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# Financing the development of customary land in Papua New Guinea: challenges and prospects

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*Inquire Inform Influence*

# Outline

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- BACKGROUND
- OBJECTIVES OF THE STUDY
- RESEARCH METHODOLOGY
- FINDINGS
- CONCLUSION
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# Background

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- Land is an important factor of production (Randall and Castle, 1985).
- Land tenure and property rights - Secure property rights are considered a key contributor of economic development (Feder and Feeny, 1991)
- Land titling and access to credit - Land titling alone may not be sufficient to warrant access to credit (Feder et al, 1988; Feder and Feeny, 1991).
- 97 percent of land in PNG is customarily owned (Wangi and Ezebilo, 2017).

## Background cont'd

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- If land is properly released and developed, it can contribute to the growth of the national economy and improve livelihoods (National Land Development Taskforce, 2007).
- Previous Studies on/relating to financing of customary land development:
  - Customary land leases are not considered as collateral to extend credit as lenders are not conversant with the new laws, there is a thin secondary market in land leases, and there is insecurity over security rights to leases (Chand et al, 2014).
  - Customary land leases are still not secure to be considered as collateral for loans due to unsettled land disputes and ongoing land administration and governance issues (Kwapena et al, 2021).

# Objectives of the study

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- To identify challenges that are related to financing customary land development.
- To find potential strategies for providing secure and bankable customary land titles to finance customary land development in PNG.

# Research Methodology

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- Purposive selection of stakeholders (Mt Hagen, Alotau, Kokopo, Lae):
  - Commercial Banks
  - Provincial Administration and Provincial Lands Office, and Regional Lands Office where applicable
  - Landowners (including representation by ILGs with customary land titles)
  - Developers/businesses (including those with investments on customary land) and Provincial Chamber of Commerce
  - Municipal/town authorities
- Focus group discussions were used to gauge stakeholder views, using guiding questions.

# Research Methodology cont'd

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## **Guiding questions for group discussions**

1. Can the process and principles of creating and issuing State land titles and leases in PNG be applied in the context of customary land in PNG? If no, why not? If yes, why are customary leases being considered risky?
2. In your view, what specific aspect of the process of creating and issuing customary land titles and deriving leases in PNG is contributing to risky customary land titles and leases?
3. What sort of title and lease system would you consider suitable for PNG?
4. What should be done to make customary land titles (leases) bankable in PNG?
5. Any additional comments/discussions?

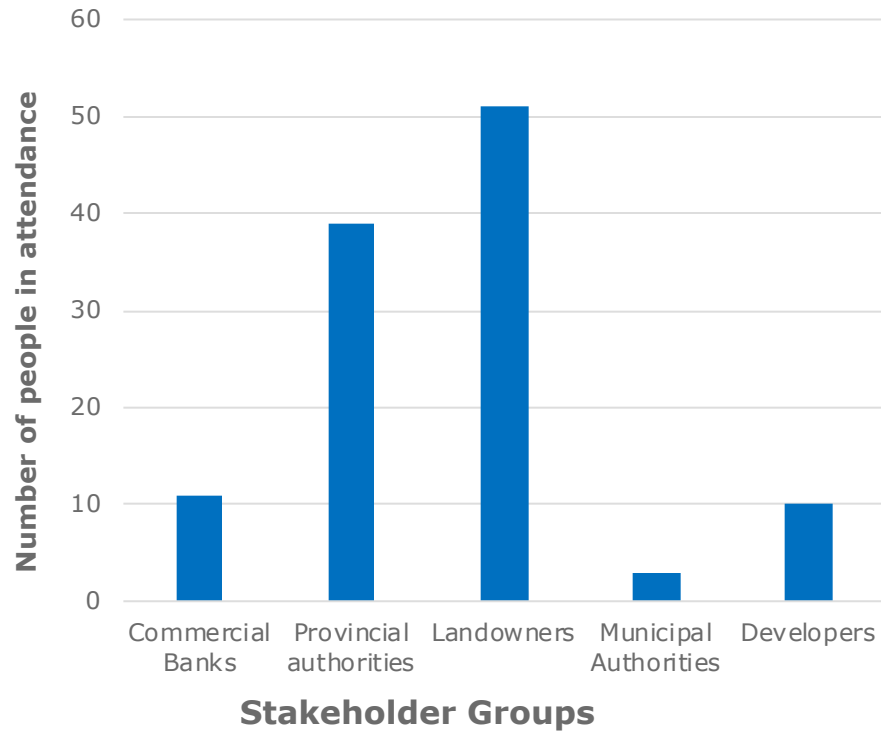
## Research Methodology cont'd

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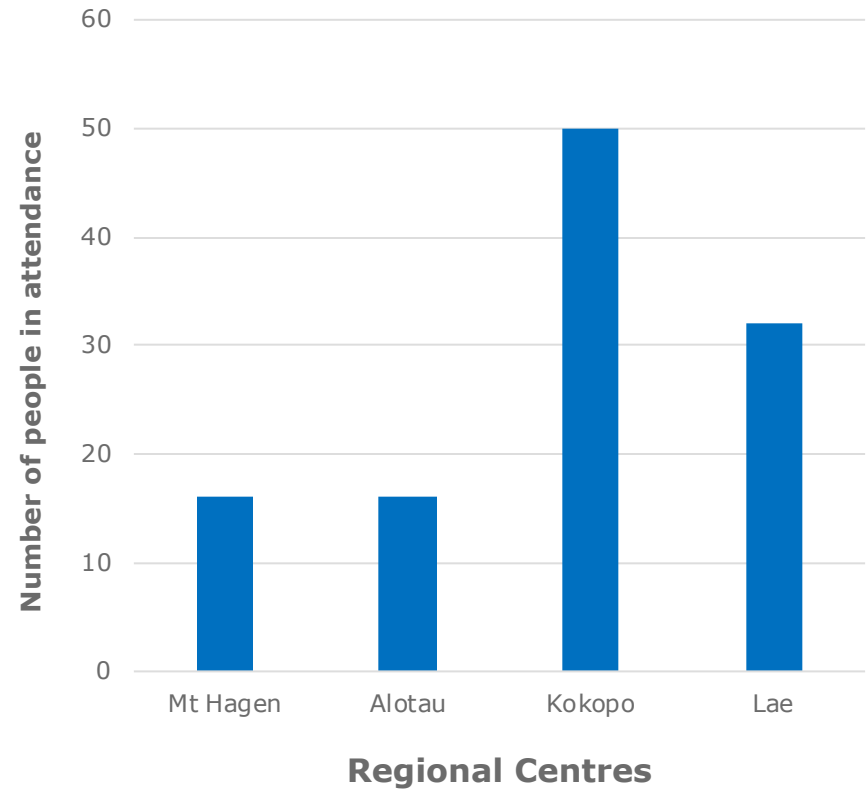
- **Data processing** - transcripts of verbal feedback, and Microsoft Word used to input data to assist in manual theming process
- **Data analysis - Thematic framework analysis** was used which involved manual coding and translating codes into themes
- **Limitations of the study**
  - Study findings are reflective of views from 114 participants across five (5) key focus groups in four (4) regional centres.
  - Some focus groups had less than three (3) participants, so groups were merged, whilst others had more than 10 participants.
  - Discussions in Mt Hagen were held in one big group although representation of stakeholders and focus groups were noted.



## Participants by Stakeholder Group



## Participants by Regional Centre



# Findings

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- **Current process of creating and issuing customary land titles in PNG**
  - Process should be retained but with improvements made on specific areas.

# Findings - Challenges

<b>CHALLENGES</b>	Commercial banks	Provincial/ Regional authorities	Landowners	Municipal Authority/ Urban LLG	Developers/ Businesses
1. Limitations on customary lease arrangements	<b>X</b>	<b>X</b>	<b>X</b>		
2. Fear surrounding recovery of a loan after a default	<b>X</b>				
3. Security of developments on customary land is not always guaranteed			<b>X</b>		
4. Insufficient awareness on ILG and land registration processes	<b>X</b>	<b>X</b>			

## Findings - Challenges cont'd

<b>CHALLENGES</b>	Commercial banks	Provincial/ Regional authorities	Landowners	Municipal Authority/ Urban LLG	Developers/ Businesses
5. Loss of trust in the ability of DLPP to administer customary land		<b>X</b>	<b>X</b>		<b>X</b>
6. Difficult to determine legitimacy of landowners	<b>X</b>				<b>X</b>
7. No map and proper record to check land boundaries		<b>X</b>			
8. Ongoing landowner conflicts	<b>X</b>		<b>X</b>		

# Findings - Prospects

<b>PROSPECTS</b>	Commercial banks	Provincial/ Regional authorities	Landowners	Municipal Authority/ Urban LLG	Developers/ Businesses
1. Develop Customary Leasehold Act			<b>X</b>		
2. Establish separate entity to administer customary land		<b>X</b>			
3. Undertake extensive awareness	<b>X</b>		<b>X</b>		
4. Establish a database for customary land boundaries		<b>X</b>			

## Findings - Prospects cont'd

<b>PROSPECTS</b>	Commercial banks	Provincial/ Regional authorities	Landowners	Municipal Authority/ Urban LLG	Developers/ Businesses
5. Establish a credit guarantee facility		<b>X</b>	<b>X</b>		<b>X</b>
6. Establish Customary Land Bank		<b>X</b>			
7. Explore innovative sources of financing		<b>X</b>			
8. Innovation required by banks		<b>X</b>	<b>X</b>		
9. Banks consider alternative sources of collateral	<b>X</b>		<b>X</b>		

# Conclusion

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- There are challenges to financing the development of customary land due to:
  - Lack of confidence in the institutional arrangements and the current processes employed by the Government in granting the title
  - Ongoing customary land disputes
  - Bank officials not being fully aware of current process and legislations as well as ongoing reforms on customary land.

# Recommendations

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- To give confidence to potential financiers and investors, the study recommends the following:
  - Government establish a new agency to administer customary land. This proposed agency is to be called Customary Land Authority (CLA) and is an alternative to the current arrangements under DLPP.
  - To complement this, government consider establishing a credit guarantee facility, similar to the SME facility, or a National Customary Land Bank.



# Acknowledgements

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- Government of PNG (GoPNG), for funding this study through the National Land Development Program (NLDP).
- NLDP Technical Working Committee Members from Department of Lands & Physical Planning (DLPP), Department of National Planning & Monitoring (DNPM) and Department of Treasury (DoT) who accompanied NRI researchers on field work.

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