

HOUSING AND SHELTER SECTOR : NEED FOR REVIEW

2017 PNG UPDATE

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1. INTRODUCTION

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- The presentation looks at the historical evaluation of the Ministry of Housing and Urban Development and its role to cater for the housing and shelter sector. It discusses certain policy decisions that impact on the sector and the need to review the sector in view of the changes and challenges over the years.

2. BRIEF OVERVIEW

- Provision of housing is an issue of need for survival of human beings, hence, in many countries; the State regulates some aspects of housing industry apart from providing houses to ordinary or special status people.
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- Election Issue - squatter issues, proper design of purported settlements and need for proper urban planning and development.
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- PM - embargo is placed on sale of houses or evictions by the National Housing Corporation. Further, he said an Investigation will be conducted and Report presented to Parliament.
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- Core business of NHC is to develop land, build properties or allow the construction of properties, sell, lease or let to eligible persons.
- NEC Decision 254/2016, in disguise has given opportunity to suffer NHC
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- During the colonial era, housing especially for public servants was under the then Department of Treasury, which was all purpose agency.
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- HOA - Department of Public Utilities was responsible for housing needs of the State; its employees and also its citizens. Despite change in Department names or arrangements such as Department of Interior; Department of Lands & Urban development; Department of Urban Development, Department of Housing and Housing Commission, NHC, the housing and shelter matters had been accommodated in every Government.

- A major review was done in 1977/78 of the Department of Interior that looked after Social Housing and also the Housing Commission. That resulted in the creation of Department of Urban Development in 1979 with functions of Town and Physical Planning and Housing.
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- 1982, the National Budget was at K400 million. K36 million annually to maintain the State housing properties. major drawdown on national budget at the expense of the rural development. The focus was to divest the annual maintenance budget to the other sectors including rural areas.

- Since 1980, NHC has been subject to many policy directions by the Government such as:-
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- Stopping commercial housing construction to concentrate solely on Rental Housing Management and to provide technical expertise on Self Help Housing Programme and Settlement Housing Scheme.
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- Development of “Settlement” and Suburbs such as Boroko, Town, Gordons and “Low Cost Housing Area or Self Help Schemes” such as Gerehu stage 3-6, Morata, Erima, Kaugere (NCD) ; Tent Siti and Taraka 1 and 2 (Lae) and Kama (Goroka).
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- Management of National Home Ownership Scheme for sitting tenants to purchase houses through Mortgage arrangement, famously known as Morgan Scheme.
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- public service housing stock was given away to sitting tenants under the Government Sale Off or Giveaway Scheme (GSOS), where Members of Parliament and Departmental Heads were no longer given state houses in NCD or home province and housing allowance paid

- Under the Department of Housing (policy, research, government schemes) and National Housing Commission (rental and commercial houses management) structure, the Government initiated the various schemes to enable sitting tenants and others to purchase the houses through outright payments or instalment or rental payments.
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- In 1989, the National Shelter Taskforce was established to review the housing and shelter sector as well as the policies, functions and operations of the Department of Housing and the Housing Commission. The National Housing Corporation Act, 1990 was passed with the Department of Housing and Housing Commission amalgamated into the National Housing Corporation to carry out both functions under a single reporting and salary structure but with a view of corporatizing it to achieve self-sufficiency as well as to continue providing houses.

- Twenty years later (between 1994 and 2014), various government decisions have affected the operations of NHC in its mandate to provide affordable housing to its citizens. The NHC was and is still plagued by various decisions and actions by the Government.
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- NBC, Post and Telecommunications Corporation; Harbours Commission, went back to be funded through Annual Budgets. Some functions of NBC (Kalang FM); PTC (Telekom and Post PNG) , Harbours Board (PNG Ports) has now been fully corporatized whilst regulatory, research and policy functions are still funded by the State such as National Broadcasting Corporation, NICTA, Department of Communications, Department of State Enterprise; National Maritime Authority and the Department of Transport.

POWERS AND FUNCTIONS OF THE MINISTER AND NHC

- As per the Ministerial Determination, the Minister of Housing & Urban Development is responsible for National Housing Corporation (NHC) and its subsidiary the National Housing Estate Limited (NHEL) and the Office of Urbanization.

- to improve housing conditions; and
- to provide adequate and suitable housing for sale or lease or letting to eligible persons; and
- to make advances to eligible persons and approved applicants to enable them to become the owners of their own homes; and
- to develop physically residential land by way of providing adequate services for human settlements; and;

- to carry out and promote research or investigations into matters connected with urban development and human settlements; and
- to carry out research into building materials and methods of construction, including the erection and maintenance of experimental dwellings or associated buildings; and
- to purchase or otherwise acquire any property, or an interest in or in connection with any property and provide dwellings and associated buildings with equipment;
- to prepare sites and erect dwellings or enlarge or improve dwellings and associated buildings; and to develop and maintain housing projects; and
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- to make advances to eligible or approved persons to enable them to erect or purchase dwellings; or to enlarge or improve dwellings already owned by them; or
- to discharge existing mortgages, encumbrances or charges; and
- to make, provide or conduct reports and recommendations to the Minister or any other person or body in relation to human settlements or urban development as the Corporation considers necessary or appropriate; and
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- to promote orderly and economic urban development.

- In urban centres, the biggest issue is lack of affordable accommodation against a huge demand which cannot be met by the state agencies responsible for the sector. However, before those issues can be addressed, the problem would start with the agencies responsible.
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- The NHC carried a threefold purpose bodies of policy, research, legislative oversight; construction, property development and management and general property management of government houses. The NHC cannot appropriately serve these needs of all sectors in both urban and rural areas.

- Compensation – selling under statutory price
- Rental and Maintenance Cost - K7, K10.50, K17, K44, K88, K154 and the new hostels at K240. K520 – utility charges – flywire, door
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- Retrenchment and Retirement

INTERNAL ISSUES AND ACTION TAKEN

- In terms of statutory compliance, there was complete breakdown in the administration and management of NHC. Public Accounts Committee (PAC) Inquiry Report - Unit Trust and Agencies to manage the 8 Home Ownership Schemes and to carry out functions of NHC. Further the PAC Report stated that NHC has lost control of the two issues amongst other recommendations, which are the lack of financial statements and also the routine audits by the Auditor General.

- Restructure / Retrenchment/Retirement – 30 years' service
- Financial Statements – 2005 to 2016
- Auditor General's Report – 2012
- Management Letter -2013
- Annual Report 2005-2012
- IRC – 2005 -2016
- POSF
- Statutory Bills K60 million

RECURRING ISSUES

- Titles with DJAG – 250 titles plus
- Wrong Code Deductions –K50 million now K38 million
- Sales below Price – K16 million, GAS, GSOS K406
- 3000 titles

CLASSIFICATION OF AREA AND SETTLEMENT ISSUES

- The different housing areas in NCD, Morobe and EHP used as examples are:-
- **High Residential Area** with water and sewerage, sealed roads, telephone and electricity , specified schools and recreation reserves and commercial area –Town, Boroko, Gerehu 1, 2, 3, Gordons (NCD); Lae Top Town, Eriku (Morobe); North Goroka; Goroka Town Area, DPI and Hospital Road, Kainantu Golf Club area (EHP); Premier Hill, Kundiawa etc.
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- **Middle Residential Area** with water and sewerage, sealed roads, telephone and electricity, specified schools and recreation reserves and commercial area – Gordons to Erima Junction Area; parts of Hohola, parts of Gerehu (NCD); Town; Lae China Town Area (Morobe); West Goroka, Hospital Area (EHP) etc.
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- **Low Residential Area** with water and sewerage, sealed roads, telephone and electricity , specified schools and recreation reserves and commercial area –part of Hohola, Gerehu 4,5, 6, (NCD) ; Salamanda, Admin Compound, Kamkumung (Morobe) ; Seigu, back of NSI and Hospital (EHP); Newton (WHP);

- **Self Help Scheme/Low Cost Area** with water and sanitation, sealed roads, telephone and electricity , specified schools and recreation reserves and commercial area –Morata 1 and 2; Erima 1 & 2, Sabama /Kaugere (NCD) ; Taraka 1 & 2 (Morobe); Lopi (EHP)
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- **Settlement Scheme** with allotments and planned services for water and septic or sanitation, roads, telephone and electricity access –9 Mile, 5 Mile, Moitaka Ridge (NCD) ; Haicosts , 1-2 Mile (Morobe); Kama –back of YCA and Kama SDA Church (EHP)
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- The latter three are classed as Settlement as per the National Housing and Shelter Policy”adopted by the Government in the 1980’s.

- Affects mortgage and security including property values;
- Integrated and Interagency Approach
- **Housing Design –**
- **Financial Capacity and Housing Loan**
- **Expensive Building Materials –**
- **Construction costs –**
- **Housing Loan and Security –** Mortgage over 40 years / Passes to Next of Kin
- **Displacement by High and middle Income Earners -** Moratoriums and Caveats
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- NCDC needs to develop for example Morata 3-4 or Tete with proper roads and amenities like schools, church, commercial areas and proper houses and shelters and individual titles like what NHC and its predecessors have done.
- move away from the basic shelter where NHC used fibro, lumber and tin and ensure houses that are bigger than the matchbox 1-2 bedroom are of the past.

REVIEW AND REFORMS

- There are many issues starting with legislative and policy reviews, organizational and operational reviews and also into the financial arrangements of NHC that impact on the housing and shelter sector. Whilst these reviews are being implemented and corrective action taken, the important fact is the financial capacity of NHC that has been impacted by various Government Policies since 1980-1990's.
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- Housing stock review , Compensation, Titles issued , Research & Policy
- Maintenance and Increase rental
- Wrong Code
- Payroll Transfer

- The NHC three impact projects and status and funding required are:-
 - » NCD and Duran Farm – Public Housing Project (K32.0 million)
 - » Nationwide Housing Roll Out Program (K50.0 million rolled over 3 years)
 - » Nationwide Property Validation, Verification and Valuation Exercise (K5.0 million)
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- structural issues affect NHC. National Government funding support and specify policy direction, monitoring and evaluation of programs and outcomes..

STRATEGIC DIRECTION IN THE SECTOR

- Various Governments have approved for legislative review and various funding to expand the housing stock but that has not been done conclusively.
- NHC to Authority and different Units and Schemes
- regulatory functions to oversee the real estate industry and to arbitrate
- Social Housing of 5000 houses in NCD and 40 000 nationwide

- Specialist office, to manage costly schemes from the 1960s-
- - Advance Scheme – ended 30 years ago and Titles yet to be transferred
 - Morgan Scheme – 1983 but most Titles yet to be transferred to purchasers
 - Government Sell-Off Scheme – many completed payments, yet to receive Title
 - Giveaway Scheme – clear record of purchases, payments and conveyance
 - Rental Purchase Scheme – term has expired but payments yet to be updated
 - Cash Sales – records are reasonably good. Paid direct to NHC
 - National Homeownership Scheme – expired mortgages pending payment and transfer
 - Staff Housing Scheme – expired mortgages, pending identification of payment, transfer
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- Any legislation must be underpinned by good research and policy and manpower and financial resource to implement overarching policies . Departments of PM & NEC, Treasury, National Planning & Monitoring including National Research Institute to provide expertise to assist in research on building materials, types of houses, market studies on real estate, demand/supply studies, housing finance, tariff and fees waiver and exemptions and its impact and the general economics of such methods to be adopted including policy outcomes.

CONCUSION

- Until that is done, the people of PNG will continue to wait and ask of when new affordable houses will be constructed under the Social Housing Concept and when they will have their Titles to be able to mortgage or even to improve he property and rent or lease to others.