points	Comments
304/2006	Meeting No. 55/2006 of 20 Dec. 2006	<ul style="list-style-type: none"> • Approved Establishment of National Housing Estate Ltd. (NHEL). • Approved Housing Mortgage Finance Company. • Approved National Housing Corporation to negotiate Finance (K200m) to commercialise National Housing Industry and execute MOA with Chinese Government. 	This submission must have come from the National Housing Corporation.
NG58/2007	Meeting No. NG9/2007 of 6 Dec. 2007	<ul style="list-style-type: none"> • Approved Appointment of a Strategic Adviser to develop a National Housing Policy and Program. • Did not approve recommendations 2 and 3 for engagement of Corporate Holdings Management Inc. and the waiving of tender process. • Directed that Strategic Adviser be appointed through public tender process. • Directed the Minister for Treasury and Finance to release K3.5m for the purpose of engaging Strategic Advisor. 	Must have been from Treasury, perhaps to counteract the push from NHC and allow for a Policy Framework to guide policy and



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