



THE NATIONAL  
RESEARCH INSTITUTE  
PAPUA NEW GUINEA

# SPOTLIGHT

## A HOLISTIC POLICY FRAMEWORK IS NEEDED TO ADDRESS HOUSING CRISIS IN PAPUA NEW GUINEA

Lindsay P. Kutan

[www.pngnri.org](http://www.pngnri.org)

Volume 14, Issue 2

### Key Points

- Lack of an updated National Housing Policy has exacerbated the housing crisis in the urban centres of Papua New Guinea.
- Past policy reforms and interventions by the Government undertaken through an ad hoc and piecemeal approach has encouraged a dysfunctional housing market.
- The development of a holistic housing policy framework is needed to address the housing crisis.

inquire  
inform  
influence

April 2021



## A HOLISTIC POLICY FRAMEWORK IS NEEDED TO ADDRESS HOUSING CRISIS IN PAPUA NEW GUINEA

By Lindsay P. Kutan

The rapid growth of urban population in the major towns and cities of Papua New Guinea (PNG) has exerted overwhelming pressure on the housing sector. The National Capital District Commission Urban Development Plan Review (2020), projected that Port Moresby's population, in the next 10 years, will increase to over one million. The report further noted that this will require between 27,300 and 62,338 additional houses to meet the housing demand by 2030. However, it is widely acknowledged that PNG's housing market is constrained by several structural impediments such as acute shortage of affordable houses and exorbitant house prices. Others include the high demand for houses relative to supply, and the increase in unplanned informal settlements in urban areas. The impediments are exacerbated by the grim reality that PNG has an outdated National Housing Policy, which has been under review since 2017. There is a need to complete the review of the National Housing Policy, 1994. This is crucial to address the current housing needs and to provide incentives for construction and supply of houses to meet the housing demand. Over the years, successive governments and key agencies have adopted and established numerous initiatives, programs and institutions to cater for affordable housing strategy. But the efforts turned out to be futile and on ad hoc basis giving rise to ambiguous and inconsistent policy directions, which consequently derailed proper urban housing development.

This paper highlights the need for a holistic housing policy framework. This framework should ideally encapsulate, synchronise and coordinate the roles and functions of the public sector and the private sector. For the housing sector to progress, it is critical that the key stakeholders have a clearly defined roadmap. In order to develop this housing policy framework, it is necessary

to draw lessons from past 'ad hoc' policy attempts. Furthermore, it is important for the policy framework to incorporate economic principles in order to foster and harness a sustainable housing market. It is also necessary for the policy to conceptualise the housing market into the supply and demand framework. This contributes to more understanding of the roles and functions of the various stakeholders involved in the housing sector.

### Lessons from the past ad hoc policy attempts

There were policy reforms and interventions targeted at promoting the development of affordable housing in the recent past. However, the outcomes were riddled by challenges that continue to contribute to the dysfunctional housing market. According to Webster et al. (2016), the main challenges include the following:

- ***Lack of consistency and coherence in Government policy and actions.*** Various housing committees and taskforce commissioned by PNG Government have delved on housing issues. However, three decades later, most of the technically sound recommendations, endorsed by the National Executive Council (NEC), have not been implemented. For example, Webster et al. (2016), highlighted three studies conducted in the past on the housing sector. These include the Morgan Committee Report of 1978, the National Housing Taskforce Report of 2007, and the Independent Consumer and Competition Commission (ICCC) Report of 2010. All these reports recommended that Government should withdraw its direct involvement in the construction of houses. On the other hand, it should provide a facilitating role to encourage a conducive regulatory environment for the private sector to address the housing needs. Despite the NEC approving this recommendation, the Government through its various agencies,

have continued to compete with the private sector in the housing market. This has crowded out the private sector. However, almost all the government housing projects such as the Public Service Housing Scheme and the Duran Farm project have not been successful.

- ***Lack of coordination and understanding of the roles and functions of the multiple stakeholders in the housing sector.*** The supply chain of houses requires input from various stakeholders in the public and private sector. The processes include facilitating access to land, physical planning, town planning for development of trunk infrastructure and land allocation through the land board. In addition, approvals of regulatory requirements across various agencies including physical planning and building boards. Furthermore, inspection approvals from Eda Ranu (Water PNG) for water and sewerage, and PNG Power for installation of electricity. However, weaknesses in the coordination across these stakeholders in the housing sector results in long delays leading to the high cost of houses. Webster et al. (2016) likened the housing sector to a grand orchestra, lacking a ‘conductor’ to bring all musicians together in harmony.
- ***Lack of recognition and support to the private sector in supply of houses.*** All the housing reports aforementioned has re-emphasised the importance of the private sector-led strategy in constructing houses. Although, the Government acknowledged this recommendation, the continued lack of support and recognition of the private sector has resulted in wastage of public resources. It was not until 2013 that the Government introduced the First Home Ownership Scheme (FHOS) with Bank South Pacific. This has stimulated effective demand for formal housing, particularly among the high-and-middle income earners. The private sector responded efficiently in the development of residential estates like Skyview and Edai Town. However, the terms and conditions of FHOS are beyond the reach of the low-income earners. This contributes to the boom in informal housing

arrangements in the informal settlements.

### Proposed holistic housing policy framework

In light of the past ad hoc government interventions, the housing sector seriously needs an overarching housing policy framework. This should be embedded upon economic principles that promote efficiency and premium return in investment in the housing market. In other words, ‘introducing competition at every level of the housing sector as a way of generating efficiency to reduce costs and ensure that effective operations of the market forces transmit the benefits to the end users’ (ICCC, 2010:19).

In conceptualising this broad policy approach, Webster et al. (2016) succinctly divided the roles and functions of the multiple stakeholders in the housing sector into the following three categories:

- ***Supply side.*** The supply side primarily involves in the release of greenfield (undeveloped land) for constructing houses. Ideally, the State provides the land and the private sector constructs the houses. The development of a greenfield into serviced residential allotments involves complex web of multi-sectoral industries, such as the large construction sector and its associated intermediaries. Given the limited resources, the Government’s role is important in promoting availability of serviced land. In turn, allow the private developers to lead the supply of houses. However, there is a shortage in supply of State land in the urban centres of PNG. This restricts private developers from expanding the supply of houses. Thus, the progressive work of the National Land Development Program Phase II in unlocking and releasing customary land for sustainable development is critical for the housing market.
- ***Facilitators and regulators.*** Regarding the facilitating role, the Government should focus on reforming the land and housing administration processes. Streamlining the roles and functions of the multi-state agencies involved in the land and housing sector is important. In addition, as the custodian of all State Leases, it is imperative for the State to restore confidence in the

systems and processes for proper orderly urban development.

Furthermore, an assessment on the effectiveness of the legislations and regulations administered by key implementing agencies in housing and land administration is urgently needed. It is important to harmonise relevant legislations such as the National Housing Corporation Act 1990, Land Act 1996, the Physical Planning Act 1989, and other associated legislations. The rapid growth of informal settlements in the urban centres, particularly in Port Moresby and Lae, indicates the lack of cohesiveness and also the implementation of these key legislations. This has resulted in a huge gap between what is envisaged in the urban development plans and the actual development on the ground (Walter et al., 2016). The land and housing administrative reforms should ensure all bottlenecks that congests and delay the turnaround time in the provision of housing are alleviated.

Importantly, there is a need for the establishment of a central coordinating agency in the housing sector. This agency should perform the role of the missing ‘Conductor’ alluded to earlier. Particularly in harmonising the role of multiple stakeholders in the planning and development of the housing sector. Furthermore, Webster et al. (2016), proposed that a project management approach should be undertaken to find pragmatic solutions. For instance, the Housing Policy Implementation Taskforce (HPIT), which consisted of five key Government agencies, should be re-activated and its scope extended to accommodate project committees. These project committees should be made up of representatives of relevant agencies in the housing sector. Their role is simply to monitor and address the operational challenges of large residential projects, undertaken by private developers in the urban centres. These challenges can then be flagged to HPIT and addressed within the overall policy coordination of the housing sector.

- **Demand side.** The demand side represents the homebuyers. Purchasing a home is a major household investment decision. It requires sufficient savings and understanding of one’s income capacity. This is to ensure after

repayments of mortgages to the bank, there is enough to maintain the household. Housing affordability then is a critical influencing factor that determines the decision of the individual (Ezebilo, 2019). The proposed holistic framework in this regard should promote equitable housing ownership schemes that discourages the segmentation of the housing market as experienced with the FHOS. Further studies are needed to understand the options of public housing programs that may assist low-income earners.

### Conclusion

In the absence of an updated National Housing Policy, the urban centres of PNG are facing a housing crisis. Affordable housing is a basic need to live healthy and contribute to the nation building. However, the recent past policy reforms and interventions undertaken through an ad-hoc and piecemeal approach has resulted in a dysfunctional housing market and many Papua New Guineans have suffered as a result. There is, therefore, a critical need for the development of a holistic housing policy framework. This should harmonise the roles and functions of the multiple stakeholders in the sector, to collectively embrace the needed reforms to address the housing crisis in PNG. One potential way to move the housing sector forward is to complete the review of the National Housing Policy 1994 that begun in 2017. This will motivate the private sector to invest more in the housing sector.

### References

- Ezebilo, E. (2019). Affordability of houses provided by housing schemes must be considered before implementation in Papua New Guinea. *PNG NRI Spotlight*, Volume 12, Issue 2: Port Moresby: Papua New Guinea National Research Institute.
- Independent Consumer and Competition Commission (2010). *PNG housing and real estate review, Final Report*. Port Moresby: Independent Consumer and Competition Commission.
- National Capital District Commission Urban Development Plan Review, (2020). *Port Moresby towards 2030: One City, One People, One Future*, National Capital District Commission. Retrieved from <https://www.ncdc.gov.pg/> (accessed 19 February, 2021).
- Walter, P., Yala, C., Aleker S., (2016). *Improving urban development in Papua New Guinea*, (PNG NRI Discussion Paper 145). Port Moresby:

Papua New Guinea National Research Institute.

Webster, T., Chand, S., and Kutan, L., (2016), *Property and housing policy development*, (PNG NRI Discussion Paper 149). Port Moresby: Papua New Guinea National Research Institute.

## About the Author

**Dr Lindsay P. Kutan** is a Senior Research Fellow and the Program Leader for Sustainable Land Development Research Program at the PNG National Research Institute (PNG NRI).

## Acknowledgement

The author would like to thank the following colleagues from the PNG NRI for the comments provided in the initial version of the manuscript: Ms Logea Nao, Research Fellow with the Sustainable Land Development Research Program; Mr Ronald Sofo, Research Fellow with the Economics Policy Research Program and interim Manager of the PNG APEC Study Centre housed at PNG NRI; and, Dr Thomas Webster, formerly the Director of PNG NRI and now the Professorial Research Fellow of the Bougainville Referendum Research Project.