



## MEDIA RELEASE

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### **Do more for banks to recognise customary land titles as collateral**

Land is one of the most important factors of production. Having proper land tenure arrangements contributes to increasing the productivity of the land. In Papua New Guinea (PNG), the full economic potential of land is not being realised because the majority of the land is customarily owned and difficult to access due to complications surrounding customary land tenure such as ongoing and recurring disputes over boundaries and ownership. Apart from this, customary land titles (leases) are not considered as adequate for security (collateral) for banks to extend credit. This is a barrier to investment, income-earning opportunities, and furthermore, socioeconomic development.

The National Research Institute has today released its Discussion Paper No. 210 on “**Bankability of Customary Land in Papua New Guinea: Challenges and Prospects**” written by Logea Nao, Joeey Kabiu, Samuel Awayang and Dr Lindsay P Kutan. It gives an insight into the challenges and prospects of customary land bankability in PNG. It also identifies potential strategies for providing secure and bankable customary land titles (leases).

The paper is based on a study conducted in Mt Hagen, Alotau, Kokopo and Lae, to understand factors that contribute to risky customary land titles (leases) in PNG such that commercial banks are hesitant to accept the leases as collateral and to identify what could be done to provide bankable leases to access credit.

**To give confidence to potential financiers and investors, the authors propose the following:**

- The establishment of a new entity such as Customary Land Authority to administer customary land. This is an alternative to the current arrangements under the Department of Lands and Physical Planning.
- A Government-funded credit guarantee facility and/or a National Customary Land Bank similar to the current SME credit facility. This will provide a conducive environment that promotes the security of customary land titles and the development of customary land in a sustainable manner.

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