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Potential Public-Private Partnership strategy for Promoting Effective Housing Delivery in Papua New Guinea

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Background information

- ❑ Providing adequate, quality and affordable housing for different income groups has been a long-standing issue for governments of most countries (Yuan et al., 2017; Miao, 2016; Ezebilo, 2017a).
- ❑ Governments of most developing countries have used various initiatives to provide housing through its agencies. However they have not been successful (Hassan, 2011; Yuan et al., 2017; Ezebilo, 2017b).
- ❑ Potential strategy for attracting private sector investment in provision of housing aimed at boosting supply of houses has been explored by governments (Ibem and Aduwo, 2012).

- ❑ Private sector is more effective and efficient in providing houses than the public sector (Tang et al., 2010; Adegun and Taiwo, 2011).
- ❑ Private sector is more disciplined by market forces and competition than the public sector (Cartlidge, 2006).
- ❑ The goal of the private in housing delivery is to maximise profit (Gravelle and Rees, 2004). They might find it difficult to provide houses that are affordable for low-income groups.
- ❑ A paradigm that involves the collaboration between the public and private sectors known as the public-private partnership (PPP) emerged (Osei-Kyei and Chan, 2015).

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- ❑ The PPP is in line with public management Theory.

The theory stipulates that:

“Partnership assist in addressing some weaknesses of the public sector through collaboration with private sector”

- ❑ PPP is a range of institutional arrangements between the public and private sectors in sharing responsibilities in housing delivery (Ibem, 2011).
- ❑ There are several PPP arrangements. However, identifying the arrangements that are suitable for a country is problematic.

Objectives of the study

- ❑ To identify potential PPP arrangements that could be used to promote effective delivery of affordable housing in Papua New Guinea (PNG).
- ❑ To examine challenges associated with the implementation of a PPP project in housing delivery in PNG.
- ❑ To explore key factors required for a PPP project to succeed in PNG.

Methods

- ❑ The data were obtained from:
 - A review of policy documents, unpublished (grey) and published papers,
 - In-depth interviews involving private developers and official of the National Housing Corporation (NHC).
- ❑ For policy documents, the PNG PPP Act 2014 and PPP Policy 2014 documents were captured from Google search engine using the keywords “PNG PPP ACT” and “PNG PPP Policy”.
- Independent Consumer and Competition Commission (ICCC) report 2010 was captured using the keyword “PNG housing +real estate + industry + ICCC.”

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- PNG National Housing Policy 1994 document was collected from the NHC.
 - ❑ Relevant documents such as Webster et al., 2016; Ezebilo, 2016; Nao and Ezebilo, 2017 were captured from the PNG NRI website (<https://pngnri.org>).
 - ❑ Google scholar and Scopus search engines were used to identify papers associated with subject of the study. Keywords used include:
 - “Public private partnership + housing”
 - “Public private partnership + critical success factors”
 - “Public private partnerships + types”

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- ❑ Titles of all captured papers were screened for relevance to the subject of the study.
 - ❑ Papers that did not have relevant titles were excluded, whereas abstract of papers whose titles were relevant were read.
 - If an abstract contained relevant keywords, the full paper were sought for reading.

*In some cases a subscription was required to access the full paper. For this reason, only full papers that could be accessed without a subscription were read and used in this study.

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- ❑ As we are interested in papers that might be more relevant to the conditions in PNG, papers from developing countries that were written in English were mostly selected for review.
 - ❑ A total of 20 papers from international journals and one working paper were captured.
 - ❑ All the policy documents, NRI publications, journal articles and working paper were reviewed to generate information on PPP policy in PNG, PPP arrangements for housing delivery, success factors for PPP projects and PPP arrangement in PNG.
 - ❑ Four private developers and an official of NHC were asked about the challenges facing housing delivery in PNG.
 - The NHC official was asked about framework used by government in the delivery of affordable housing schemes.

Findings

- Of the 6 PPP arrangements that were identified, 2 arrangements have more potential for promoting effective housing delivery in PNG. The arrangements include:
 - The direct relationship ownership housing (DROH). It involves governmental agencies such as NHC providing enabling environment for private developers to construct houses.
 - ❖ *Responsibilities of NHC*
 - Provide Land for free to selected large scale private developers
 - Provide trunk infrastructure (piped-borne potable water, electricity and sewerage).
 - Develop check list for monitoring the quality of houses constructed by private developers.
 - Provide criteria for selecting potential beneficiaries of housing scheme.

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- ❖ *Responsibilities of private developers in the DROH:*
 - Design, construct and finance the housing stock, which must meet minimum standard set by the NHC.
 - Conduct maintenance work on completed housing units.
 - Sell completed housing units to potential buyers.
 - Source for buyers and making sure that buyers make payments as when due.
 - Determine house sale prices in collaboration with the NHC.

 - ❖ *Responsibilities of potential beneficiaries in the DROH:*
 - Pay for the completed housing units directly to the private developer.
 - Pay service charge for the maintenance of their housing units and common areas.

Continuation of findings

- Direct relationship rental housing (DRH). This arrangement is targeted toward making house rent price affordable to low and middle-income groups.
- ❖ *Responsibilities of NHC are similar to that of the DROH arrangement.*
 - In addition, the NHC in collaboration with the selected private developer determine house rent prices for different housing units.
- ❖ *Responsibilities of the private developer are similar to that of the DROH arrangement.*
 - In addition, the developer is in charge of collecting house rent from tenants and will continue to own the housing units.

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- ❖ Responsibilities of beneficiaries in the DRH arrangement.
 - Pay house rent directly to the developers weekly.

*To maximise the use of land and to benefit from economy of scale, multifamily high-rise apartment blocks will be more suitable for the DRH arrangement.

Challenges faced by PPP projects in PNG

- Financial problems. Commercial banks often find it difficult to provide loan facilities to private developers.
- Shortage of land with proper title for development. State-owned land is almost exhausted, whereas most customarily-owned land do not have proper title.
- Bureaucratic problems in the public sector which often result in delays in the implementation of a PPP project.
- The roles of the public sector and private sector in the provision of housing as stipulated in the PNG National Housing Policy 1994 is not clear.
- Trunk infrastructure is either in poor condition or lacking.
- Capacity problems. Shortages of skilled labour in the house construction industry.

Key factors for the success of a PPP project in PNG

- ❑ Transparency must be promoted in all stages of the PPP project to build trust between NHC and the developer.
- ❑ Political support is necessary for expenditures associated with a PPP project to be approved.
- ❑ Risks associated with the PPP project must be identified and shared properly between NHC and the private developer.
- ❑ Support of the general public is necessary for a PPP project to work well, especially in terms of acquiring land.
- ❑ Several private firms must come together to establish a consortium for the PPP project to work well.

Concluding remarks

- ❑ For PPP arrangement to be effective in housing delivery in PNG, the correct arrangement must be implemented.
- ❑ The PPP arrangements that might work well in PNG are the DROH and the DRH.
- ❑ To realise the full potential of the DROH and the DRH, transparency must be promoted and risks associated with the arrangements distributed properly. Strong political support is necessary and developers must establish a strong consortium.
- ❑ Hopefully, findings from this study will assist planners, policy-makers and urban development managers in making informed decisions in housing delivery by considering PPP arrangements that are more suitable for PNG.

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PNG NRI website and social media

For more information on PNG NRI activities and publications, refer PNG NRI website and social media sites:

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