

PNG's Urban Housing Crisis

Whilst employment grew across most sectors and regions of the country over recent years of positive economic growth, essential services have remained inadequate and widely deteriorated. Urban housing has also become less accessible or affordable. Indeed, with property, rental (and hotel) prices leapfrogging, it seems PNG has an accommodation market of a wealthy developed country, superimposed upon a poor developing country. In reality it demonstrates a very undeveloped housing market unable to meet rapidly growing demand in most centres and categories of housing.

Access to adequate food, potable water and housing are basic human needs and housing (and freedom from forced eviction) is an internationally recognised human right.

PNG's population lives largely in rural areas, providing their own accommodation, using building materials from customary land resources, sometimes with permanent materials. In rural areas the State's responsibilities are limited to providing basic infrastructure and services (undertaken unsatisfactorily), plus rural public servants' housing (now widely overlooked, undermining the readiness of teachers or other service providers to serve in remoter locations.)

In urban areas the State's functions of providing core infrastructure extend to town planning and ensuring waste disposal, although the private sector could also provide utilities. The country is just awakening to inadequate investment in basic utilities, contributing to public health problems, including current cholera outbreaks. In most towns worldwide housing is provided largely by the private sector, either through an active rental market and/or owner occupation. In most countries there is at least some public sector housing, particularly where the housing market is undeveloped. This caters particularly for public servants providing essential services, disciplined services, some teachers and health workers (particularly those living on site), plus particular categories of disadvantaged resident.

Why is PNG facing this housing crisis and how should it be addressed?

In the colonial and early post-colonial period government discouraged urban settlement, with requirements for employers to return villagers home upon completion of work assignments. It was recognised that institutional housing would be required for public servants working in the field and centres. With a growing urban population government undertook successive forays into establishing low cost housing, but recognising that demand would readily outstrip government's capacity to provide, it was decided to provide sub-divided portions of State land (e.g. in Morauta), with most costs and construction responsibilities falling to leaseholders.

PNG's population has grown rapidly (2.5-3%), perhaps to 7 million now (although details must await the deferred 2010 National Census). Rural economic opportunities have not kept pace, with roads and airstrips deteriorating and inadequate basic education, health and banking services. There is, therefore, a push and pull effect, driving many from villages, especially in disadvantaged areas, into towns and along main highways, seeking better services, employment and income-earning opportunities in the formal and informal sectors.

The National Housing Corporation has been notoriously ill-managed over many years, failing to make significant impact on housing supply either for essential service workers or vulnerable groups. No

clear policy has been determined of their role, or resources, capacity or oversight required for that potential role. In a burst of magnanimity government sold off the bulk of its housing stock at knock-down prices to resident public servants, and failing to capitalise on NHC's initial capital base.

Why doesn't the market meet demand?

The main constraint upon affordable housing has been inadequate supply of land with secure title, either for commercial developers, institutions or individual households. It's not the land itself which is short, but accessible land, constrained by inefficient and corrupt land administration, inadequate and uncoordinated urban planning and rigid customary land laws (until recently). Suitable State land is available, but unplanned and undeveloped, whilst accessible customary land is also available, if landowners' title is safeguarded and landowners also benefit from new development. Greater supply, particularly for tenured housing, would also bring down accommodation costs, although not fully address the surges related to rapid demand growth, such as for higher end accommodation with major projects, like PNG- LNG, increased spending power, or relaxed credit facilities, or periodic market bubbles, driven by rumour, speculation, greed and misinformation. With limited additional land available, much of PNG's market has been driven by trading existing properties, e.g. to resource landowners or others with access to credit, with little new housing constructed; there's been more top end new housing (plus office construction), but the financial market is reluctant to lend to less middle-income borrowers, especially for over-priced houses or insecure titles, whilst PNG lacks cooperative mechanisms like housing associations. Employer- tied or home ownership schemes, including from superannuation funds, are sporadic and sometimes poorly developed, often with unaffordable properties (partly owing to lack of construction economies).

State land (in NCD or elsewhere) has been notoriously abused by successive Land Boards and senior officials, with lucrative swansongs for some retiring officers, or allocated at Ministerial discretion to selected persons (including themselves). Multiple titles exist for some land, whilst records of State land potentially available for housing development are ill-kept. Households and banks have discovered, to their horror, that others hold title to their homes. The State also failed to progress the valuable scheme in Morata, for orderly allocation of portions for low cost self-built housing. In the absence of formal land title, much of the population growth in PNG's towns has entailed through squatting on State, or more widely, customary land. Whilst fulfilling a desperate housing need, squatter settlements demonstrate failure by urban authorities and the market to provide more planned, orderly and well serviced residential opportunities. Some settlements entail more established housing and conditions, sometimes with semi-formalised arrangements with customary owners, but others are located in unsuitable, widely unhealthy conditions, invariably without potable water and sanitation, on other peoples' land, whose rights and opportunities are infringed. Lack of secure tenure discourages investment in upgrading accommodation and prevents access to formal credit facilities.

What are the solutions to PNG's growing housing crisis?

After many years of ignoring housing needs or ad-hoc para-statal schemes, the issue is finally gaining greater attention by authorities and private sector alike, with a useful ICCR report, new Urbanisation policy, improved urban planning in NCD, amended but not yet applied land reforms and urban pilot initiatives on customary land (e.g. Tarauma valley and peri-urban Goroka).

The solutions are multi-pronged, including: -

- improved access, services and opportunities in rural areas, reducing pressure to migrate (as conditions and opportunities in –forgotten- rural areas are largely worse than in towns),
- Improved planning and coordination between a reformed and accountable ‘Lands Authority’ and urban authorities over zoning, competitive and impartial land allocation and opening up new State and customary land for housing development, including specifically low cost housing, with provision of basic infrastructure and utilities,
- Removal of impediments to private sector/household access to land for housing development, facilitating wider access to long term (but not sub-prime) housing credit
- Encouragement of international and local investors into competitive and affordable housing construction, using bulk prefabrication,
- Reinforce capacity in technical/vocational schools and apprenticeship schemes in building, plumbing and related skills to meet required standards,
- Facilitation by IPA of suitable, including cooperative, housing models, e.g. housing associations, providing enhanced security and linked to longer term credit facilities,
- Competitive contracting out management of NHC to the private sector, for needed (but restricted) institutional housing, with specific benchmarks (e.g. for maintenance) and targets, timelines and beneficiaries (i.e. not senior bureaucrats etc).
- Suitable incentives for institutional housing run by NGOs (e.g. YWCA) for specific needs, including vulnerable groups.
- Replicable, low cost schemes for improving utilities (notably potable water and sanitation) in existing urban villages and settlements, using partnerships with residents/customary owners,
- Adequate and consistent funding mechanisms for all urban areas, noting that some urban centres, including NCD, are better financed, whilst others have limited access to GST and dependent upon provincial largesse. Reliable population statistics from the deferred Census provide a critical basis,
- improved planning and management of urban authorities, and expenditure oversight of utility SOEs (including exorbitant and ill-managed contracts/donor projects, which severely undermine the towns and households supplied with water and sanitation).

Successful urban development and catering for the housing needs of the growing population, without unduly luring households to town, requires foresight, cooperation and stamping out corrupt practices by authorities, whilst encouraging effective partnership with the private sector, including major corporate, institutional and individual (including low income) investors to provide the bulk of the capital for new developments. The State’s functions should largely be facilitating land and utilities, but not undertaking housing development, except for genuine target groups. The government’s track record in housing provision, over many years, including costly development schemes like Central City, and earlier government-led housing schemes (e.g. Conrad’s with POSF)

have been abysmal and wasteful of public or contributors' funds. Customary landowners must be brought on board, not as an impediment to urban development, but as active partners and beneficiaries in a formalised process, able to attract private capital and credit arrangements. Improving supply at the higher end of the market will ease pressure on middle and lower cost housing, but specific attention must be given by authorities to meeting the housing needs of lower income households, including essential service providers and vulnerable groups, who, as with the rural population, play a critical role in PNG society and economy, and are equally entitled to benefit from the country's economic progress. Suitable accommodation is but one of the essential needs, but the conditions under which much of the population lives is unsustainable, with increasingly exorbitant rents, including in settlements, and even middle-income households accommodating 20-30 relatives/wantoks.

Recent years have seen wealth distribution in PNG increasingly distorted, with the elite (often using public funds or land) able to thrive on appreciating property assets, or secure relatively affordable property overseas, whilst the rest, including most public servants, struggling to find decent affordable roofs over their heads. This is not an intractable problem, but it requires commitment to address the bottlenecks now, including by the elite currently benefiting from the tight market.