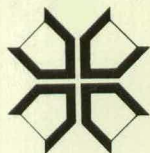


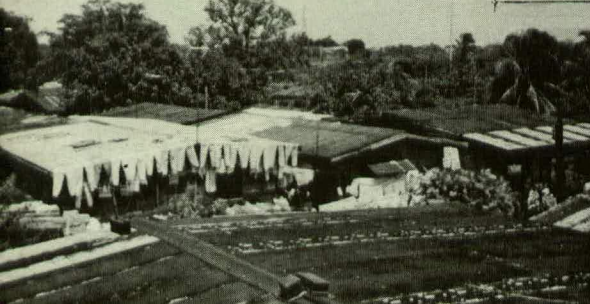
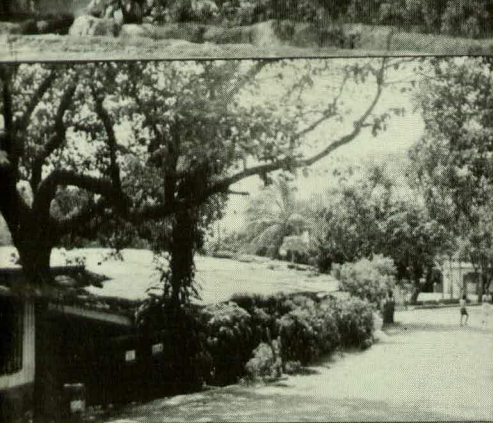
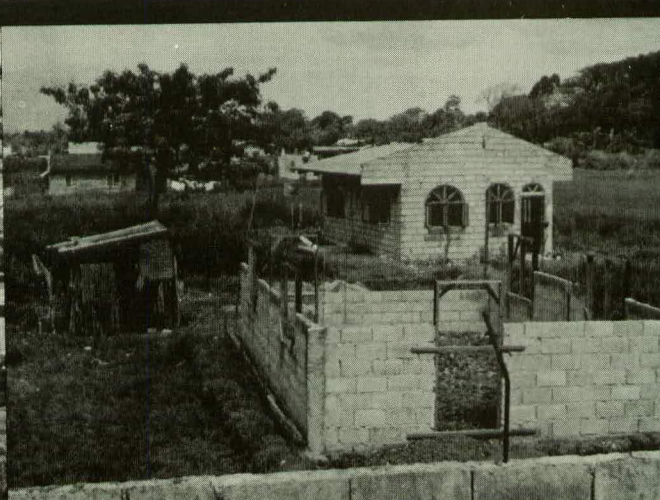
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HOUSING

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THE HOUSING SECTOR: A Review

Armand Fabella

INTRODUCTION

The responsibility of the government to ensure the provision of a decent home for every Filipino is a provision in the Constitution which mandates the State "to establish, maintain, and ensure adequate social services in the field of housing..... to guarantee enjoyment by the people of a decent standard of living." Attempts at executing this mandate consisted of a long list of programs and policies on housing dating way back in the 1930s up to the present decade. This included the creation of a number of housing agencies for the purposes of planning, implementing or participating in government housing projects.

The purpose of this paper is to review the government's role in housing in its entirety including regulations, physical construction, and financing, and to suggest proposals for further improvements of the government's role in the housing sector with emphasis on its institutional aspects.

A HISTORY OF GOVERNMENT PARTICIPATION IN HOUSING

Initial government concern for housing was characterized by sanitation drives and campaign for public health and safety. Relocation programs for squatter were basically intended to prevent the proliferation of squatter areas which were widely believed to be breeding grounds for crime. A more concrete manifestation of the government's concern for housing was the passage of the Philippine Act in 1935 appropriating P250,000 for the pur-

chase of a housing project for workers called the laborer's tenement houses in Barrio Vitas, Tondo involving 163 dwelling units. However, most of the unit awardees of the housing project turned out to be employees and not laborers, the intended beneficiaries. They did not meet the basic requirement of having a stable job.

In 1938, the *People's Homesite Corporation* was created to undertake the planning, construction and administration of low-cost housing. This agency was responsible for building 439 housing units between 1940 and 1941 in Kamuning, Quezon City.

In 1941, the *National Housing Commission* was created through Commonwealth Act (CA) No. 468. Its operation was, however, deferred until 1945 when CA No. 709 was passed granting an appropriation of P5 million to the Commission. The Commission built the Philippine War Damage Commission Housing Project during the period 1946-1947. It was the first government housing project after the war.

In 1947, the *People's Homesite and Housing Corporation (PHHC)* was created from the merger of the People's Homesite Corporation and the National Housing Commission, by virtue of Executive Order No. 93. Its principal function was to promote physical, social, and economic betterment of the populous areas of the Philippines through low-cost housing projects and community and institutional housing. It was authorized to acquire land, build houses, manage housing projects, clear slums, relocate squatters and do research on housing and slum rehabilitation. PHHC was responsible for building 13,000 dwelling units during its 25 years of existence, most notable among

which were the several housing projects in Quezon City.

In 1950, furthermore, Republic Act (RA) No. 580 created the *Home Financing Commission* which was in response to the increasing need for more houses and the corresponding lack of mortgage fund. This was later amended by RA No. 5488 in 1969 and later Executive Order No. 535 which transformed the Home Financing Commission into the *Home Financing Corporation* (HFC). Aside from implementing the mortgage insurance program, HFC was in charge of encouraging, aiding or initiating the organization of building and loan associations and of promoting home building and land ownership. This started the government's effort to attract private sector participation in housing activities.

The *Development Bank of the Philippines* (DBP), formerly the Philippine Rehabilitation Finance Corporation (PRFC) extended liberal credit facilities to home builders after the war. The extension of inter-agency project loans to finance PHHC projects through the Government Service Insurance System (GSIS) was started in the 1950s. By 1955, GSIS started granting housing loans to its members. Two years later the Social Security System (SSS) also began to extend similarly housing loans to its members. Most of these housing programs seemed to favor only the middle income groups and even the upper income families as gleaned from the rules in application and eligibility. A very small proportion of the low-income group was able to avail of the loans from these institutions.

Housing activities in the 1960s included the building of five tenement buildings for about 2,300 families through the passage of the Tenement Law (RA No. 3469) in 1962; the passage of the National Social Housing Law (RA No. 6026); and the National Building Code (RA No. 6542). The National Social Housing Law sought to benefit the low income families resettled into government housing areas. The National Building Code, on the other hand, prescribed standards governing the physical construction of residences, commercial building, and all types of structures in the country for maximum safety, comfort and economy.

In 1964, the *Presidential Assistance on Housing and Resettlements Agency* (PAHRA) was created through Executive Order No. 67 to formulate and implement uniform housing standards for mass housing construction and

to prepare and recommend to the President appropriate legislation on housing matters. PAHRA had been mainly concerned with the relocation and resettlement of squatter families, typhoon and flood victims or displaced families.

In 1967, another agency, the *Central Institute for Training and Relocation of Urban Squatters* (CITRUS) was created to study and devise solutions to the problem of urban squatting and development human resources through cooperation so as to raise the income of families in the resettlement areas.

In 1968, under Executive Order No. 135 the *Presidential Coordinating Committee on Housing and Urban Development* (PRESCHUD) was created, which was later named as the Presidential Committee on Housing and Urban Settlement. The task of the Committee was to study, formulate and recommend guidelines for the proper implementation of some of the programs and projects of housing agencies and other bodies.

During the same year, the *National Housing Corporation*, or NHC, was organized through the Securities and Exchange Commission (SEC) by four government financing institutions, namely, the Government Service Insurance System (GSIS), Social Security System (SSS), Development Bank of the Philippines (DBP), and National Investment and Development Corporation (NIDC) for the purpose of carrying out a "coordinated massive housing program of the government." NHC was intended to supply the construction material requirements of these four government financing institutions which implement their respective housing programs.

Until the 1960s, no studies, surveys, and researches were conducted by which the government could have a thorough grasp of all the aspects of the housing problem. It was only in the 1960s that the government initiated efforts to systematically gather data to identify housing needs, housing demand, housing backlogs, housing costs and other baseline data necessary for planning purposes in order to identify resources needed, both financial and organizational for the government to cope with the housing problems. Furthermore, the government did not actively involve the private sector not only in terms of financing but in actual construction particularly for low-cost housing.

By and large, the approach to housing by

the government during this period was generally viewed to be piece-meal, uncoordinated and lacking in direction. There was also the lack of commitment on the part of the government to solve the housing problem as evidenced by the scantiness of resources allotted to the improvement of the housing sector. Moreover, there was the lack of a national housing policy to unify or give direction to various housing activities undertaken by the government. The measures adopted by the government were inadequate and the results were, at best, minimal.

In 1975, the creation of the *National Housing Authority* under Presidential Decree (PD) No. 757 provided for the dissolution of existing housing agencies and committees including the PHHC, PAHRA, TFDA, CITRUS, PRECHUR, Sapang Palay Development Committee and all other inter-agency task forces and ad hoc committees created for housing and resettlement purposes. The Authority absorbed the functions of these agencies and committees which included, among others, the formulation and implementation of a nationwide housing program, coordination and integration of various housing development programs and projects, land acquisition, construction and management of low-cost housing projects, slum rehabilitation, relocation and resettlement of squatter families and the formulation of uniform housing standards to govern mass housing construction.

In 1976, the *Human Settlements Regulatory Commission* (HSRC) was created to carry out the regulation of buying and selling activities relative to real estate development. Its objective was to protect prospective buyers of housing units from unscrupulous developers and sellers.

In 1977, the *National Home Mortgage Finance Corporation* (NHMFC) was created through PD 1267 to establish a secondary mortgage market system for housing as a means of tapping funds from the private sector.

In 1978, with the establishment of the *Ministry of Human Settlements (MHS)* under PD 1936, housing was singled out as one of the basic needs of man, and hence, it became a national priority program. The same decree created the *Human Settlements Development Corporation* (HSDC) under the umbrella of the MHS to carry out housing construction projects and livelihood components. Since

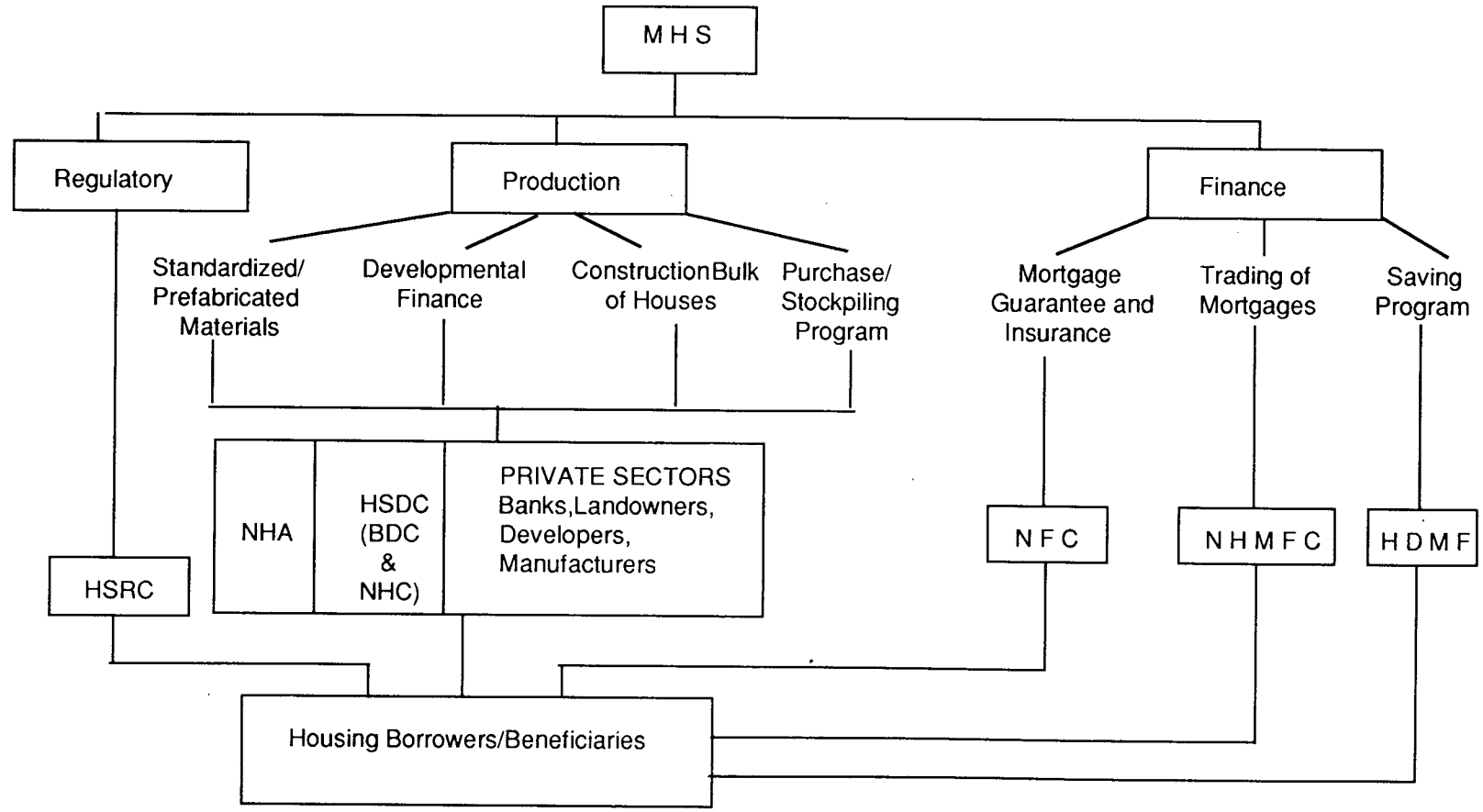
then, the government has pursued an active role in the housing sector. A national housing policy encompassing various aspects of housing was formulated. During the same year, the *Home Development Mutual Fund* (HDMF) was created through PD 530 which institutionalized a system of voluntary contribution for housing purposes at its initial year.

In 1978, the *National Shelter Program* was established. The objectives of the Program were to deliver more housing services to a greater number of people and consolidate the efforts of the different housing agencies. Under the National Shelter Program, all the housing activities of the government as well as the private sector were integrated and synchronized to follow a total systems approach to the minimization, if not the elimination of the housing problems in the areas of regulations, production and finance. With the adoption of the National Shelter Program, the concept of housing in the Philippines had undergone remarkable change. Initially considered simply as a public problem involving slum dwellers and squatters, housing evolved into a program considered in the context of a "human settlement's approach" where the provision of shelter was complemented by other dimensions of human settlements. Self-reliance was emphasized so that program really became a "partnership" between the government and the beneficiaries. The National Shelter Program was initially carried out with the creation of new agencies and the strengthening of existing ones that would implement the housing policy. In other words, the National Shelter Program involved the establishment of the network of shelter agencies. In addition, planning for housing was made an integral part of the national development plans, starting with the Four-Year Philippine Development Plan, 1974-1977 up to existing Updated Five-Year Philippine Development Plan, 1984-1987.

PRESENT INVOLVEMENT OF GOVERNMENT IN THE HOUSING SECTOR

The housing delivery system involved a comprehensive shelter program directed mainly at increasing private sector participation in the housing sector. The system combined the elements of government credits, guarantees, and capital with the private sector's savings and investments.

Figure 1
THE EXISTING NATIONAL HOUSING SYSTEM



The government participation in the housing sector is undertaken through the following agencies and corporations which are under the supervision or coordination of the Ministry of Human Settlements (MHS). These are the following: Human Settlement Regulatory Commission (HSRC), National Housing Authority (NHA), National Housing Corporation (NHC), Home Development Mutual Fund (HDMF), National Home Mortgage Finance Corporation (NHMFC), Home Financing Corporation (HFC), and Human Settlements Development Corporation (HSDC) and its subsidiaries. Figure 1 shows the interrelationships of these housing agencies.

Housing Regulation.

The regulatory aspect in the housing sector is vested under the HSRC. As a regulatory arm of MHS, HSRC is tasked with the implementation and enforcement of the regulatory aspect of the urban land reform program, town planning and zoning, protective decree and land value and building regulations.

Housing Production.

The production function is carried out by the National Housing Authority (NHA), Human Settlements Development Corporation (HSDC), Bliss Development Corporation (BDC) and National Development Corporation (NDC). The production aspect involves the actual housing construction and manufacturing of housing components.

NHA develops land, constructs and markets houses. The major activities of NHA are slum upgrading and sites and services development which are exclusively geared toward social housing. It also undertakes economic housing projects through its joint venture with the private sector as well as apartment and dormitory building programs. It provides for both developmental and end-user financing.

HSDC develops new communities with the provision of housing units as well as livelihood for the beneficiaries. It carries out this function mainly through its subsidiary, the BDC. BDC undertakes housing construction through its Urban and Rural BLISS program. The Urban BLISS Program is an economic housing program designed for Filipino income-earners in the urban areas while the Rural BLISS

Program is a socialized housing program for low-income groups in the rural areas.

The National Housing Corporation (NHC), another HSDC subsidiary, fabricates standardized housing components. NHC is a fully integrated manufacturing plant rehabilitated by HSDC. Housing component fabrication is likewise being undertaken by other HSDC shelter subsidiaries, namely: Woodwaste Utilization and Development Corporation (WUDCO) and Builder's Bricks, Inc. (BBI).

Housing Finance.

The financing aspect, the most crucial component of the shelter delivery system, is undertaken jointly by three government housing entities, namely: *Home Financing Corporation (HFC)*, *National Home Mortgage & Finance Corporation (NHMFC)* & HDMF or Pag-IBIG.

Sourcing of funds for housing. Recognizing savings as an untapped source of housing finance, the government instituted a system of nationwide savings for private and public employees and the self-employed which entitles its members to avail of housing loans. Members of HDMF or Pag-IBIG Fund, as the system is called, contribute an amount equivalent to three percent of their basic salary with equal counterpart from their employers.

The basic concept behind the Pag-IBIG Fund is to generate long-term savings which will work both as a provident fund and as a means of acquiring a house for the member. As a provident fund, the member earns a minimum of 110 percent (100 percent due to the equivalent contribution of his employer and 10 percent due to the annual dividend his money earns while entrusted with the Pag-IBIG Fund). Pag-IBIG contributions, therefore, though they may work like an implicit or payroll tax, are actually deferred income or forced savings since in the long run, benefits are actually accruing to the member.

The provision of financing for housing. NHMFC operations increase the availability of residential mortgage credit for Filipino homebuyers by developing and maintaining a dynamic secondary market for residential mortgage loans. The major function of NHMFC, therefore, is to operate the secondary mortgage market system which intends to solve the problem of insufficient funding for housing. In effect, it acts as a central bank for

housing, integrating the collection and distribution system for funds emanating from the government, the private financial institutions, and the money savers.

In the buying phase of the system, NHMFC indirectly finances home acquisition by purchasing the primary mortgages representing home loans lent by accredited banks and financial institutions. The money NHMFC uses are the proceeds from the sale of Bahayan Mortgage Participation Certifications (BMPCs). These primary mortgages are then pooled or warehoused in a trustee bank, the DBP, where they earn interest and provide the solid backing for the housing securities issued by NHMFC, the Bahayan Mortgage Participation Certificates (BMPCs).

It is in the purchase of mortgages that the risk, liquidity and profit requirements of financing institutions are to a great extent satisfied and through which they are encouraged to engage in home lending without overly taxing their own limited resources. For, as soon as documents and all legal requirements for a valid mortgage, (i.e., the completion of the collateral consisting of the same house and lot that are subject of the loan), are in order, NHMFC accepts the transfer of the loan from the lending institution within 14 days. By paying the equivalent amount lent by the bank from its own funds, NHMFC assumes the risks of the loan and immediately restores the bank's investment in the loan. Profitability is likewise assured as the banks earn a fee of five percent of the loan amount for "originating" the mortgage, and another two percent of each monthly payment of the loan.

HFC acts as the guarantor of individual loans for home building through the provision of mortgage credit insurance. An HFC guarantee carries with it the unconditional guarantee of the government of the Philippines. HFC encourages financial institutions such as banks, insurance companies, investment and development corporations and building and loan associations to avail themselves of the HFC guarantee scheme and invest more of their loan portfolios in the construction of homes and community development projects. HFC's guarantee features reduce the cost of home financing enabling subdivision owners/developers to sell their housing and lots for a much lower price.

ASSESSMENT OF GOVERNMENT PERFORMANCE IN HOUSING

Housing Production

The increased attention given by the government to the development of the housing sector has resulted in a significant increase in overall housing production in the country (including those of the private sector). From a level of 6.1 million dwelling units in 1970, total housing production expanded with an annual growth rate of 3.7 percent to 8.8 million in 1980. Comparing this with the annual growth in the number of households for the same period (3.4 percent), this means that housing production has been catching up with the increase in household formation.

The exceptional growth of the housing industry can largely be attributed to the National Shelter Program. Since its implementation, there has been an increasing number of subdivisions, townhouses and condominiums projects. The increased activities in the housing sector was not only confined to the Metro Manila area but also occurred in other major cities and municipalities.

This progress is reflected in the growth of private construction about 60 percent of which is residential construction. It was the highest growing sub-sector since 1980 in terms of gross value with growth rates of 13.2 percent in 1980, 8.6 percent in 1981, 5.3 percent in 1982 and 5.7 percent in 1983 (Table 1). The private construction sub-sector's performance declined in 1984, although reflecting the lowest decline among the other sectors. During these years, housing emerged as the growth sector of the economy as it managed to grow significantly despite the notable deceleration in growth of the total gross domestic product. The housing industry has provided a countercyclical effect in the economy by taking up the slacks in economic activities and labor absorption from the other sectors particularly during the recessionary period of 1982 to 1984.

The construction industry, in general, accounted for an average of 3.3 percent of total employment during 1976-79 period. Its share to total employment further increased to 3.5 percent in 1980-84, reaching a peak of 3.8 percent in 1984. It generates jobs to a whole variety of workers, from the skilled to the semi-skilled and the non-skilled.

**Table 1 - EXPENDITURE ON GROSS NATIONAL PRODUCT AT CONSTANT 1972 PRICES
(REVISED): GROWTH RATES (PERCENT)**

| | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 |
|-----------------------------------------------|------|------|------|------|------|-------|-------|-------|
| CONSUMPTION | 4.7 | 4.9 | 4.7 | 4.4 | 3.9 | 3.5 | 2.0 | |
| Personal | 5.3 | 5.2 | 4.8 | 4.5 | 4.0 | 3.1 | 2.9 | 1.1 |
| General Government | .9 | 3.0 | 3.7 | 3.7 | 3.7 | 6.4 | -3.9 | -9.1 |
| GROSS DOM CAP FORMATION | -1 | 8.6 | 11.2 | 4.4 | 2.3 | -3.5 | -4.7 | -37.8 |
| Fixed Cap Formation | 1.9 | 8.4 | 11.7 | 6.9 | 3.5 | .6 | -2.8 | -28.1 |
| Construction | 6.2 | 2.5 | 11.8 | 5.5 | 8.3 | 4.0 | -4.6 | -20.9 |
| Government | 5.9 | 2.9 | 13.8 | -3.0 | 7.9 | 2.2 | -18.4 | -31.8 |
| Private | 6.5 | 2.1 | 10.0 | 13.2 | 8.6 | 5.3 | 5.7 | -14.7 |
| Durable Equip- ment | -2.4 | 15.0 | 11.7 | 8.3 | -1.0 | -2.9 | -.9 | -35.9 |
| Increase in Stocks | -8.9 | 9.1 | 8.5 | -8.3 | -5.0 | -29.9 | -21.8 | |
| EXPORTS OF GOODS AND NONFACTOR SERVICES | 16.5 | 3.8 | 6.8 | 13.4 | 1.2 | -1.5 | 5.7 | 9.3 |
| IMPORTS OF GOODS AND NONFACTOR SERVICES | 6.4 | 12.9 | 16.4 | 3.3 | -2.7 | 3.5 | -1.6 | -19.0 |
| EXPENDITURE ON GROSS DOMESTIC PRODUCT | 6.1 | 5.5 | 6.3 | 5.3 | 3.9 | 2.9 | 11 | -4.6 |
| EXPENDITURE ON GROSS NATIONAL PRODUCT | 6.3 | 5.8 | 6.9 | 5.0 | 3.4 | 1.9 | 1.3 | -5.3 |

SOURCE: NEDA National Accounts Staff

Construction of a typical house, for example, requires the services of workers such as carpenters, plumbers, masons, electricians, painters, tinsmiths, with the support of semi-skilled and non-skilled called "peon".

Housing construction's and land development's contribution to total employment is further reflected in the proportion of total cost going to labor alone. The direct and indirect labor cost in the construction of a typical house takes about 20 percent of total construction cost. In land development, about 30 percent of total cost goes to labor. For the last three years, the real estate and construction industry which built, on the average, 25,000 houses annually generated some P740

million annually in the form of wages and salaries, for the working population.

Total housing units financed or administered by the government under the new shelter system reached 208,261 during the period 1975-1984, with an average of 20,826 units per year (Table 2). This was a big headway as compared with the 1970-1974 annual average of only 8,624 units.

Purely government financed housing projects are mostly intended for social housing such as the slum upgrading and sites and services development projects of NHA. Slum upgrading and development of sites and services projects reached 48,108 upgraded plots and 47,431 serviced lots, respectively, during the period

Table 2 – NATIONAL HOUSING PROGRAM, 1975-1984 (In Dwelling Units)

| | 1975 | 1980 | 1984 | TOTAL (1975-84) |
|----------------------------------------------------------------|------|-------|-------|--------------------|
| I. HOUSING CONSTRUCTION (Government-Assisted or Finance) | 9859 | 20469 | 41406 | 208261 |
| II. SLUM UPGRADING (No. of Plots) | — | 9667 | 4783 | 48108 |
| III. DEVELOPMENT OF SITES AND SERVICES (No. of Lots) | — | 3499 | 9156 | 47431 |

1976-1984, representing annual average of P5,345 upgraded plots and 5,270 serviced lots, respectively. Slum upgrading activities grew by an annual compound growth of 71.6 percent and sites and services development by 20.9 percent.

Other notable government housing projects are the BLISS Housing and Flexihome Model Programs. However, these types of housing are mainly for economic housing. There are also types of housing where the government attempts to demonstrate the possibility of low-cost mass housing production, with the use of standardized, prefabricated parts. The BLISS and Flexihome Model Programs are intended to show the private sector that mass housing projects can be financially viable and even profitable.

Housing Finance

Loans to the Housing Sector

(a) *Domestic Loans.* To approximate the amount of financial resources which enter into the primary housing finance market (defined as the supply of and demand for funds to finance the construction and acquisition of owner-occupied housing), data from the Central Bank Statistical Bulletin were culled. The real estate and construction sectors were chosen to represent the housing sector, though the magnitudes of the resources (i.e., loan outstanding) may be overstated since public infrastructure systems are included under the construction sector. The overstatement, however, is minimized since com-

mercial and savings banks would not be likely to lend for public infrastructure purposes.

Outstanding loans for the real estate and construction sector was at P20,839 million in 1984, after steadily growing at an average of 25 percent from 1975 to 1984 (Table 3). The biggest contributor came from commercial banks with P11,612 million (55.7 percent), followed by government non-bank financial institutions with P5,267 million (25.3 percent) and savings banks with P3,799 million (18.2 percent) (Table 4).

In terms of the share of outstanding loans to the real estate and construction sector to the total loans portfolio, savings banks showed the biggest share with 87.6 percent, followed by government non-bank financial institutions with 24.0 percent and development banks with 12.9 percent. Commercial banks maintained only 10.1 percent of its outstanding loan portfolio in the real and construction sector, though this is already an increase over its 1977 and 1980 figures when the share hovered from 6.5 to 6.8 percent of the total. This investment behavior shows the relative reluctance of commercial banks to invest in the real estate and construction sector due to the lower yield which can be expected from it. Also, commercial banks would shy away from long-term loans which is very prevalent in housing credit since this might jeopardize the bank's liquidity. On the other hand, savings banks favor real estate and construction loans which are more than half of its total investments. This is due to the nature of their clientele who primarily save just to acquire or build a house.

Table 3 – LOANS OUTSTANDING BY BANKING & NONBANK INSTITUTIONS
(In Million Pesos, 1975-1984)

| | 1975 | 1980 | 1984 ^a |
|-----------------------------------|---------|----------|----------------------|
| COMMERCIAL BANK | | | |
| Total Loans | 0.0 | 77198.1 | 115199.8 |
| Real Estate | 0.0 | 2297.9 | 4569.9 |
| Construction | 0.0 | 2722.7 | 7042.3 |
| Total Housing | 0.0 | 5020.6 | 11612.2 |
| % Housing/Total | 0.0 | 6.5 | 10.1 |
| SAVINGS BANK | | | |
| Total Loans | 0.0 | 4253.6 | 4338.7 |
| Real Estate | 0.0 | 1607.0 | 3217.1 |
| Construction | 0.0 | 569.0 | 581.7 |
| Total Housing | 0.0 | 2176.0 | 3798.8 |
| % Housing/Total | 0.0 | 51.2 | 87.6 |
| PRIVATE NON-BANK | | | |
| Total Loans | 908.4 | 1687.7 | 2947.3 ^b |
| Real Estate | 40.7 | 85.2 | 132.6 |
| % R.E./Total | 4.5 | 5.0 | 4.5 |
| GOVERNMENT NON-BANK | | | |
| Total Loans | 5264.5 | 11457.9 | 21941.5 ^c |
| Real Estate | 2538.8 | 38.2 | 24.0 |
| DEVELOPMENT BANKS | | | |
| Total Loans | 5825.5 | 17406.9 | 224.0 ^d |
| Real Estate | 685.5 | 3294.7 | 28.8 |
| % R.E./Total | 11.8 | 18.9 | 12.9 |
| ALL FINANCIAL INSTITUTIONS | | | |
| Total Loans | 11998.4 | 112004.2 | 144651.3 |
| Real Estate | 3265.0 | 11666.3 | 13215.6 |
| Construction | 0.0 | 3291.7 | 7624.0 |
| Total Housing | 3265.0 | 14958.0 | 20839.6 |
| % Housing/Total | 27.2 | 13.4 | 14.4 |

^aPreliminary

^bAs of August 1984.

^cAs of October 1984.

^dAs of November 1984 (pertaining to loans granted).

SOURCE: Central Bank Statistical Bulletin

Table 4 – DISTRIBUTION OF LOANS OUTSTANDING FOR THE HOUSING SECTOR AMONG FINANCIAL INSTITUTIONS (In Percent)

| | 1975 | 1980 | 1984 | AVERAGE (1977-84) |
|---------------------------|-------|--------|--------|----------------------|
| Commercial Banks | N.A. | 33.6 | 55.7 | 40.9 |
| Savings Banks | N.S. | 14.5 | 18.2 | 13.0 |
| Private Non-Banks | 1.2 | 0.6 | 0.6 | 0.6 |
| Government Non-Banks | 77.8 | 29.3 | 25.3 | 28.9 |
| Development Banks | 21.0 | 22.0 | 0.1 | 16.5 |
| TOTAL | 100.0 | 100.0 | 100.0 | |
| TOTAL IN MILLION PESOS | 3,265 | 14,958 | 10,840 | |

Table 5 – FOREIGN LOANS FOR THE HOUSING SECTOR, BY PROGRAM, 1980-1984 (In Million US Dollars)

| | 1980 | 1981 | 1982 | 1983 | 1984 | TOTAL |
|-------------------------------|------|-------|-------|--------|--------|-------|
| IBRD-ASSISTED PROJECTS | | | | | | |
| Manila Urban I | — | 8.96 | 6.50 | 3.31 | 1.06 | 19.83 |
| Manila Urban II | 2.74 | 5.17 | 4.80 | 10.40 | 2.37 | 25.48 |
| Manila Urban III | 1.04 | 7.36 | 9.20 | 10.90 | 6.30 | 34.80 |
| TOTAL | 3.78 | 21.49 | 20.50 | 24.61 | 9.73 | 80.11 |
| KFW-ASSISTED PROJECTS | | | | | | |
| Tondo Dagat-Dagatan | — | — | — | .84(a) | .91(b) | 1.75 |
| Dasmariñas Resettlement | — | — | — | 1.20 | 2.32 | 3.52 |
| Imelda Resettlement | — | — | — | .14 | .34 | .48 |
| TOTAL | — | — | — | 2.18 | 3.57 | 5.75 |
| GRAND TOTAL | 3.78 | 21.49 | 20.50 | 26.79 | 13.30 | 85.86 |

^aConverted from Deutschemark using DM2.64 to US\$1.

^bConverted from Deutschemark using DM2.90 to US\$1.

In spite of its relatively small share, real estate and construction loans of commercial banks increased faster at 24.2 percent per annum from 1975 to 1984 while its total loans outstanding increased annually by 16.6 percent over the same period. This is consistent with the real estate and construction loans taking a bigger proportion of total loans in the recent years. But considering all the financial

institutions, the proportion of real estate and construction loans is declining, from a high of 30.3 percent in 1976 to 14.4 percent in 1984.

(b) *Foreign Loans.* Foreign loans which were channelled directly to the housing sector totalled US\$85.86 million from 1980 to 1984 (Table 5). The loans were extended by the International Bank for Reconstruction

and Development (IBRD) and the Kreditanstalt Fuer-Wilderufban (KFW), with the former accounting for 93.3 percent of the total. IBRD funds of US\$80.11 million were channelled into Manila Urban I, II, and III projects, all of which have housing as a major component. KFW loans, on the other hand, were actually used in 1983 and 1984 only. Reaching US\$5.75 million, the loans were channelled into the Tondo Dagat-Dagatan Resettlements, Dasmarinas Resettlement and the Imelda Resettlement Projects. Annual utilization of loans proceeds started out with US\$3.78 million in 1980 and later peaked to US\$26.79 million in 1983, for an average annual loan utilization of US\$17.16 million over the 5-year period.

Government Expenditures on Housing

About one-fifth of the national budget was spent for social development of which housing is one of its sub-sectors in the last 10 years (1975-84). Among the different sub-sectors of the social development sector, the bulk of the expenditures went to education and manpower development which averaged 57.8 percent of the total. This was followed by health with 19.4 percent, and social welfare with 10.6 percent share. Housing used to receive the smallest share (12.0 percent)

among the social development sub-sectors. However, in the recent years, however, the share of the housing sector increased from 6.6 percent in 1975 to 18.2 percent in 1983, higher than the expenditures that went to social welfare (Table 6).

Relative to total government expenditures, the share of the housing sector increased from an average of 0.31 percent during the 1975-79 period to 0.45 percent during the 1980-84 period. This was mostly brought about by the infusion of government equity in corporations engaged in housing activities such as NHMFC, HFC and HSDC which were organized around 1979 and 1980. In 1984, however, the housing sector's share of total government expenditures fell drastically to only 0.19 percent due to the reduced government equity infusion.

Pag-IBIG

The Pag-IBIG Fund had around 2.1 million members at the close of 1984, up from the pioneering 93,000 voluntary members in 1980, and 1.53 million members in 1981. Of this, the total membership in 1984, about 57 percent are from the private sector while the rest are from the government sector. Of the total membership of the Fund, 60 percent belong to salary scale of P1,500 and

Table 6 — ALLOCATION OF NATIONAL GOVERNMENT EXPENDITURES (OBLIGATION BASIS) TO THE HOUSING SECTOR (In Million Pesos)

| | 1975 | 1980 | 1984 | ANNUAL AVERAGE 1975-84 |
|---------------------------------------------------------------------------------|-------|--------|-------|------------------------------|
| A. Total Govt Expenditures | 19049 | 38383 | 58830 | 37691 |
| on Social Services of which: | | | | |
| B. Housing | 243.4 | 1333.5 | 136.1 | 952.69 |
| C. Social Services/Total Government Expenditures (In Percent) | 18.6 | 19.7 | 25.5 | 20.84 |
| D. Housing Expenditure/ Total Social Services Expenditure (In Percent) | 6.6 | 17.6 | 6.9 | 12.17 |

below while 16 percent of total membership belong to salary scale of P3,000 and above per month (Table 7).

Total collections reached P3,194.0 million in 1984, consisting of 53.4 percent (P1,705.80), from the private sector and 46.6 percent (P1,488.30 million) from the government sector (Table 8). For 1984 alone, P1,320.30 million was collected, representing 38.5 percent of total collections over the four year period. This increase was mainly brought about by the change in the Fund's contribution rate from 2 percent to 3 percent of the employee's basic monthly salaries. The introduction of new collection schemes such as the roving teller system to facilitate payments of employer-payors in the Metro Manila Area was also a factor in the increase. Based on HDMF's sample data base as of June 1984, the bulk or 60 percent of the members have fund salaries at the minimum wage (around P1,500 a month) level and below.

Pag-IBIG Housing Loans and Beneficiaries. As of March 1985, Pag-IBIG housing loan beneficiaries total 61,861 members whose loan mortgages amount to P4.1 billion. In 1984 alone, Pag-IBIG housing loan beneficiaries totalled 29,449, an increase of 23 percent over the previous year. This was in spite of the tight credit situation which confronted the entire financial community. Prohibitive increases in construction costs have somewhat depressed members' affordability levels but this was tempered by the build-up in inventories by both borrowers and lender

even prior to 1984 and which were presented for end-users financing in 1984.

The pace of granting housing loans rapidly expanded over the past 4 years. Starting out with an initial grant of P123 million in 1981, housing loans increased fivefold to a cumulative total of P617 million in 1982 and by another threefold in 1983 to bring the cumulative total up to P2.2 billion. The number of loan beneficiaries increased at an even faster rate over the same period. Contributing to this increase was the policy change implemented in 1983 of allowing members who are not related to each other to tack under a single collateral.

Potential of Pag-IBIG Members to Become Borrowers of Housing Loans.

Based on a sample survey conducted by the HDMF in June 1984 on the fund salaries of members, the largest cluster (43 percent) are those with monthly basic salaries ranging from P1,001 to P1,500. (Fund salary is the employee's monthly basic salary or that declared by his employer but not to exceed P3,000.). The second (17 percent) and the third (16 percent) largest clusters are those with monthly earnings less than P1,000 and P3,000 and up, respectively. Incidentally, the same results were obtained by considering just the sample of Pag-IBIG members from Metro Manila.

Similar ranking is reflected by the sample of members from areas outside Metro

Table 7 – FUND SALARY PROFILE*

| FUND SALARY | Philippines | | Metro Manila | | Outside Metro Manila | |
|-----------------|-------------|---------|--------------|---------|----------------------|---------|
| | Number | Percent | Number | Percent | Number | Percent |
| Below P1,000 | 37,552 | 17 * | 34,877 | 17 | 2,675 | 24 |
| P1,001 – P1,500 | 95,029 | 43 | 89,129 | 43 | 5,900 | 53 |
| P1,501 – P2,000 | 23,775 | 11 | 22,786 | 11 | 989 | 9 |
| P2,001 – P2,500 | 19,919 | 9 | 19,301 | 9 | 618 | 5 |
| P2,501 – P2,999 | 9,319 | 4 | 9,116 | 4 | 203 | 2 |
| P3,000 | 34,364 | 16 | 33,566 | 16 | 798 | 7 |
| TOTAL | 219,958 | 100 | 208,775 | 100 | 11,183 | 100 |

*From a sample data base as of June 1984.

**Table 8 — PAG-IBIG COLLECTIONS AND HOUSING LOANS/BENEFICIARIES
1981-1984
(In Million Pesos)**

| | 1981 | 1982 | 1983 | 1984 | ANNUAL AVERAGE GROWTH |
|-------------------------|-------|-------|--------|--------|-----------------------------|
| CUMULATIVE COLLECTIONS | .124 | .768 | 1.874 | 3.194 | .245 |
| Private ^a | .061 | .386 | .980 | 1.706 | .254 |
| Government | .063 | .382 | .894 | 1.488 | .236 |
| CUMULATIVE MEMBERSHIP | 1.53 | 2.00 | 2.10 | 2.1 | 11.91 |
| Private | 0.84 | 1.12 | 1.20 | 1.20 | 13.49 |
| Government | 0.69 | 0.88 | 0.90 | 0.90 | 9.94 |
| HOUSING LOANS | | | | | |
| Loan Value | .123 | .494 | 1.578 | 1.936 | .181 |
| No. of Loans | 1.416 | 4.380 | 13.869 | 15.995 | .147 |
| No. of Beneficiaries | 1.602 | 6.889 | 23.921 | 29.449 | .200 |
| CUMULATIVE HOUSING LOAN | | | | | |
| Loan Value | .123 | .617 | 2.195 | 4.131 | .248 |
| No. of Loans | 1.416 | 5.796 | 19.665 | 35.660 | .210 |
| No. of Beneficiaries | 1.602 | 8.491 | 32.412 | 61.861 | .268 |

^aIncludes self-funded and overseas contractual workers.

Manila. However, larger proportions are observed — 53 percent are within the P1,001 — P1,500 income bracket and 24 percent, below P1,000.

A restructuring of interest rates for Pag-IBIG housing loans was implemented in 1984. Presently applied to borrowers is the here-under schedule depicting graduated rates according to amount of loan.

| Amount of Loan | Interest Rate |
|---------------------|---------------|
| P100,000 and below | 9% |
| P101,000 — P150,000 | 12% |
| P151,000 — P200,000 | 15% |
| P201,000 — P300,000 | 18% |

To gauge the facility of Pag-IBIG members to become borrowers, the loans of P100,000, which yields the following monthly amortization, is considered.

| Repayment Period | Monthly Amortization |
|------------------|----------------------|
| 25 years | P 839 |
| 20 years | 899 |
| 15 years | 1,014 |
| 10 years | 1,267 |
| 5 years | 2,076 |

Applying the 1980 percentage share of housing expenditures to total personal consumption expenditures (18.6 percent), only families with monthly income of P4,511 or higher could afford the Pag-IBIG loan amounting to P100,000. If the tacking of three members is imputed, the minimum acceptable fund salary is P1,504. Treating this as the cut-off point for identifying potential borrowers among Pag-IBIG members, only 40 percent of total membership stand to be advantaged by the present housing

financial set-up which revolved around the Pag-IBIG Fund.

This finding disregards the upward bias inherent in the HDMF estimated fund salaries and the indicators that house and lot packages, particularly in the metropolis costs much more than P100,000.

Issuance of Housing Securities

To support its mortgage purchase operations, NHMFC must generate funds, and this is done primarily through the issuance of housing securities. Since NHMFC operates only on P195 million government equity, NHMFC must be able to effectively source funds to purchase home mortgages and thereby finance home acquisition.

The Bahayan Mortgage Participation Certificate (BMPC) was the primary financial instrument for raising funds. Authorized at the volume of P1 billion, the BMPC carried an 8.5 percent interest for its Series A and 14 percent interest for its Series B, both for a term of 6 years.

With the initial sale of P152.8 million of BMPCs in 1980, sales increased rapidly in the following years such that by the end of the first quarter of 1983, NHMFC had fully sold its authorized issue volume of P1 billion. This was brought about mainly by the shifting of the banking sector to more conventional and "safer" investment areas such as government securities in 1981 because of the preceding year's financial crisis. Left with high liquidity positions owing to self-imposed restraints on lending and funds exposure, private and public financial institutions filled up their investment portfolios with government issues, among which were NHMFC's BMPCs.

Of the completed P1 billion direct and negotiated (with investors) sales of BMPCs, the private financial sector accounted for P337.1 million (33.7 percent) while government financial institutions bought P662.9 million (66.3 percent). Among the private sector, insurance companies were the biggest contributors, followed by savings and loan associations/banks and commercial banks. All in all, 49 financial institutions placed investments with NHMFC's BMPCs.

In April 1983, new features were added to the housing securities through the shift from BMPCs to Bahayan Certificates (BCs).

The term was reduced from 6 to 2 years and a uniform interest rate of 9 percent was adopted. Sale was done through Central Bank auction instead of through negotiations with investors. As of end-1984, P889 million worth of BCs have been sold. To be able to compete with the high yield of Treasury Bills, the P279.9 million worth of BCs sold in 1984 had to be offered at an average of 30 percent interest.

The financial and economic crisis during the second half of 1983, however, weakened the government securities market and thereby, disrupted NHMFC's funds generation activities. Thus, in 1983, despite a new Monetary Board authority for a P2 billion volume of issue of the BCs, NHMFC's pace in the sale of its housing securities declined. HDMF trust funds had to be utilized to support the Secondary Mortgage Market System.

NHMFC Secondary Mortgage Operations

This program started with 8 originating banks in 1980 which then grew to 43 by the end of 1982. By the end of 1983, there were 99 accredited financial institutions.

The bulk of the loans purchased by NHMFC (take-out) amounting to P1,032 million (as of September 1983) was actually originated by only two government banks — the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP). As a proportion of the total volume purchase, this amount constituted 51.6 percent. This was followed by savings and mortgage banks with 18.7 percent, and private development banks with 11.5 percent. Savings and loans associations also contributed some 11.4 percent (Table 9).

As of end-1984, the cumulative total mortgage purchases by NHMFC reached P5,173.5 million. Of this amount, about 79.8 percent or (P4,131.3 million) consisted of Pag-IBIG loans bearing the 9 percent-interest-rate and 16.6 percent of P861.1 million was open-housing loans at 16 percent interest rate. The purchase of existing mortgages took some 3.4 percent (P181.1 million). The growth of mortgage purchases which was substantial in 1982 (300.5 percent) and in 1983 (217.4 percent) decelerated in 1984 (23.4 percent) (Table 10). Though this increase is smaller than the previous years, this still maintained

Table 9 – CUMULATIVE SUMMARY OF MORTGAGE PURCHASES BY NHMFC
 (As of September 18, 1983)
 (In Thousand Pesos)

| <i>Originating Financial Institution</i> | <i>Amount</i> | <i>Percent Share</i> | <i>Number</i> | <i>Number of Beneficiaries</i> | <i>Number of Units</i> |
|--------------------------------------------------|---------------------|--------------------------|---------------|------------------------------------|--------------------------------|
| Government Banks | 1,032,486.87 | 51.6 | 2 | 14,085 | 9,142 |
| Commercial Banks | 88,102.00 | 4.4 | 9 | 990 | 666 |
| Private Development Banks | 229,166.23 | 11.5 | 16 | 3,312 | 1,709 |
| Savings and Mortgage Banks | 374,594.71 | 18.7 | 6 | 3,746 | 2,281 |
| Savings and Loans Associations | 228,324.31 | 11.4 | 24 | 3,107 | 1,844 |
| Buildings and Loans Associations | 16,415.00 | 0.8 | 1 | 219 | 141 |
| Insurance Companies | 30,061.96 | 1.5 | 2 | 634 | 379 |
| Savings and Thrift Banks | — | — | — | — | — |
| Investment Houses | — | — | — | — | — |
| TOTAL | 1,999,551.08 | 100.0 | 60 | 26,093 | 16,162 |

SOURCE: NHMFC

Table 10 – NHMFC MORTGAGE PURCHASE BY TYPE OF LOAN
 (In Million Pesos)

| | 1980 | 1981 | 1982 | 1983 | 1984 | 1980-84 | %DISTN |
|-----------------------------|--------------|----------------|----------------|-----------------|-----------------|-----------------|--------------|
| TYPE OF LOAN | | | | | | | |
| Pag-IBIG | 26.9 | 95.7 | 494.2 | 1,577.9 | 1,936.6 | 4,131.3 | 79.2 |
| Open-Housing | 16.4 | 25.5 | 103.0 | 318.5 | 397.7 | 861.1 | 16.6 |
| Exstg Mortgages | 148.1 | 28.0 | 0.0 | 0.0 | 5.0 | 181.1 | 3.5 |
| TOTAL | 191.4 | 149.1 | 597.2 | 1,896.4 | 2,339.3 | 5,173.5 | 100.0 |
| Growth Rate (%) | | -22.1 | 300.5 | 217.4 | 23.4 | 129.8 | |
| NO. OF BENEFICIARIES | | | | | | | |
| Pag-IBIG | 325.0 | 1,277.0 | 6,889.0 | 23,921.0 | 29,449.0 | 61,861.0 | 86.4 |
| Open-Housing | 138.0 | 265.0 | 1,016.0 | 3,584.0 | 4,026.0 | 9,029.0 | 12.6 |
| Exstg Mortgages | 528.0 | 126.0 | 0.0 | 0.0 | 23.0 | 677.0 | 1.0 |
| TOTAL | 991.0 | 1,668.0 | 7,905.0 | 27,505.0 | 33,498.0 | 71,567.0 | 100.0 |
| Growth Rate(%) | | 68.3 | 373.9 | 27.5 | | | |
| NO. OF UNITS | | | | | | | |
| Pag-IBIG | 307.0 | 1,109.0 | 4,380.0 | 13,869.0 | 15,989.0 | 35,654.0 | 89.2 |
| Open-Housing | 138.0 | 219.0 | 794.0 | 1,361.0 | 1,222.0 | 3,734.0 | 9.3 |
| Exstg Mortgages | 528.0 | 126.0 | 0.0 | 0.0 | 23.0 | 677.0 | 1.7 |
| TOTAL | 973.0 | 1,454.0 | 5,174.0 | 15,230.0 | 17,234.0 | 40,065.0 | 100.0 |
| Growth Rate (%) | | 49.4 | 255.8 | 7.6 | 209.5 | 130.6 | |

the pace of increase in the purchase of secondary mortgages at 129.8 percent from 1980-84.

In terms of beneficiaries, a total of 71,567 borrowers were benefitted from 1980-84, corresponding to the construction or acquisition of 40,065 housing units. In 1984 alone 33,498 borrowers or 46.8 percent of the cumulative total, benefitted with the construction or acquisition of 17,234 housing units. Contributing to this large volume of purchases were the liberal guidelines which were introduced in 1983. Among these were the elimination of the relationship requirement for tacking; the capitalization of the 7 percent origination fee; the introduction of the Graduated Amortization Plan; and the inclusion of purchase of lots and acquisition of presently occupied apartment units as purposes for loan availment.

In 1984, however, the constriction of the financial market trimmed down the regular flow of funds into the secondary mortgage market. This constriction adversely affected both home borrowers and developers by the additional financing costs for the former and the tying of funds in unliquified mortgages for the latter. NHMFC has so far been able to maintain its monthly average take-out of P200 million in 1984 as it did in 1983.

With the substantial reduction in equity contributions to government housing agencies, vis-a-vis the growing demand for Pag-IBIG housing loans (in view of its favorable interest rates and liberalized terms of payment) amidst the expected diminishing rate of Pag-IBIG membership registration, however, the sustenance of the shelter finance program may be endangered. Should public confidence in the Fund's ability to deliver its commitments gradually erode, even the survival of the entire National Shelter Program may be put to a test.

Financial Status of Housing Corporations

Housing Production Agencies

The combined assets of the four major government agencies engaged in housing production — NHA, HSDC, BDC and NHC — amounted to P8,705.7 million as of 1984. Among the four, HSDC is the biggest, accounting for 51.1 percent of the total assets, followed by NHA with its 42.4 percent share. NHA used to be the primary government

agency in the housing sector as evidenced by its total assets of P4,156 million in 1979. Relative to other housing production agencies existing at that time, NHA's assets took 75.7 percent of the total. The same pattern is seen in the total assets of NHC which stood at P1,557 million in 1975 but declined to only P267 million in 1984. On the other hand, HSDC, which was organized in 1978 experienced a rapid growth in its total assets from P1,073 million in 1979 to P4,451 million in 1983.

It can be surmised that HSDC's rapid growth is mainly due to its overlapping functions with NHA, in the areas of operating/managing housing estates, implementing project plans for Bagong Lipunan sites, and the construction of infrastructure facilities and housing units necessary in the development of pilot communities, which the former eventually assumed the more dominant role.

The housing production agencies as a group exhibit very poor financial profitability, as measured by return-on-assets (ROA) performance, with a group average of -6.4 percent. Among the four, BDC has the highest ROA with an average of 0.14 percent over its three years of existence. HSDC also achieved a similar, though lower, level of 0.10 percent from 1979 to 1983. On the other hand, NHA showed the lowest ROA with an average of -1.69 percent from 1970 to 1984 (Table 10). NHA actually incurred losses in only two of its nine years of operation, and in absolute terms, the cumulative net income of P23.9 million can offset the P11.5 million deficit. In averaging out the annual ROAs, however, the relatively larger negative ROAs cancelled out the small positive ROAs.

Finally, the NHC, though displaying a smaller negative ROA of 1.1 percent, incurred largest total losses of P28.2 million from 1975 to 1984. The basic concept of NHC operation, which is the standardization of housing materials and the modules design system in order to avoid waste in survey, materials and building products, still has to gain acceptance from housing developers. This explains the huge inventory pile-up incurred by NHC, and thereby, its inability to earn enough to cover up its operating expenses.

The picture worsens when the economic ROA is used as the measure of performance. As a group, the housing production agencies incurred an average economic ROA of -8.95

percent. Most of this can be attributed to the NHA whose economic ROA stood at -33.18 percent. This enormous deficit scores the huge role which subsidies play in supporting NHA operations. The national government infused a total of P1,121 million in subsidies, from 1976 to 1984. Because of the very nature of its activities, that of providing slum upgrading services or "socialized" housing as it is more commonly known, NHA is simply curtailed as far as implementing cost recovery schemes is concerned. HSDC, NHC and BDC has negative economic ROAs of 1.54, 0.83 and 0.26 percent, respectively.

Compared with the performance of the group of area development corporations, the housing production agencies did slightly better in terms of both financial and economic ROAs. Compared with public utilities and infrastructure corporations, the housing production agencies fared worse (Table 11).

Table 11 – COMPARISON OF ECONOMIC AND FINANCIAL PROFITABILITY AMONG DIFFERENT GROUPS OF GOVERNMENT AGENCIES

| | <i>Financial ROA (%)</i> | <i>Economic ROA (%)</i> |
|-----------------------------------------------|----------------------------------|---------------------------------|
| NHA | (1.69) | (33.18) |
| HSDC | 0.10 | (1.54) |
| BDC | 0.14 | (0.26) |
| NHC | (1.11) | (0.83) |
| Average of Housing Production Corporations | (0.64) | (8.95) |
| Average of Area Development Corporations | (3.47) | (9.90) |
| Average of Infrastructure Corporations | (0.03) | (7.89) |
| Average of Public Utilities Corporations | (1.84) | (7.02) |

Viability of the Housing Finance System

In 1983, a World Bank Study on the Philippine Housing Situation, with emphasis on housing finance, cited that the continued viability of the HDMF-NHMFC-HFC financial system is seriously threatened by the negative

yield of its operations. The average borrowing cost of NHMFC funds (from HDMF and housing securities) at 13 percent plus approximately 4 percent operating cost for a total of 17 percent cost, exceeds the average portfolio earning of NHMFC of 10 percent. The World Bank Study predicted that this 7 percent negative yield would result to NHMFC's incurring of sizable operating losses by mid-84 and would force it to call upon HFC insurance or utilize HDMF's trust funds. When this does happen, the integrity of the entire system may break down.

NHMFC's response to the study, however, recognized the World Bank's general assessment of the problem but felt that there was a "gross misrepresentation" of the gravity of NHMFC's financial problem. With the addition of commitment fees, commissions on insurance premiums and the housing contributory fund, the yield of a Pag-IBIG loan to NHMFC becomes effectively 10.10 percent. With the present mortgage portfolio mix of 15 percent open housing loans which earn at 17.56 percent and 85 percent Pag-IBIG loans, NHMFC's yield on its mortgage portfolio is 11.22 percent. This leaves a negative spread of 5.78 percent instead of 7 percent. This means that the government has to cover this negative spread with P57.0 million per billion pesos worth of mortgage financed. NHMFC claims, however, that every peso of housing loan the secondary mortgage market system is able to create results on activities which yield the government anywhere from 6 to 7 centavos. On a per billion peso basis, this translates to P60 to P70 million which covers P57 million deficit. All these assumes that NHMFC is not maintaining an investment portfolio to cover the negative spread.

The sale of more than P250 million worth of Bahayan Certificates in 1984 at an average of 30 percent interest due to competition from Treasury Bills, however may spell more difficult time for the housing finance system since this drives up to the cost of NHMFC's operations. In fact by late 1983, the NHMFC Annual Report admitted that HDMF trust funds had to be utilized because of the weakening government securities market. The same inflationary pressures which pushed up the cost of funds are also driving up the cost of construction materials while reducing the effective purchasing power of Pag-IBIG members. NHMFC is now faced with the twin dilemma of increasing

cost of funds while the affordability levels of its target clientele for decent housing dwindle. NHMFC has currently resorted to capitalizing the heavy interest payments into the future in order to maintain its liquidity. This interim measure would only work, however, if interest rates fall, or if the yield of its investment portfolio increases, in the near future.

ISSUES AND RECOMMENDATIONS

The foregoing review brings to the fore some issues which have some bearing on the efficient operation of the housing agencies/corporations as well as on the long-term viability of the system. It is evident that the present limited resources of the government can not continue to support the current level of housing activities. Due to financial constraints alone, the government has to institute cutbacks in its housing programs and set priorities.

Government involvement in the housing sector

Government involvement in the housing sector encompasses regulatory, production, marketing, and financing aspects in both economic and social housing projects. There is need for the government to determine how it will utilize its limited resources in the future with respect to (a) its perception and support of the housing sector, and (b) the nature of its direct and indirect participation in the sector. In addition, a closer look is merited on the coordination of both the setting of housing policies and priorities and their implementation.

The often used argument about the distinction between economic and social housing is not necessarily so; in fact they can easily blend into one another. It is not impossible to develop low-cost housing which can still minimize the loss per housing unit, or even better, show a positive spread under market conditions of financing. Perhaps what requires greater emphasis in looking at the extent of government participation is (a) the target clientele for government activity, and (b) the geographical areas within which to give priority attention.

The discussions which follow are premised on certain priorities and constraints:

(a) The provision of adequate housing, especially for the lower-income groups

in the major urbanized areas of the country, remains of greatest priority. For this reason, it would appear to be necessary to continue to provide a continuing source of dependable funding for low-income group housing.

(b) The economic difficulties which the country is experiencing at the present time is likely to continue for a number of years, although not necessarily of the same magnitude. However, the situation will continue to make it difficult for the government agencies involved in the housing sector to be assured of a steady and continuing stream of funding from the General Fund over the next several years.

(c) Given these conditions, it appears desirable to continue the present integrated system of housing development under a single overall umbrella, in this case, the Ministry of Human Settlements, with a continuing assured source of funding from other than the General Fund.

Housing Regulation

On the plus side, the regulation of overall housing activity has been pretty much concentrated on the Human Settlements Regulatory Commission, unlike the other areas of government participation in housing.

Nevertheless, it will still be desirable to review the scope and coverage, as well as the objectives, of the regulatory framework for the housing sector. While the protection and safety of the general public and homeowners are of great importance, the incremental cost of more stringent building and construction restrictions must be taken into account, especially with respect to low-cost housing, especially socialized housing.

Insofar as government involvement in economic housing is concerned, it should be limited to the requisite regulations and the establishment of appropriate standards. In this connection, as above-mentioned there may be a need to reduce standards to what is affordable by the lower income groups, and to strike a balance between meeting the housing standards and housing requirements.

Housing Finance.

The participation of government in providing financing for housing can be viewed

from the sequential standpoints of (a) sources of housing finance, (b) types of housing finance, and (c) mechanisms for the delivery of housing finance.

Sources of housing finance.

In the financing aspect, in terms of equity contribution to government corporations involved in housing, the government gives more support to production finance than market finance which goes directly to the consumers. This is reflected in the equity infusion to NHA and HSDC which has been substantially higher than that extended to NHMFC. The government is also involved in "take-out" or liquidity provision through the secondary mortgage function and in guaranteeing operations.

Types of housing finance.

The forms of housing finance discussed here focus on the area of primary mortgages, secondary mortgages, and guarantees.

Primary mortgage function. In view of long-term and high-risk nature of housing investment, the provision of shelter financing could continue to be provided by the government. Furthermore, to ensure that the consumers benefit directly from the government housing services, more support should be extended for consumer financing than to the traditional industry financing. The continuation of the construction loan insurance function, however, fades somewhat in importance for sourcing funds by the private sector, since the banks would continue to provide loans to financially viable construction ventures.

Secondary mortgage function. Both the take out of liquidity provision function and the guaranteeing operation are equally important in sustaining housing provision. Secondary mortgage operations could be undertaken by the private sector once the mechanism has been firmly put in place.

The guarantee function for mortgage. Housing guarantee function is an important government concern. However, there is some overlap and redundancy between HFC and NHMFC with regards the guaranteeing function (housing guarantee) of the former. Private lenders rely upon HFC to sustain cash flow during delinquency rather than to make good the

collateral value of a defaulted mortgage loan. Since the banks remit the monthly payments to NHMFC for those mortgages taken out by the latter, this amounts to HFC guaranteeing NHMFC. One government corporation guaranteeing the cash flow for another government corporation may not be an appropriate function. Furthermore, a view of the present depressed condition of the capital market in the country, and there are no private parties who are likely to buy the mortgage taken out by NHMFC, the need to provide guarantee loses its urgency. In addition, guarantee function is not actually needed in the sense that the take-out option would be preferable rather than the guarantee option, by the participating banks.

Because after reasons cited above, it is recommended that HFC be absorbed by the NHMFC, particularly with regard to its guarantee function. The fact that it is an important function, however, does not make it necessary for a separate institution to undertake it. Both the take-out and the guaranteeing functions could be done by a single institution. The guarantee operations can be handled by a unit within NHMFC which must hold adequate reserves against bad debts. The present inactivity in the capital market however, will necessarily deactivate this particular function. Once the market revives, the guarantee function will regain significance. However, control must have to be set with respect to limits of the guarantees to avoid build up of contingent liabilities.

Delivery mechanisms for housing finance.

The Use and Management of Pag-IBIG Fund-HDMF-NHFC Linkage

Pag-IBIG Fund (HDMF) is basically a payroll tax and is a Provident Fund. The NHMFC is the manager of the HDMF investment portfolio. The NHMFC uses the savings/contributions by Pag-IBIG members together with the proceeds of the sale of BMPCs for the purchase of the housing loans originated by accredited financial institutions.

Thus, the Fund is a vehicle to raise low-cost funding for the development of a secondary mortgage market. The current arrangement is not very efficient. For one, NHMFC can cover its cost of funds (at least

13 percent) and cost of operations only if it holds a portfolio of no less than 75 percent open housing loans and 25 percent HDMF mortgages. This imposes a sort of a ceiling on the number of those who can avail of housing loans under the Pag-IBIG. (Finding is that under current mortgage market arrangements, the formal housing finance system is concentrated on only a thin slice (upper 20 percent of the income ladder of the population).

Furthermore, there is no significant and direct private sector involvement on either the purchase side or the sale side of the secondary mortgage process. The NHMFC, by relying on BMPCs and HDMF funds, restricts itself to the government sector of the market.

In addition, the joint operations of NHMFC and HDMF ensure NHMFC's commitment to support HDMF. To sustain this support, NHMFC must necessarily rely on low cost sources of funds (such as BMPCs). However, BMPCs face a limited market. They do not carry competitive market rates and are of somewhat longer maturity than would be preferred by financial institutions. They are purchased for tax and regulatory considerations (they are eligible for reserve assets requirements of insurance companies). Thus, BMPCs will not provide a long-term stable source of funds to NHMFC unless they are able to compete with other securities on a rate of return basis.

On the other hand, if BMPCs carry interest rates that are competitive with other securities, NHMFC will need to hold a portfolio of market rate mortgages or be faced with a negative spread. This will strengthen the development of the secondary mortgage market, but will weaken the connection between NHMFC and HDMF since it cannot borrow through BMPCs at higher interest rates to invest in HDMFC mortgages which yield 9 percent. Finally, there is an important policy implication which raises the question as to whether the government's borrowing authority should be used to subsidize housing for a thin slice of the population who belong to the upper income group.

A continuing flow of funds is a critical prerequisite to the low-cost housing program. However, significant budget support is not likely to be forthcoming during the next few years. Thus, the HDMF is likely to remain the major source of funds for the housing sector, at least for the time being. However,

since the HDMF is a public trust of retirement (provident) funds, the tied up operations between NHMFC and HDMF should not lead to conflicts of interest and potential, more so the possible inadvertent subordination of public trust in a desire to stimulate or expand mortgage takeouts. Thus, the HDMF resources should be accessed by NHMFC at competitive rates, after netting out provisions for provident purposes. From NHMFC end, it should be able to provide take out at differentiated rates both for private developers and for NHA for the latter's socialized housing projects. There must be an assurance of a certain percentage of funds available to NHMFC going to NHA in terms of take-out facility. This will ensure access by the low-income people. The rate or the cost of money to NHMFC could be actuarially determined after considering the possible tax-free return which should go to beneficiaries who will not avail of housing benefits.

Thus, there are several possibilities for HDMF, aside from continuing the present institution:

- (1) It could continue with the provident fund concept but this will have to be handled by GSIS or its successor. There maybe no need for a separate organization to handle separate funds. There must, however, be an assurance, that maximum allocation possible should be earmarked for housing by the institution which will eventually handle the fund, after adequate provision for provident reserves.

- (2) Keep the fund as a mutual fund. Since it is not possible for the people to make the investment decisions, these will have to be done by the government.

- (3) HDMF could be integrated as a distinct funding program of an overall retirement management fund, which includes the other retirement funds such as GSIS and SSS. Earmark a portion of this integrated fund for housing at actuarially-determined level, not market-determined level. Alternatively, or in addition, add a percentage to the GSIS contributions to go to Pag-IBIG as long-term loans for the secondary mortgage market operations or to private banks to lure private money into mortgages.

NHMFC should operate as a separate mechanism for the purchase of market rate mort-

gages. These purchases could be financed by issuing bonds that are competitive as other securities. This would facilitate the direct relationship of NHMFC with the private sector on both sides of its portfolio servicing both Pag-IBIG members and the self-employed. This is a pre-requisite for real secondary market development. This will also promote the development. This will also promote the private sector involvement in long-term financing market. Furthermore, the long-term viability of the system should be carefully assessed. The present negative yield must be eliminated. Toward this end, various alternatives could be considered, e.g., moving to a floating rate or a higher average fixed rate.

Housing Construction.

At present, the production activities of government include (a) direct government construction of housing units, (b) upgrading of sites and services, including slum upgrading, and (c) the production and supply of standard/prefabricated housing components.

It is recommended that government involvement in housing production should be targetted primarily towards lower income groups, say, those below the top quarter of households, by concentrating on (a) sites and services improvement, (b) slum upgrading, and (c) the encouragement of housing starts for lower income groups, such as through core housing-type of operations. In view of the limited funds for housing in the foreseeable future, direct government participation in housing construction itself should be concentrated in selected areas; moreover, with the end in view that "socialized" housing need not necessarily be a losing proposition. The loss could be minimized while still entering to the target clientele by putting a ceiling on total cost of houses and not in amounts lent to homebuilders.

At present, approximately 30 percent of the urban population is self-employed. Approximately 40 percent of the lower three-fourths of the urban population, on whose public and quasi-public funds like Pag-IBIG should focus, is self-employed, and thus excluded from NHMFC.

Thus, the government should withdraw from direct housing construction, and concentrate on the stimulation of truly low-cost

housing, by making sites and housing lots available, and encouraging private developers into the construction of lower cost units ranging from say P20,000 to P70,000 (at current prices), which are affordable to lower income groups. The private sector should be left to servicing the top 25 percent.

Integration of the government housing construction function. The institutional structure in the housing construction sector is characterized by the existence of some overlapping functions. The creation of the Ministry of Human Settlements in 1978, tasked with the function of shelter system development and environmental management as well as land use and town planning, in a way, is a repetition of the process which surrounded the creation of the National Housing Authority in 1975. Redundancy became evident with the creation of HSDC, and later on, with BDC. These corporations undertake housing construction and town/community development and upgrading under various names. Duplication of function also exists in housing/shelter fabrication. Several HSDC subsidiaries, such as National Housing Corporation, Woodwaste Utilization and Development Corporation, and Builder's Bricks, are engaged in the fabrication of shelter components.

In order to eliminate redundancy among the government corporations and simplify operations, the following steps may be taken:

First, the government should withdraw from the construction of completely built residential units. NHA and BDC should be merged, and the merged corporation should deliberately avoid the construction of completed, contractor-built houses, an activity which tends to cater to the upper income groups. The NHA/BDC merger should integrate the housing construction and community development functions of HSDC. Also, the NHA/BDC merger should concentrate on the construction of core units, sites and services preparation, and the upgrading of slum and squatters settlements, since the private sector is hardly likely to undertake these functions.

Second, HSDC should begin to withdraw from its other activities in housing construction. At present, HSDC appears to operate somewhat like a holding company, with a significant shift of much of its activities into livelihood and agro-business aspects. It can thus

concentrate on non-housing activities, such as those which pertain to the livelihood component. It should be emphasized that no recommendation is being made here with respect to the other areas of operations of HSDC, the discussion being limited to its housing activities.

Third, the government should withdraw from the manufacturing and fabrication of housing components. The fabrication of standardized shelter components was envisioned as a pioneering venture by NHC, with the purpose of reducing construction costs through standardized components. Nevertheless, the manufacture of housing components does not appear to be a high priority area for government corporate operations, and appears to be an area which the private sector could very well take over. Thus, the divestment and privatization of NHC should be pursued.

Fourth, government housing construction agencies should not be involved in the extension of credit for housing and non-housing purposes, such as for livelihood loans, which can be undertaken by the appropriate financial institutions.

The Coordination of Housing Policies

A paradox appears to exist with respect to the corporate entities engaged in the various aspects of government participation in the housing sector. Although they are all attached to the same ministry, there appears to be a lack of effective coordination, especially between NHA and its sister corporations. Although the same corporations, even with the proposed reorganizations and mergers above-given, will continue to remain under attachment with the Ministry of Human Settlements, still some improvement in coordination appears to be called for. This coordinative machinery is especially critical, given the expanded role that is envisioned for the merged NHA/BHC entity, keeping in mind the unique structure with MHS, in which all operational work is undertaken through its corporate entities.

One possibility is perhaps the creation of a Housing Policy Group or Committee within the Ministry, under the leadership of either the Minister or one of the Deputy Ministers. Under this approach, the participation of the Human Settlements Regulatory Commission would be desirable.

Another possibility is to improve upon the commonality among the board members for all the housing sector corporations (with the possible exception of the housing corporation generating the financing, considering its provident fund function). The boards of NHA/BDC could include one another's chief executive officers, plus that of the provident fund corporation. Unlike the first suggestion, however, it is not envisioned that a representative for HSRC would also sit as a common member.

In any case, it is of the greatest importance that a unified housing sector program for the involved government corporations be developed, under the Ministry of Human Settlements and with the participation of the Government Corporations Monitoring Committee or its successor.

A schematic presentation of the proposed national housing system is shown in Figure 2.

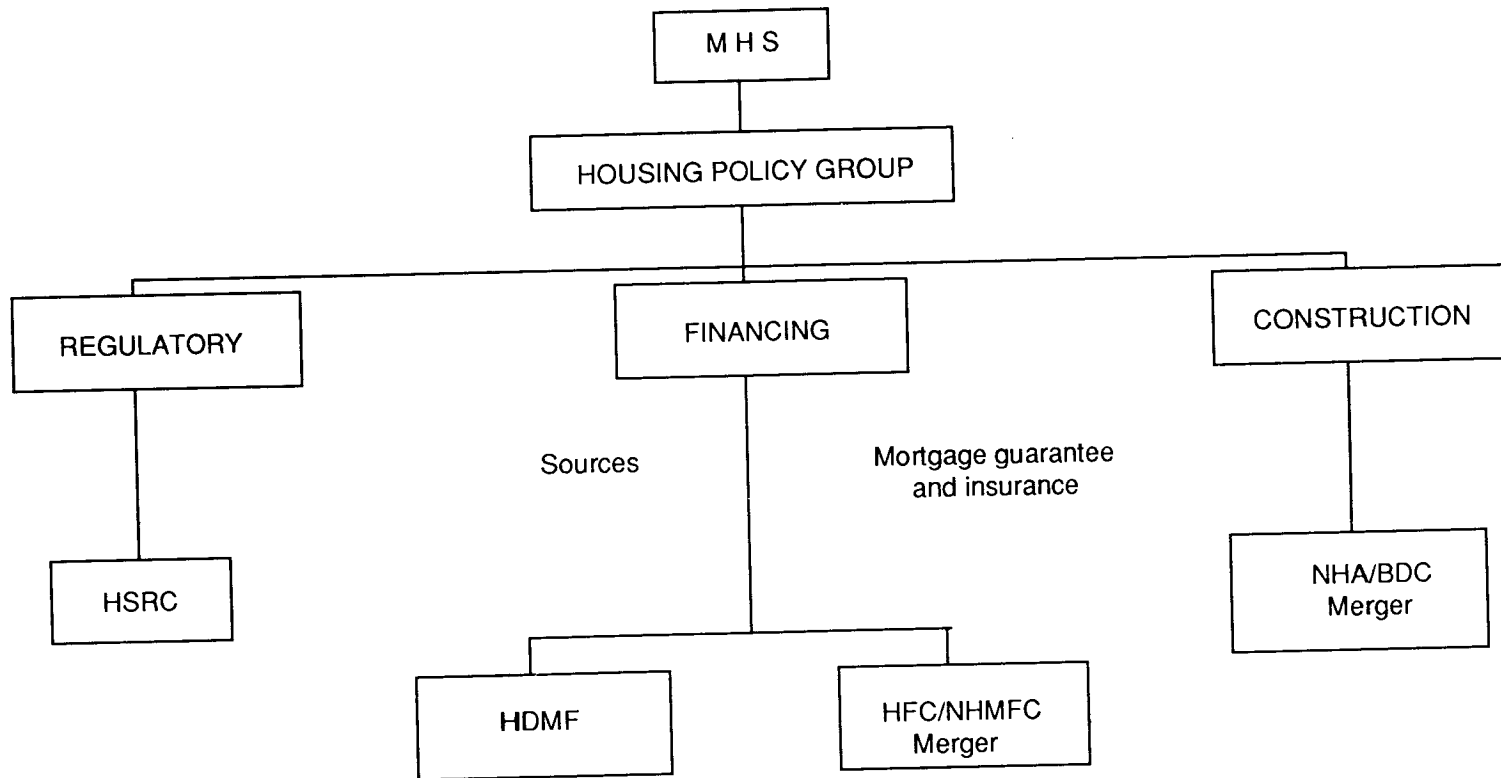
Summary of Issues and Recommendations

It should be clear from the discussion above that there is a pressing need for re-examination and rationalization of government involvement and the institutional framework in the housing sector. The concern for a more efficient allocation of government's limited resources points to the need to focus government's involvement in the housing sector to the areas or functions which are not lucrative enough for the profit-oriented private sector to venture into to sustain the provision of decent housing for the population.

In particular, these are in the sites and services improvement, slum upgrading and core-housing-type of operations. In addition, the government's guaranteeing function of the cash flow to the housing sector is equally important but loses its significance in view of the present depressed condition of the capital market. Although the liquidity function or the take-out function is as important, it could later on be allowed to be transformed to the private sector, once the mechanism is firmly put in place.

The rationalization of the institutional framework is also of vital importance to bring about more efficient utilization of resources and streamlined operations. Towards this end, merger of government corporations which are basically performing similar operations should be considered. In particular, housing

Figure 2
PROPOSED NATIONAL HOUSING SYSTEM



production corporations such as NHA and BDC could be merged. They are functionally in the same area of operations.

The structural relationship between NHMFC and HDMF also requires further examination. The current arrangement between the two corporations is not very efficient in terms of financing (matching of the financing cost and the yield) and in terms of focusing the benefits to the HDMF members. Thus, it is recommended that the NHMFC should access HDMF fund at competitive rates. At the same time, NHMFC should be able to provide take out both for private developers and for the NHA for socialized housing, which need not be unprofitable.

Another issue that needs to be addressed is the guaranteeing functions of the HFC which in effect is to assure the cash flow of NHMFC. Guaranteeing cash flow of another government corporation seems to be an inappropriate function of a government corporation. It makes more sense for the government to guarantee the private sector operations to ensure continuous provision of housing. Nevertheless, since the guaranteeing function is a vital function of the government, it could be retained, but it is not necessary for a separate institution to undertake it. Thus, HFC and NHMFC could be merged and the guaranteeing function could be handled by a unit within the surviving institution. ■

PHILIPPINE SUBDIVISION DEVELOPMENT LAWS AND STANDARDS: AN ASSESSMENT

Linda L. Malenab-Hornilla

Purpose/Aim of Paper

The housing problem in the Philippines has grown tremendously over the past years that today, the backlog has been 646,000 houses. The government has tried to meet the problem head-on with the establishment of different housing agencies as well as the creation of task forces and ad-hoc committees. Numerous strategies have been employed from outright provision of subsidized plots and house delivery to resettlement to sites and services. After analyzing the problems, it was thought that maybe the backlog did not really lie in the lowest-income sector but in the lower-middle and the low-income sector; i.e., those who have the ability to pay over a period of time. Simultaneously, it was found out that the delivery of sites and services to the populace by the private sector was not regulated. The sites have been transformed to blighted areas. New subdivision laws were enacted but the minimum design standards were set so high that only high income and upper-middle income groups could benefit. This also brought numerous cases of fraudulent transactions and non-development that the government was constrained to meet with the private developers and housing agencies to find out how best to decrease house and lot prices and to draft effective regulatory measures. After a year of deliberation, design standards were categorized into Models A, B and C for Open Market, Economic and Socialized or Low-Cost respectively. But just the same, the target groups were not reached as the private developers continued to use Model A contending

that the use of lower standards would reduce the profitability of projects inasmuch as the market was the high income sector. Again, after deliberations, a new law was passed lowering not only the subdivision design standards but also some provisions of the building code and open space requirements. However, this has not been fully utilized by private sector developers. To add to this, the World Bank has set its own standards for agencies benefitting from its loan. It is against this background that this paper aims to:

1. show that the standards of BP 220, the latest law, not only can best meet the problem of housing low-income but also that it is profitable, with some modifications.
2. recommend amendments to the law and its rules and regulations.
3. recommend the adoption of only one law and design standards for subdivision regulation.

The paper will make an analysis of the two major laws on subdivision development focusing on the design standards embodied in PD 957 and BP 220 as well as the World Bank Standards as inputted in the Private Sites and Services projects. The study is limited to the Philippine situation.

Laws on Subdivision Development

Currently, there are four major laws regulating the subdivision and housing industry. Presidential Decrees 957 and 1216 focuses on

the site development standards and the administrative aspects of regulation while Presidential Decree 1096 pertains to building standards and its enforcement mechanisms. The fourth and most recent law, Batas Pambansa 220, deals with both the site development and building standards and amended some provisions of the three former laws.

A. Presidential Decree 957

The main policy of this decree is the protection of residential subdivision and condominium buyers through promulgations of standards to be followed in subdivision development, registration and licensing of projects and registration of dealers, brokers, and salesmen, and monitoring of compliance to the standards as promulgated and of the transactions entered into between the buyers and the developers or dealers and brokers. The decree was brought about by reports of alarming magnitude of swindling and fraudulent manipulations perpetrated by unscrupulous subdivision and condominium sellers and operators, such as failure to deliver titles to the buyers or failure to deliver titles which are free from liens and encumbrances, failure to pay real estate taxes accruing before the sales, and fraudulent sales of the same subdivision lots to different innocent purchasers for value. Likewise, of the inability to provide and maintain properly, subdivision roads, drainage and sewerage, water systems and other similar requirements which they have promised to the buyers.

Under this law, a subdivision project means a tract or a parcel of land registered under Act No. 496¹ which is partitioned primarily for residential purposes into individual lots with or without improvements thereon, and offered to the public for sale, in cash or in installment terms. It shall include all residential, commercial, industrial and recreational areas as well as open spaces and other community and public areas in the project.

The subdivision projects are categorized depending on the (a) density of the project, the (b) site development standards and (c) introduction of a road network.

- a.1. Low cost or socialized housing
66 to 100 lots/ha.

- a.2. Economic housing 26 to 65 lots/ha.
- a.3. Open Market housing 20 lots and below per hectare

- b.1. Model C for rural areas (3rd class municipalities and below)
- b.2. Model B for peri-urban and urbanizable areas (2nd class municipalities and below)
- b.3. Model A (may be located in all cities and municipalities regardless of class

- c.1. Simple subdivision is characterized by partitioned lots with no road network.
- c.2. Complex subdivision plan is a registered land wherein a street, passageway or open space is delineated on the plan.

Under the first category, the number of lots per hectare is net of the allowable density. This means that only 70% of the hectare is saleable lots and the rest are reserved for roads and parks and playgrounds and other amenities.

Under the third category, the number of lots per hectare is net of the allowable density. This means that only 70% of the hectare is saleable lots and the rest are reserved for roads and parks and playgrounds and other amenities.

Under the third category, for so long as there is not introduction of a road or street i.e. no new roads, then the project is a simple subdivision plan. It is under the category of complex subdivision that most of the projects are submitted. It is also here that the sub-category of models of subdivision come into play.

The decree talks of four phases of regulation: approval of development plans, registration of projects, licensing of projects and of brokers, dealers and salesmen, and compliance monitoring.

Approval of development plans is the initial step in subdivision project approval. The subdivision scheme is checked for its conformance to the design standards, the zoning laws and for the authenticity of the documents submitted. A development permit is given after processing and this authorizes the holder to pursue the development of his project.

Registration of the project is done by publication of a notice on the project once a week for two consecutive weeks, one in English and one in Pilipino informing all and sundry of the intention to develop a project.

Licensing comes after registration. This is given after the applicant posts an adequate per-

¹ Land Registration Act as amended by Republic Act No. 440.

formance bond which is 20% of the total development costs to guarantee the construction and maintenance of the roads, gutters, drainage, sewerage, water systems, lighting systems, and the full development of the subdivision project and the Commission is convinced that the owner or dealer is of good repute, his business is financially stable and the proposed sales would not be fraudulent. The bond is executed in favor of the Republic of the Philippines and shall authorize the Commission to use the proceeds thereof for the purposes of its undertaking in case of forfeiture. The License mandates that subdivision lots in the project can be sold and that completion of the project must be done within one year from the date of issuance of the license or at such other period as authorized by the Commission.

The Commission is also mandated to monitor the development of the project as well as the business affairs, administration and condition of the entity, juridical or natural, engaged in the business of selling subdivision lots. It may take over or cause the development, completion of the subdivision at the expense of the owner or developer where there is failure to do the same.

The decree likewise promulgates the penalties and sanctions for the violation of the decree which ranges from fines to imprisonment or both and/or revocation or suspension of the license to sell and registration of the project, the broker, dealer or salesman.

The Rules implementing the decree provides for the minimum design standards for the subdivision project.

B. Batas Pambansa 220

The law that directly addresses itself to low-income and middle-income subdivision development to meet the needs of the low-income sector is the aforesaid made effective since September 25, 1982 and amends certain provisions of Presidential Decrees 957, 1216, 1096 and 1188.

The declared policy of the law was to promote the development of economic and socialized housing projects primarily by the private sector in order to make available adequate economic and socialized housing units for average and low-income earners in urban and rural areas. Economic and socialized housing refers to housing units costed at 30% of the gross family income as determined by

the National Economic and Development Authority (NEDA) and to government initiated sites and services development and construction of economic and socialized projects in depressed areas.

The standards and technical requirements to be established shall provide for environmental ecology, hygiene and cleanliness, physical and cultural and spiritual development and public safety and may vary in each region, province or city depending on the availability of indigenous materials for building construction and other relevant factors.

The ceiling costs of a house and lot as promulgated by NEDA are as follows:

| Area | Housing Cost ² |
|------------------------------------------------------|---------------------------|
| Metro Manila & immediate surrounding areas | P146,550.00 (\$7327.5) |
| Other Cities | P107,000.00 (\$5350.0) |
| Other Urban Areas | 70,500.00 (\$3525.0) |
| Rural Areas | 40,000.00 (\$2000.0) |

The approval of a subdivision project under BP 220 is primarily hinged on the selling cost of a house and lot in the project.

C. Presidential Decree 1216

This law redefines the 30% "Open Space" as used in Presidential Decree 953 which defines it as an area solely for parks and recreational use. It amended Section 31 of PD 957 in so far as conversion of the parks and playgrounds to other uses. It expanded the meaning of "open space" to include parks and playgrounds, recreational uses, schools, roads, places of worship, hospitals, health centers, barangay centers, and other similar facilities and amenities. The following standards are allocated exclusively for parks, playgrounds and recreational use:

- a. 9% of gross area for high density or social housing (66 to 100 family lots per gross hectare)
- b. 7% of gross area for medium density or economic housing (21 to 65 family lots per gross hectare)
- c. 3.5% of gross area for low density or open market housing (20 family lots and below per gross hectare)

²Cost of House and Lot promulgated by NEDA in 1983.

The areas reserved for parks and playgrounds and recreational use shall be non-alienable public lands, and non-buildable. The roads, alleys and playgrounds, upon their completion as certified to by the Commission shall be donated by the owner or developer to the city or municipality and it shall be mandatory for the local governments to accept provided that the parks and playgrounds may be donated to the Homeowners Association of the project with the consent of the city or municipality concerned. No portion of the parks and playgrounds donated shall thereafter be converted to any other purpose or purposes.

D. Presidential Decree 1096

This law deals with the promulgated standards for building and is otherwise known as the "Building Code of the Philippines". Most of the standards in the law are prescriptive in nature and are detailed. Most of the design standards are culled from planning and building standards of American influence. Administrative procedures include sanctions and penalties for violation.

E. Executive Order 648

This is the charter of the Human Settlements Regulatory Commission which is the regulatory arm of the Ministry of Human Settlements. The order likewise provides for the transfer of the regulations of the real estate trade and industry from the National Housing Authority to this agency.

F. Private Sector Involvement

Delivery of sites and services have always been a lucrative source of income by private developers and brokers since 1940's. These developers buy small contiguous agricultural or residential lots from landowners and consolidate the same before subdividing into smaller lots for sale. In the late 50's up to the seventies, the municipal governments had jurisdiction over the activity of subdivision development and each locality prescribes different standards for development consonant with those promulgated by the National Planning Commission, the planning body of the Philippine after World War II. The bulk of lot buyers were mostly those who speculate on lands while a smaller percentage buy lots for immediate housing

need. It was only in the late seventies that a law was passed regulating the private subdivision development and enforcement vested in one government agency. With the recognition of housing as an acute problem in the country and its incorporation as a target in 1982, the National Shelter Program was launched. The target was set at 126,000 houses annually with almost three fourths of it to be met by the private sector and the balance shouldered by the government. The program focuses on Regulation, Production, Finance and Marketing. This looks provision of housing as a joint undertaking of the government and the private sector.

Subdivision Development Standards in the Philippines

Model A and B Standards Based on PD 957

Subdivision development standards in the Philippines are incorporated in the Rules and Regulations Implementing the Subdivision and Condominium Buyer's Protective Decree and other Related Laws (Presidential Decree 957). Although the law speaks of subdivision standards and regulations enforceable at the time of the submission of the plan, which would then be those promulgated by the National Planning Commission and the municipalities pursuant to their law-making powers and authority over developments within their political territorial jurisdiction, the enforcing agency of PD 957 deemed it best to promulgate and incorporate another set of standards in the Rules. This is to have a basis for evaluation and regulating the subdivision projects that would be submitted to it pursuant to the law. The original set of standards, based on those promulgated in 1976 and 1977, were of a very high degree that the same standards, when applied to subdivision projects located in low class municipalities (Municipalities are classified according to their income by the Ministry of Finance i.e. first class municipalities, second class, etc.) would not make the project affordable by the residents thereat. Hence, when the implementation was transferred to the Human Settlements Regulatory Commission in pursuance of a single regulatory system since the aforementioned was designated the regulatory arm of the Ministry of Human Settlements, the private sector which was more affected by the law petitioned for a

relaxation of the standards. The realization that promulgation of different set of standards for the different types of municipalities was a very rational and effective way of trying to reach the low-income sector, a dialogue and consultation was held with those who will be affected by a new set of standards namely, the private developers; the government agencies involved in subdivision development and the homeowners associations as well as buyers of subdivision lots who are not members of the associations. The end-product of the consultation was a promulgation of different models of subdivision. Inasmuch as the standards include roads, the standards were made applicable only to complex subdivision projects. A complex subdivision project is one where a road or street or open space is delineated in the subdivision plan. It is also mandatory that, in addition to conformance with the subdivision standards, the projects shall also conform with the applicable zoning ordinance, the pertinent provisions of the National Building Code and its Rules.

The general provisions of the design standards are:

a. Site Criteria

The projects shall be located in areas classified as or appropriate for residential uses and they must be accessible to public transportation lines and to basic utilities as much as possible. The design standards shall be in accordance with the level of development of the locality where it is situated.

Model A subdivision may be located in all cities and municipalities.

Model B subdivision shall be located in second class municipalities and below provided that it may be allowed as a variance in cities and first class municipalities.

Model C subdivision shall be allowed only in third class municipalities and below, provided that it may be allowed as a variance in second class municipalities, or in urban land reform zones or blighted areas.³

b. Design and Planning Considerations

Planning and designing of subdivision projects shall take into account adequate, efficient and integrative road circulation system

servicing every lot therein; judicious allocation of uses for diversity and amenity, preservation of site assets, proper siting or orientation of lots; blending with existing and proposed development in the vicinity; and application of workable design principles or parameters for a well-planned and self-sustaining environment.

c. Land Allocation

For subdivision project with an area of one hectare or more the maximum saleable lots shall be 70% thereof. The owner or developer thereof shall reserve 30% of the land area for roads, alleys, pathways, parks, playgrounds and open spaces. Parks and playgrounds shall comply with the requirements of Presidential Decree 1216.

Design Parameters and Road Specifications

| | Model A | Model B |
|----------------------------------------|---------|------------|
| Land Allocation | | |
| Saleable Area | 70% | 70% |
| Open Space | 30% | 30% |
| a. Roads | | |
| b. Parks & Playgrounds | | |
| c. Community Facilities | | |
| Open Market | 3.5% | 3.5% |
| Economic | 7.0% | 7.0% |
| Low Cost/Socialized | 9.0% | 9.0% |
| Plot Planning | | |
| Minimum lot area for all models | | |
| a. Cluster or Row Houses (two storeys) | | 50. sq. m. |
| b. Single detached houses and duplex | | 100 sq. m. |
| Lot Frontages | | |
| a. Corner Lot | 12 m. | 10 m. |
| b. Interior & Thru lot | 10 m. | 8 m. |
| c. Irregular | 6 m. | 6 m. |
| d. Row/Town house lot | 4 m. | 4 m. |

Road Network

For this purpose, the rules defined the different kinds of roads as follows:

- a. Major roads are those which link the site to the access road and provide selective crossing or interruption of traffic flow with access to individual lot;
- b. Collector roads are those which provide

³Rules Implementing Presidential Decree 957 and other laws.

for the movement of traffic between major roads and local/service roads and catches or collects trips from the same; also provides direct access to lots;

c. Service roads which provide for the distribution of traffic among individual lots and activity centers, wherein integration of the road with the land is emphasized while speed of movement is de-emphasized.

Road Design and Specifications for Model A

| | Right of Way | Carriage Way | Sidewalk Planting Strip | Pave-ment |
|-------------------|--------------|--------------|-------------------------|-----------------------------------------------------------|
| a. Major Road | 15 m. | 10 m. | 5.0 m. | concrete asphalt |
| b. Collector Road | 12.50 m. | 8.50 m. | 4.0 m. | concrete/ asphalt |
| c. Service Road | 10. m. | 6.0 m. | 4.0 m. | concrete/ asphalt |
| d. Alley | 4. m. | 4.0 m. | — | pre-fabri- cated slabs with seepage joints/ CHB/as- phalt |

Road Design and Specification for Model B

| | | | | |
|---------------|-------|--------|--------|---------|
| a. Major Road | 10 m. | 6.0 m. | 4.0 m. | Asphalt |
| b. Minor Road | 8. m. | 6.0 m. | 2.0 m. | Asphalt |
| c. Alley | 4. m. | 4.0 m. | — | Asphalt |

Facilities/Amenities in Models A and B

| | Model A | Model B |
|-------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Water System | centralized water system to be provided by the developer or connection to a public water system | same as A but may vary provided the alternative system is proven feasible and adequate |
| Drainage System | underground canals | same |
| Sewage Disposal System | individual septic tanks | same |
| Electrical Power Supply | developer to connect to Meralco or electrical franchise providing street lighting and utility poles | same |

A major road is one which serves as the main access to the subdivision from the outside areas, and/or connects the site to the transportation route; provides mobility with direct (but regulated) access to lots. A minor road provides for the distribution of traffic within the subdivi- sion, with direct access to lots and activity centers but at a lower speed.

Minimum Subdivision Standards for Model C

Land Allocation

| | |
|--------------------------|------|
| Saleable Area | 70% |
| Open Space | 30% |
| a. Roads | |
| b. Community Facilities | |
| c. Parks and Playgrounds | |
| Open Market | 3.5% |
| Economic | 7.0% |
| Low Cost | 9.0% |

Plot Planning

same as models A and B

Lot Frontages

| | |
|--------------------|---------|
| a. Corner lot | 10.0 m. |
| b. Interior & Thru | 4.0 m. |
| c. Irregular | 4.0 m. |
| d. Row/Town House | 4.0 m. |

Road Network

The road network for Model C subdivision shall serve the same functions as that of Model B except in allowing the use of an alley as means of access to lot. However, both ends of an alley shall terminate into major roads. The maximum length is 150 meters.

Road Design and Specifications for Model C

| Right of Way | Carriage Way | Sidewalk/ Planning Strip | Pavement |
|--------------------------|------------------------------|--------------------------------------------------------------------------------------------------|------------------------------------------|
| a. Major Road 8.00 m. | 6.0 m. | none- may be used for drainage canal/ open canal Sidewalk – 0.6 m. Drainage-variable | macadam |
| b. Minor Road 6.50 m. | 4.50 m. | same | 4" thick gravel on compacted earth |
| c. Pathwalks 4.00 m | 2.40 m. to 4.00 as needed | none | gravel |
| d. Alleys 4.00 m. | 4.00 m. | none | 4" thick gravel on compacted earth |

Facilities/Amenities in Model C

| | |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Water Supply System | Communal or individual wells or connection to an approved public water supply |
| Drainage System | Surface or open canals however, if there is an existing drainage system (underground) in the community, the subdivision shall connect to it and the open canal is not allowed |
| Sewage Disposal System | individual septic tanks |
| Electrical Supply | Optional but where there is power available within the locality of the project site, its connection is imperative |

The required facilities in Models A, B, and C vary and are dependent on the number of saleable lots/dwelling units in the subdivision project.

B. Economic and Socialized Housing Standards Based on BP 220

Realizing that the promulgation of three models of subdivision development did not stimulate growth in the production of units and sites affordable for the low-income sector and consistent with the strategy as enunciated in the draft national development plan for 1983 – 87 i. e. the rationalization of government rules and regulations,⁴ the Batasang Pambansa

(National Assembly) passed the law Batas Pambansa 220 which is "An Act Authorizing the Ministry of Human Settlements to Establish and Promulgate Different Levels of Standards and Technical Requirements for Economic and Socialized Housing Projects in Urban and Rural Areas From Those Provided Under Presidential Decrees Numbered 957, 1216, 1096 and 1188 (Fire Code). The aim is to tailor the criteria to fit the actual needs and acceptability standards of target groups.⁵ Corollary to this is the failure of the lending institutions, particularly the GSIS and SSS, to support the needs of their

⁴National Economic and Development Authority, *Regional Development: Issues and Strategies on Urbanization and Urban Development*, 1982, p. 47.

⁵Ibid.

members since their lending requirements have consistently tended to favor the middle and upper-income level group members, as these requirements mandate strict adherence to the building code standards.

The new law called for new minimum design standards intended to provide minimum requirements within the generally accepted levels of safety, health and ecological considerations. Variations may be possibly based on some specific regional, cultural and economic setting, e.g. building materials, space requirement and usage.

The parameters used in formulating these Design Standards are:

- A. Protection and safety of life, limb, property and general welfare.
- B. Basic needs of human settlements, enumerated in descending order as follows:
 1. Water
 2. Movement and Circulation
 3. Storm Drainage
 4. Solid and Liquid Waste Disposal
 5. Power
 6. Park/Playground

The provision of these basic needs is based on the location of the project.

- C. Affordability levels of target market

D. Location

The location of the project shall determine the type and degree of development to be required regardless of political boundaries. The degree on level of development shall be defined as follows:

- 1) Underdeveloped Area – characterized by the predominant absence of utility systems or networks especially water supply, roads and power.

- 2) Developed Area – characterized by the predominant presence of utility systems or network, specially water supply, roads and power.

Design Parameters and Road Specifications

Land Allocation

There shall be no fixed ratio between saleable and non-saleable area.

There is no fixed area allocated for circulation system. Areas for community facilities shall be exclusive of the park and playground with the following allocation:

| Density No. of lots/Units per hectare | Areas for Community Facilities (% of gross area of subdivision) |
|---------------------------------------------|--------------------------------------------------------------------|
| 150 and below | 1% |
| 151 to 225 | 1.5% |
| above 225 | 2.0% |

Parks and Playground

| Density | Area for Park/Playground |
|---------------|--------------------------|
| 150 and below | 3.5% |
| 151 to 225 | 7.0% |
| above 225 | 9.0% |

Plot Planning

| Minimum lot area requirement | |
|--------------------------------|-----------|
| a. Detached dwelling unit | 72 sq. m. |
| b. Semi-detached dwelling unit | |
| 1. corner lot | 54 sq. m. |
| 2. rowhouse | 36 sq. m. |

Lot Frontages

| | |
|---------------------------|---------|
| a. single detached | 8 m. |
| b. single attached | 6 m. |
| c. Rowhouse/Irregular lot | 3.50 m. |

Road Design and Specifications

| Type of Road | Right of Way | Carriage Way | Pavement | |
|--------------|--------------|--------------|------------|----------------|
| | | | Developed | Underdeveloped |
| Major Road | 8.00 m. | 6.00 m. | asphalt | macadam |
| Minor Road | 6.50 m. | 5.00 m. | macadam | aggregates |
| Alley | 3.00 m. | 3.00 m. | aggregates | same |
| Footpath | 2.00 m. | 2.00 m. | same | same |

Maximum Sizes of Projects per Hierarchy of Roads

| Project Size |
|--------------------------|
| above 0 – 2.50 has. |
| above 2.50 – 15.00 has. |
| above 15.00 – 30.00 has. |
| above 30.00 has |

Road Network

Minor road, alley, footpath
 Major road, minor road, alley, footpath
 Model B's major road, then major road to footpath as above
 Model A's collector road, service road, then major road to footpath (Model A of PD 957)

Facilities/Amenities

Water System: The minimum requirement is the provision of communal wells for underdeveloped areas; for developed areas, connection to a public water system if any exists or an independent water supply system.

Drainage System: An open canal on each side of the road shall be provided with the sides of the canal lined with grass or stones to prevent erosion.

Sewage Disposal System: Minimum requirement is use of septic tank. For single detached units and multi-unit buildings, communal septic tanks may be allowed.

Electrical Power Supply: In underdeveloped areas, power supply is optional while in developed areas where power supply is available, connection is required.

C. World Bank Financed Projects (Private Sites and Services)

The World Bank, before granting any loan to the Private Sites and Services Office or to the National Housing Authority prescribes certain standards to be followed. Based on those imposed on the Private Sites and Service, they are the following:

| Land Allocation | |
|----------------------|------------------|
| Saleable Area | 65% + 15% of the |
| Open Space | 35% aforesaid |
| Roads | 18% relationship |
| Community facilities | 9% |
| Parks & Playgrounds | 8% |

| Plot Planning | |
|-----------------|----------------------------------------|
| Rowhouse | Type A: 55 sq. m (Optional) |
| Duplex | Type B: 65 sq. m. |
| Single detached | Type C: 80 sq. m. Type D: 130 sq. m |

| Lot Frontages | |
|---------------|----------|
| Regular Lot | variable |
| Irregular Lot | variable |
| Rowhouse | variable |

| Roads | |
|-------------------|-------|
| Major Road | 12 m. |
| Collector Road | 10 m. |
| Local Access Road | 6 m. |
| Alley | 3 m. |

It is imperative to state at this instance that most of the projects whether submitted for approval under PD 957 or BP 220 make use of the provision on variances to wit:

"Section 16. Variances – These standards and requirements may be modified or varied by the Commission in cases of large scale government residential subdivision projects, housing in areas of priority development or urban land reform zones, resettlement or social housing projects financed by any government financing institution, which in the judgment of the Commission has provided adequate public spaces and improvements for the circulation of light, air and other community service needs of the anticipated population."

Procedures For Regulations

There are four aspects in the regulation of subdivision development and sale namely: standard setting, development permit (permit to commence development of the subdivision project), registration (project to be included in register), licensing (permit to sell lots) and compliance monitoring (project evaluation). All these aspects are embodied in both Presidential Decree 957 and Batas Pambansa 220.

The following are the activity listings and requirements as enunciated in the Rules implementing the laws.

A. Preliminary Approval/Development Permit

| Entity/Person | Activity | Requirements |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicant | Files application for Preliminary Approval/Development Permit (If town where project is located has no approved Zoning Ordinance or applicant is not sure of his subdivision scheme, he files for preliminary approval first; if above is not applicable, he files for development permit. | <p data-bbox="805 242 1128 306">Preliminary Development Plan or Final Subdivision scheme</p> <p data-bbox="805 334 1173 565">Site Development plan signed by an architect planner or engineer planner at a scale ranging from one to one thousand (1:1,000) to 1:5,000 showing the proposed layout of streets, lots and other features in relation to existing conditions.</p> <p data-bbox="805 593 1122 833">Vicinity map within a radius of 2 kms. from the periphery of the project or as may be required by the Commission showing the relationship of the proposed subd. to existing facilities; titles, scale, north arrow and date.</p> <p data-bbox="805 861 1110 1240">Final subd. plan signed by a licensed architect planner or engineer planner registered with the Commission consisting of the site dev't plan at any of the ff. scales: 1:1,000; 1:2,000; or any scale not exceeding 1:5,000, showing all proposals including roads, easements or right of way or roadway width, alignment, gradient, and similar data for alleys, if any.</p> <p data-bbox="805 1267 1116 1535">Engineering Plans showing the alignment, elevations, typical cross sections and details of road systems water supply and distributions system, drainage and sewage disposal facilities, power distribution system and street lighting plans.</p> <p data-bbox="805 1563 1110 1748">Topographic plan including boundary lines, streets and easements, right of way width and elevation on and adjacent to the subd., utilities on and adjacent to subd.; ground ele-</p> |

vation on the subd.; other conditions on the land; proposed public improvements; Ministry of Agrarian Reform conversion approval of tenanted rice and corn lands.

Project Study indicating raw land and development costs, total project costs, amortization schedules, sources of financing, marketability, cash flow, housing schemes, if any, and work program.

Certified true copy of Title and Tax Declaration or other evidence of ownership or intent to sell and authority to develop signed by the owner.

Permit for operation of deep-well, and a water resistivity test if and when necessary, from the appropriate government agency.

Joint affidavit of land owner, developer and architect planner or engineer planner that the subdivision conforms with the standards and requirements of the rules and that development thereof will be made strictly in accordance with the program submitted to the Commission

Human Settlements
Regulatory Commission (HSRC)

checks on:
* completeness of documents
* site zoning classification
* conformance of subdivision scheme to standards
conducts site inspection if necessary
evaluates financial statements
prepares preliminary approval/development permits certificates
releases permit to applicant

Applicant
 Pays processing fee
 Receives Permit
 Brings Permit and Plans
 to Bureau of Lands for
 verification of survey
 returns

B. Application for Registration

| Entity/Person | Activity | Requirement |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Applicant | <p>Submits sworn registration statement containing:</p> <ul style="list-style-type: none"> a. name of owner/dealer b. name, location, area of subd. project c. location of dealer's or owner's principal business office d. names and addresses of directors and officers of firm if owner/dealer is a corporation, association, trust or entity e. general character of the business actually transacted f. statement of capitalization. | <p>Development Permit Copy of Transfer Certificate of Title Approved subd. plan as verified by the Bureau of Lands Articles of Incorporation including latest annual corporate report to Securities and Exchange Commission and latest financial statements certified to by a Certified Public Accountant Affidavit of owner that property is free from liens and encumbrances except legal liens and restrictions; that if mort-</p> |
| HSRC | <p>Checks on completeness and authenticity of documents Evaluates and prepares Notice of Publication stating:</p> <ul style="list-style-type: none"> a. owner & name of project b. location of project c. that documents are open to inspection by the public d. time for filing complaint <p>Prepares letter stating:</p> <ul style="list-style-type: none"> a. where to publish notice (in two news- | <p>gaged, an undertaking by mortgagee to release the mortgage on a subd. lot as soon as full purchase price is paid by the buyer Copy of management/development contract if developer is not the owner of the lot Copy of circulars, prospectus, brochure or advertisements Copy of Contract to Sell form Permits from:</p> <ul style="list-style-type: none"> a. Local Water Uti- |

- papers of general circulation)
- b. Number of times of publication (twice a week for two consecutive weeks)
- c. languages of publication (one in English and another in Pili-pino)

- lities or Na-tional Water Re-source Council or Metropolitan Water and Sewer-age System as case may be for water supply
- b. Electrical fran-chisee or MANILA Electric Company for power connec-tion

| Entity/Person | Activity | Requirement |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| HSRC | release Notice to applicant | |
| Applicant | Causes the publica-tion of the Notice | |
| | Secures affidavit of proof of publi-cation from pub-lisher and submits to HSRC | Affidavit of Public-ation |
| HSRC | Checks on publica-tion dates and affid-avit Prepares Certificate of Registration Releases Certificate to applicant 10 days after the last day of publication | |
| Applicant | Pays costs of pro-cessing Receives Certificate | |

C. Procedure for Licensing

| Entity/Person | Activity | Requirement |
|---------------|---------------------------------------------------------------------|------------------------------|
| Applicant | Submits Certificate of Registration Requests for License to Sell | Certificate of Regis-tration |
| HSRC | Inspects project to determine extent of | |

development
 Computes for performance bond
 Prepares letter to applicant re:
 a. amount of performance bond to be posted
 b. costs of processing
 Releases letters to applicant

| | | |
|-----------|-------------------------------------------------------------------------------|------------------|
| Applicant | Secures surety bond or bank guarantee or posts cash bond and submits the same | Performance Bond |
| HSRC | Prepares Certificate of License To Sell Releases to Applicant | |
| Applicant | Pays cost of Processing Receives Certificate of License to Sell | |

D. Compliance Monitoring

This aspect of regulation consists of ongoing project monitoring and post project monitoring (evaluation) as well as monitoring of the activities of the corporation/individual owner. The reasons for monitoring are:

- a. to ensure conformance to the standards
- b. to evaluate project before donation to the local government
- c. to ensure conformance to the mandates of the law on delivery of title, registration, licensing and period of development
- d. to keep track of transactions over land

The above procedures are almost identical for both PD 957 and BP 220 except the reduction of requirements and the number of publications under BP 220. Publication is done once in a newspaper of general circulation, either in English or Filipino. A billboard notice is posted on the project site until the issuance of the License To Sell.

Due to the long and tedious process of regulation, a scheme of temporary license

to sell was introduced. This is otherwise known as the Buyer, Builder, Bank (BBB) scheme. In this process, after securing the development permit, a temporary license to sell may be issued immediately after the signing of a Memorandum of Agreement between the Buyer (represented by the Commission), Bank and the Builder, one of the provisions of which is that the payments of the buyer shall be deposited in the bank in escrow until such time that the regular License to Sell shall have been issued. The payments are to be treated as savings deposit. The temporary license to sell is valid for only six months and is non-renewable, i.e. the developer can sell subdivision lots only within the six months period under authority of the temporary license to sell.

Requirements for BP 220 – Development Permit

The application form shall be accompanied by the following documents:

- a. Development cost estimate and payment scheme for amortization;

- b. Statement of potential and funding sources, preferably attested to by an accountant;
- c. Program of development, indicating phasing and schedule;
- d. Locational clearance issued by the Commission;
- e. Certified xerox copy of owners certificate of title or other sufficient evidence of ownership; if applicant is not the owner, authority to develop and sell;
- f. At least two (2) sets of sketch plan and site development plan, showing general pattern and layout of development, including location of streets and proposed access roads, power and other utility lines, residential areas and open spaces for parks, playgrounds and community facilities;
- g. Location and vicinity map drawn to a required scale, indicating location, intensity and nature of surrounding land uses within one (1) kilometer radius;
- h. Written options to avail of the MHS stock plans, indicating specific model(s) desired, or in the absence thereof, at least two sets each of the following:
 1. architectural drawing
 2. detailed structural plans and specification including cost estimates
 3. detailed engineering drawing
- i. Certification from the Ministry of Agrarian Reform that the land is not tenanted and/or is not covered by operation land transfer;
- j. Sworn statement as to nature, number, and income level of beneficiaries.

to by the mortgagee; in addition, an undertaking by mortgagee to release the mortgage on any subdivision lot or condominium unit as soon as full purchase price is paid; and

- e. Submit certification of availability of water supply, if proponent/developer intends to utilize existing water system; or permit from the National Water Resources Council, if he intends to put up a centralized deep well distribution system; or certificate of water potability, if he intends to leave the establishment of individual wells to the lot/unit owners from the appropriate government agency.

The notice of publication shall be published in one newspaper of general circulation in English or in Pilipino reciting therein that an application for registration and License to Sell for the sale of subdivision lots and condominium units has been filed with the Commission and that the aforestated application papers as well as the documents attached thereto are open to inspection during business hours by interested parties. In addition, a 3 x 6 billboard notice of the project shall be posted on the project site until the issuance of the License To Sell.

Comparative Analysis of Standards and Regulatory Procedures for PD 957, BP 220 And World Bank Projects

A. Philippine Housing Situation

There is no gainsaying the fact that, given certain factors for costs increase on sites and services, in the Philippine setting where cost of land has increased rapidly in the last five years and the cost of building materials has gone up in the last three years, the total cost for subdivision development has indeed increased and that the private sector has found it harder to cater to the needs of the low-income sector. It is a generally accepted theory that the private sector would not venture into any project which would not be profitable. The following figures represent the scenario on housing demand and affordability of the different market types as well as the kind of projects pursued by the private sector.

Registration and Licensing

- a. Certificate of Title or other sufficient evidence of ownership;
- b. Affidavit attesting that the data submitted in the original application and attachments thereto have remained the same, or if there have been any changes, incorporating therein the nature and surrounding circumstances thereof;
- c. Articles of incorporation or partnership or association, with all amendments thereto, and existing by-laws, if developer is a corporation, partnership or association;
- d. If property is mortgaged, mortgage contract and status of loan certified

Table 1. HOUSING UNITS REQUIRED BY TYPE OF HOUSING MARKETS, 1962

| <u>Region</u> | <u>Social & Marginal</u> ¹ | <u>Economic</u> ² | <u>Open</u> ³ | <u>Total</u> |
|-----------------------|-------------------------------------------|------------------------------|--------------------------|----------------|
| Luzon | 450,091 | 106,203 | 15,441 | 571,740 |
| Visayas | 33,515 | 6,333 | 902 | 90,750 |
| Mindanao | <u>69,807</u> | <u>4,799</u> | <u>723</u> | <u>75,329</u> |
| Philippines | <u>603,413</u> | <u>117,340</u> | <u>17,066</u> | <u>737,819</u> |
| Share to total (In %) | 81.3% | 15.9% | 2.3% | 100.0% |

¹ Annual Income _ P5,500 - P12,000, at 1977 prices

² Annual Income - P12,001 - P30,000, at 1977 prices

³ Annual Income - P30,000 and above, at 1977 prices

xPeso-Dollar Exchange Rate: P20. - \$1.0

Table 2. FINANCING NEED OF HOUSEHOLD FOR HOUSING

| | No. of household | % | Financing |
|-------------------|------------------|---------------|-------------------------|
| Open Market | 358,000 | 4.3% | Open housing |
| Economic Market | 1,693,000 | 20.33% | Pag-IBIG |
| Socialized Market | 2,908,000 | 34.92% | With government subsidy |
| Cannot Afford | <u>3,364,000</u> | <u>40.45%</u> | Free housing |
| TOTAL | <u>8,323,000</u> | <u>100%</u> | |

Table 3. Cost of House and Lot in Peripheral Areas of Metro Manila

| Area | Price Range/ Unit |
|----------------------------------------------------------------------|-----------------------------|
| Peripheral (i.e., Las Piñas Laguna, Novaliches, etc.) House & Lot | P120T to P250T ^X |
| Inner Core | |
| House & Lot | P180T to P450T |
| Townhouses | P250T to P750T |
| Condominium | P600T to P1.5MM |

^X Peso -- Dollar Exchange Rate: P20.00 - \$1.0

Table 4
Development Permits, Registration & License To Sell
Issued

| | Development Permits | | Certificate of Registration and License To Sell | |
|------|-------------------------------|------------------------------|-------------------------------------------------|------------------------------|
| | PD 957 | BP 220 | PD 957 | BP 220 |
| 1983 | 363 projects (85,739 lots) | 95 projects (25,803 lots) | 370 projects | 23 projects (40-100 lots) |
| 1984 | 253 projects (61,748 lots) | 67 projects (15,887 lots) | 367 projects | 55 projects (50-120 lots) |
| 1985 | 230 projects (33,619 lots) | 81 projects (21,779 lots) | 306 projects | 37 projects (50-100 lots) |

From the above tables, it could be gleaned that the presence of financing is a critical factor in getting a house and a lot for a bulk of the buyers. But again, it is shown that the low-income sector cannot qualify under any of the financing schemes. It is also clearly

shown that the private developer opts more for a development under the PD 957 standards, Model A, than that of any other standard mainly because it is what the market which can afford demands.

Table 5 Comparison of Infrastructure Standards for Models A, B, & C, PD 957 & BP 220 & PSSP Projects

| | MODEL A | MODEL B | MODEL C | BATAS PAMBANSA 220 | PSSP World Bank Finance |
|-------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------------|
| LAND ALLOCATION | | | | | |
| Saleable Area | 70% | 70% | 70% | variable | 65% |
| Open Space | 30% | 30% | 30% | | 35% |
| a. Roads | | | | | |
| b. Community Facilities | | | same | | |
| Density - 150 lots/units (BP 220) 151 - 225 units above 225 units | | | | 1% 1.5% 2% | |
| c. Parks & Playgrounds | | | | | |
| Density - | | | | | |
| PD 957 | | | | | |
| BP 220 | | | | | |
| 1 - 25 lots | 150 lots/units | 3.5% | 3.5% | | 18% |
| 26 - 65 " | 151 - 225 " | 7.0% | 7.0% | | 9% |
| 66 - 100 " | above 225 " | 9.0% | 9.0% | | 8% |
| PLOT PLANNING | | | | | |
| Rowhouse | 50 m ² | 50 m ² | 50 sq. m. | 36 sq. m. | Type A: 55 sq. m. (opt.) |
| Duplex & Single detached | 100 m ² | 100 m ² | 100 sq. m. | 72 sq. m. | Type B: 65 sq. m. |
| Semi-detached (corner) | | | | 54 sq. m. | Type C: 80 sq. m. Type D: 130 sq. m. |
| LOT FRONTAGES | | | | | |
| Regular lot (corner) | 12 m. | 10 m. | 10 m. | 8 m. (single detached) | variable |
| Irregular lot | 6 m. | 4 m. | 4 m. | 6 m. (singled deattached) | variable |
| Rowhouse | 4 m. | 4 m. | 4 m. | 3.50 m. | variable |
| Interior & Thru lot | 10 m. | 8 m. | | | |
| ROADS | | | | | |
| | Rt. of Carriage Pavement Way Way | Rt. of Carriage Pavement Way Way | Rt. of Carriage Pavement Way Way | Right of Carriage Pavement Way Way | Right of Way Pavement |
| Major roads | 15 m. 10 m. Conc./asph. | 10 m. 6.0 m. asphalt | 8 m. 6 m. macadam | 8 m. 6 m. asphalt/ macadam | 12 m. concrete |
| Collector road (minor) | 12.50 m. 8.5 m. " | 6 m. 2.0 m. " | 6.50 m. 4.50 m. 4" thick gravel | 6.5 m. 5 m. -do- | 10 m. concrete |
| Service road | 10 m. 6.0 m. " | | 4 m. 4. m -do- | 3 m. 3 m. -do- | 6 m. concrete |
| Alley | 4.0 m. 4.0 m. pre-fab slab/ | 4 m. 4.0 m. " | | | |
| Pathwalks | | | 4 m. 4 m. -do- | 2 m. 2 m. -do- | 3 m. concrete |
| WATER SYSTEM | centralized | centralized but may vary | communal/individual deepwell | communal wells | centralized water system |
| DRAINAGE SYSTEM | underground canal | underground canal | surface or open canals | open canals | underground drainage |
| SEWAGE DISPOSAL SYSTEM | individual septic tanks | individual septic tanks | individual septic tanks | individual septic tanks | individual septic tanks |
| ELECTRICAL POWER SUPPLY | MERALCO or local elec- trical franchises | MERALCO or local elec- trical franchises | optional | optional | MERALCO or local elec- trical franchises |

Table 6 PROCEDURAL ASPECTS

| | Presidential Decree 957 | Batas Pambansa 220 |
|--------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|
| Requirements | more detailed more in number of copies more in number of requirements | less detailed; may take use of pre-approved building designs stocked in the Commission less in number |
| Publication | four publications in fourteen days | one publication for seven days; billboard to be posted on site |
| Inter-Agency | applicant needs to go to building official for building permit | integrated approval system - all aspects of the plans are approved by only one agency |

B. Site Development Standards

A layman's cursory analysis of the site development standards set forth in the different laws to determine which would have the lowest initial cost input is influenced by the following factors:

1. price of land which is influenced by proximity to the urban area or proximity to the infrastructure
2. cost of on-site infrastructure influenced by cost of building materials at the time of development

III. Facilities and Amenities

The standards for the different facilities/amenities in Model C of PD 957 and those of BP 220 are the same, hence there is no point in comparing them. However, considering that there were only two applications for subdivision approval under Model C of PD 957 and more applications under BP 220 shows that standards under Model C are not usually used.

Another criticism on the standard as given is the use of communal wells and individual septic tanks together on a 72 or 54 square

meter or even 36 square meter lot. This goes against the policy of safeguarding health by prescribing standards since this combination is unhealthful. An individual septic tank which is not properly constructed would contaminate deep wells. Also, this violates certain sanitary provisions.

Making the provision of electrical supply optional is a very reasonable move considering that costs for installation of electrical poles and tapping of electricity costs so much.

C. Procedural Aspects

The processing time for applications under BP 220 is definitely shorter due to the fact that there are less requirements needed i.e. less time is needed for compiling and completing these requirements. There is only one publication to make. The integrated approval system cuts down processing time to almost 50%. This ultimately affects the management costs and interest payments cost.

D. Use of Indigenous Materials

The provision in BP 220 on the use of indigenous materials in building construction and variations in design also contributes to

the lowering of costs. Some building specifications have likewise

3. design and management costs
4. interest payments on capital
5. cost of the house (optional)⁶

On the assumption that all the above have the same costs for imaginary projects, what is left to analyze are the development standards that are inputted into the project. Based on the table of standards for the different models under the different laws, it is certain that those under BP 220 would be the most appropriate for lowering costs and for catering to the low-income sector.

1. Land Allocation/Plot Planning/Lot Frontage

It is shown here that the projects under BP 220 have a higher density than those of PD 957 or the PSSP projects. The reduction in lot sizes would generally require a lesser cost for a plot given the same cost for a square meter. For example, at a cost of P150.00 per square meter, a 100-square-meter lot would cost P15,000. While at the same price, a 72 sq. m. lot would cost P7,200. which is definitely lower even if the cost per square meter is constant. Increase in density per project would also increase the number of buyers/beneficiaries for the project.

II. Roads

The roads widths and type of pavement for BP 220 are lower than those of Model C subdivision, which is the lowest standard under PD 957. Narrower roads and the type of pavement used in said roads are critical inputs to lowering development cost.

The reason for opting for narrower roads for socialized and low-cost projects is that the target beneficiaries generally are those who do not have cars nor do they have use for very wide roads.

Conclusions and Recommendations

As larger and larger segments of the population find themselves excluded from housing i.e. lot and house, witnessing a peculiar form

of injustice which prevents the low-income from finding a place of their own while others hold vast tracts of land waiting for actions from others to increase the value of land before it is sold, frustration and anguish may worsen and violent and desperate action may result. A British economist, Barbara Ward, warned that the greatest irreplaceable resource at our disposal today is not oil or gas but it is the patience of the poor. Following the same line, former World Bank president, Robert McNamara warned that unless we can more effectively address ourselves to the problems of urban poverty, then that poverty — the sheer volume of it — will eventually destroy our cities.

It is imperative for the government to consider housing the poor as a priority. In so doing, it has to address itself not only to the provision of the physical structure but to a resolution of land issue, poverty issues (affordability) and standard issues. It is also advantageous to recognize the private sector as a partner in this endeavor and to reassess how much governmental intervention is required and what forms it would take.

The following are recommended courses of action for government to undertake:

1. Enunciate a clear land policy taking into consideration the needs of the poor. The Urban Land Reform Law should be fully implemented and its mandates made applicable to the country as a whole and not only to certain cities or parts of cities (Mandates on land acquisition schemes like land banking, land readjustment, land pooling, etc). The quantities of land needed for the poor and the location of these settlements have to be considered. Informal settlements which are currently existing should not be destroyed but legitimized and improved by the government. Vacant public lands could be appropriated for the poor on a long term leasehold. Land speculation could be discouraged by imposing increment tax on idle lands, or ceilings on urban landholdings.

2. Repeal all other subdivision laws and retain BP 220 as the main law and its standards as the minimum design standards for subdivision development. The standards for development under BP 220 can meet the problem of housing the low-income. Earlier, there had been gross mismatches between housing costs and affordability. There might have been commendable reasons for the desire

⁶Roger Tym, Finance and Affordability in Geoffrey Payne (Ed.) *Low-Income Housing in the Developing World: The Role of Sites and Services and Upgrading* (Chichester: John Wiley; 1984) p. 214.

of government to improve the housing standards of people but in the ultimate analysis, this has excluded the poor from access to housing. Evolving different subdivision models of development was tantamount to classifying buyers according to economic status. So much so that a buyer of a Model C subdivision would be low-income. This could certainly be "class legislation". Adopting the design standards to the private developers and the market forces would also reduce and simplify the enforcement activities of the regulatory agency.

The design standards of BP 220 likewise can be profitable to undertake while making it affordable for the low-income pursuant to the following basic concepts:

1. The opportunity cost of developable urban land is often the largest single element of project costs. Thus, a small percentage reduction in land retained for non-revenue-earning public use especially circulation space will represent a far greater cost saving than any which might result from decreases in infrastructure costs or even from reduction in standards and improved network design.

2. The major savings in the physical cost of infrastructure and utility provision will be made by reducing network lengths to a minimum. This is a function of site planning and lay-out.

3. The actual on-site cost of any individual infrastructure item, once an optimum layout plan has been developed, will depend primarily on the level of service to be provided and the ability of the engineer to develop the most cost-effective physical design solution to provide the required service.⁷

Contribution to off-site costs, on-site infrastructure and all consequent design and management costs should be subjected to the test of affordability. Of these, none are dispensable, but the standards of provision can be varied according to the level of affordability that a particular target group of beneficiaries could maintain.⁸

Aptly put by William J. Keyes in his paper on the de la Costa Low-Income Housing Project, "The de la Costa project was able to reduce costs because of the advantages of BP 220, a special legislation allowing relaxed standards for socialized housing projects. Yet, since so few can afford housing built in conformity with the National Building Code, it seems a relaxation as contained in BP 220, is a contemporary expedient."⁹

There seem to be two flaws in the law and its standards when analyzed. One is the combination of individual septic tanks with individual deep wells on a 36 or 72 square meter lot. Considering that standards have for their objective public health, it would be better to have communal deep wells situated in an open space for water. This minimizes the hazards that the above may bring. Another is the applicability of the law on house and lot subdivision projects only. Since people can be self-help builders, the law could be made applicable to subdivision projects with plots only. The incremental approach to development could then be practiced. Manuel T. Manosa, president of the United Architects Association of the Philippines, contend that "we are approaching the threshold level wherein house size cannot be further reduced given a fixed affordable level. There is no way we can build house at affordable levels and at current cost of construction within habitable standard unless the approach becomes generative or incremental." This reduces the initial cost input into the housing construction. The low standards in the subdivision could likewise be improved over time through the "bayanihan system" by the people who will live there (Camaraderie self-help system).

The ceiling cost on house and lot packages as promulgated by NEDA should not be removed but it could be modified to include the savings level in the downpayment in addition to the 30% affordability level.

The government should encourage the use of indigenous building materials as conceived by BP 220. It could come up with designs or materials that could be acceptable or affordable to the low-income. But in so doing, the

⁷John Kirke, *The Provision of Infrastructure and Utility Services* in Geoffrey Payne (Ed.) *Low-Income Housing in the Developing World: The Role of Sites and Services and Settlement Upgrading* (Chichester: John Wiley; 1984) p. 235.

⁸Roger Tym, op. cit. p. 216.

⁹William Keyes, *The de la Costa Housing Project, An Experience in Private Sector Sites and Services Strategy* (Center for Housing & Human Settlements, NHA, Bangkok) p. 18.

standards set should be proscriptive (thou shalt not) rather than prescriptive ones (thou shalt) as envisioned by Turner.¹⁰

3. It is opportune time for the government to review and revise and amend the building code provisions which have a high dependency on western standards. Some provisions have not kept pace with the changing needs and conditions of the society that it is perceived as so demanding and unrealistic that compliance is impossible for most people in the low-income groups who resort to unauthorized and sub-standard construction. Donna Haldane in her report on the Philippine Shelter System to the World Bank recommended a further reduction of building code standards for infrastructure and land use which are likely to be necessary to preserve affordability in the face of far-reaching pricing and interest rate reform.

The amendments should encourage self-built methods and formulated in such a way that individuals of different educational levels could use it. There should be provisions for short-life construction of the low-income sector, use of indigenous materials for housing, take into account differences in climatic zones, urban and rural housing and permanent and short-life materials. The code should have performance criteria, should be normative and flexible i.e. from a minimum and allowing for improvement over time.¹¹ It must be comprehensive, avoid ambiguity and be capable of enforcement. Lastly, changes and additions can be made fairly easily avoiding cumbersome legislative procedures.

4. The Human Settlements Regulatory Commission should pursue its goal of rationalization of standards, deregulation and decentralization.¹²

Rationalization of standards is also consonant with a strategy set by NEDA in its 1983-87 national plan for housing.

Deregulation is geared towards eradication of bureaucratic practices and stringent rules

which hamper full development of the housing industry. Measures to be emphasized are:

- a. Streamlining current processing activities
- b. Realignment of regulation's current development thrust to make them more responsive
- c. Reducing supporting documents to application
- d. Smoothing coordinative institutional linkages with other regulatory bodies to facilitate action; pursuance of single regulatory system
- e. Accreditation of professional involved in housing projects; post evaluation of projects

Decentralization is another strategy to reduce processing time and red tape. This also allows for greater recognition and support for enormous variety of non-governmental actors involved in housing.¹³

5. Public-Private cooperation in housing programs should be enhanced to increase efficiency in the task of housing the low-income. Government should not compete with the private sector in housing the middle income but should concentrate on areas where private developers are unwilling or unable to participate. The Private Sector should be encouraged and supported to undertake low-income housing. Perhaps, it could be wise to adopt a scheme where — for every middle or high income housing subdivision approved, a certain percentage of the lots could be reserved for low-income. Incentives should be given to private developers embarking on low-income packages. Core houses should be accepted as collaterals for housing loans by the private banks and interests on these loans should be kept to an affordable level.

To cap all these recommendations and conclusions, the government must act decisively and now for to delay would exacerbate the problem of the poor to unmanageable limits.

¹⁰Rod Burgess, *Self-Help Housing: A Critique in Self Help Housing Advocacy*.

¹¹*Housing Policy Guidelines for Developing*

¹²Marilu Alferez, *Shelter Development Regulations in Philippine Shelter System and Regulations*, Human Settlements Series, Monograph Series No. 1/1983 (Manila: MHS, 1982) pp. 205-206.

¹³Recommendations of the 5th NHA/IHS/AIT International Seminar on Housing in Urban Development: *New Strategies for Low and Middle Income Housing in Asian Cities*, Bangkok, January 15-25, 1985 (CHHS: NHA, Bangkok; 1985) p. 4.

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SHELTER AND SERVICES FOR THE POOR: A Case Study of San Martin de Porres

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INTRODUCTION

This paper takes a hard look at the nature, extent and adequacy of shelter and its support urban services available in the poor settlement areas in Metro Manila. A specific squatter settlement included in the sites and services program of the government was chosen as a study area to illustrate the State's efforts at assisting the urban poor in the metropolis through the delivery of housing and support urban services at costs within the reach of their target beneficiaries. Through the case study, this paper aims to contribute in providing alternative directions for more effective and responsive government policy and program responses in this critical area of concern.¹

¹Completion of the case study featured in this Paper was considerably facilitated by the genuine interest and generous assistance of the following officials and staff of the National Housing Authority: Ms. Victoria Loanzon, Manager, Planning and Monitoring Department, Executive Services Group, Mrs. Annie Malvar-Molina, Head, Research and Analysis Executive Services Group and her staff Misses Jenny Katindig and Lilia Digidig, and Arch. Marilyn Victoriano. Special mention is also due to Arch. Michael Molina and Arch. Zoilo Joaquin Amador, the former head and the incumbent head, respectively, of the Metro Manila Development Project Department who extended valuable assistance. On the project site, the following shared their information and materials: Engineer Jesus P. Nera, Jr. and Senior Engineer Antonio Recafranca, Ms. Evangeline T. Guligado, Senior Community Relations Specialist and Ms. Rebecca Albano, Chief Researcher assigned to the Project.

San Martin de Porres

San Martin de Porres, one of the 13 sites of the National Housing Authority's upgrading project is both typical and atypical of a squatter settlement which has undergone traditional upgrading in Metropolitan Manila. What makes it typical is that it conformed with all the prerequisites for a blighted area to qualify for upgrading and that its rehabilitation and improvement were undertaken in accordance with existing policies and development regulations of the National Housing Authority (NHA). Denominated as a sites and services housing project, the improvement of the site through a so-called "social engineering process. was carried out "by the book," so to speak. The books are the comprehensive Manual on Slum Upgrading and its Code of Policies that have been put together by the NHA for the guidance of both the implementors and the beneficiaries of the project.² Later, however, some deviations from this book had to be made as dictated by political and economic developments.

The upgrading of this site was guided by the set objectives of NHA for projects of this kind which aimed to improve the environmental, employment and general living conditions of the urban poor residing in blighted communities and to stabilize land tenure in favor of the project residents. These broad objectives have

²The Manual includes description of the components of upgrading and the implementing machinery while the Code of Policies cover provisions on the classification and treatment of existing structures, the selection and qualification of intended beneficiaries and the disposition and award of fully developed lots.

four major components which make for a comprehensive approach, namely physical, social, economic and financial. The physical component remains at the center core of these activities, involving as it does the provision of basic infrastructure facilities such as roads and pathways, water, electricity, sewerage and drainage and services such as health centers, schools, barangay centers, commercial centers, parks and playgrounds. Complementary and parallel to this component are the social objectives — that of creating and sustaining a well-informed, motivated and organized community, actively participating in the implementation of the development plan and capable of assuming responsibility for the continuity and sustenance of the program; and the economic component of enhancing the economic productivity and uplifting the income levels of the program beneficiaries.

The project site is, however, atypical in that it is the only sites and services project in Quezon City which rose at the heart of a thriving commercial business district, so centrally located as to make all the basic socio-economic services and educational and cultural facilities available in the district within easy reach of the residents. Many of these basic facilities, such as schools, health centers, clinics and hospitals and sources of employment are within one to three kilometers radius from the site. The site is a prime urban area whose land value has skyrocketed in the last three decades, registering something like a 1,000% increase from its early post war values.

The immediate reaction, therefore, that its generally elicited from a visitor who is informed that the community is an upgraded slum area is that of amazement and disbelief. The reasons for this are twofold. First, the place is a most coveted and valuable piece of real estate, and second, the area has been so transformed and improved that it carries very little trace of having been a former blighted area, also known as the Second Tondo.³ This reaction is even more intensified when it is learned that, in fact, because the land tenure scheme adopted allows

it, a handful have opted for outright cash purchase, thus making these former squatter residents instant owners of choice sites. This has caused them to be perceived as "elite" families not only within their own community but even within the metropolis itself. Ownership of land in the area where the project site is located could be regarded as a rare opportunity and privilege, if not an actual windfall. This is because lots in this area are selling in the open market for a price range of from P600.00 and above per square meter, while the government has agreed to sell the lots to the qualified beneficiaries at only P400.00 per square meter. The project site is also atypical in that it is not likely to be replicated in the same city if not in the same metropolis or region for various reasons such as financial constraints and change in government housing policy and thrusts.

The project site, although only five years old, has been a rich source of information on the various aspects of implementation of one of the housing thrusts of the NHA which is the upgrading of squatters settlements using the sites and services strategy. The experience gained in the development of this area provides valuable learning experience identifying quite clearly possible areas for new policies or policy changes and improvements. These policy changes could apply not only to this particular housing strategy but even for alternative schemes which are still on the drawing board of the central housing authority.

FORMATION AND GROWTH OF THE SETTLEMENT

San Martin de Porres project, so called because it occupies 2/3 of the barangay which carries the same name is located in the district of Cubao, Quezon City. Named after the Saint who is coincidentally regarded as the patron of social justice in America, it is the smallest among the 13 initial ZIP sites of NHA.⁴ Con-

³The appellation was attached because of the similarity in the peace and order conditions in the area with that which prevailed in Tondo reputed to be one of the most notorious and crime-ridden squatters area prior to its upgrading.

⁴The biggest ZIP site is the Bagong Barrio located in Caloocan one of the four cities comprising the metropolis. It consists of approximately 60.6 hectares, one of the largest squatter communities in Metro Manila, second only to Tondo. The rest of the ZIP sites fall between the range delineated by the smallest which is San Martin de Porres and Bagong Barrio, the largest. Most of them (more than half) however are 10 hectares or less in size.

sisting of some 4.1 hectares of land located along the major road artery called EDSA, bounded on the north by Arayat Street, on the south by Banahaw Street, on the east by Zambales Street and on the west by Conrado Benitez Street (see Figure 1), it is about 200 meters south of Aurora Boulevard, another major artery in the district straddling Quezon City and Manila. (Please refer to sketch and location map).

✦ The settlement originated some sixty years ago when the area was, like the rest of the adjoining places, a grassy hill, attracting as its earlier inhabitants those who cleared it for "kaingin" (the slash and burn type of agriculture) purposes. Near the center of the undeveloped and practically uninhabited place was a clearing which was planted to rice by a certain Mr. Jose Simbulan, rumored to be doing it not for himself but for a member of a well-known Filipino family after whom, later, the street forming one of the boundaries of the project site was named. ✦

By the year 1927, only the areas along the Zambales, Banahaw and Makiling (near Conrado Benitez) streets were occupied by migrants to the area. Years later, however, settlers from both nearby places and distant provinces had already flocked to the site and the population swelled uncontrollably, intruding deep into the interior of the site.

When the Parity Agreement between the Philippines and the United States of America was terminated, the alleged owner of the property, an investment corporation entered into a trust agreement with the Bank of the Philippine Islands on May 14, 1976, transferring ownership in trust to the said Bank, pending the sale of the property to qualified parties. In the period between its invasion by migrants and its eventual transfer to the bank, the area was razed to the ground twice. One was in 1971 when the conflagration affected houses already constructed along C. Benitez Street and part of Banahaw and the other, five years later when a second conflagration burned down half of San Martin along Zambales, Arayat, Benitez and part of Banahaw. Both fires proved catastrophic since congestion and the lack of access by the fire trucks into the interiors caused the fire to spread quickly and to destroy a substantial portion of the community. The residents who were not affected by the fire and who remained in the area were ejected by a private demolition team of the Bank of P.I. Thus, twice, the

private owners missed the opportunity to clear the area of these invading settlers because of their failure to either sell or develop the site or protect it effectively. The fact, though, was that the area had a natural attraction for settlers who had shown the uncanny ability to overcome all kinds of difficulties to remain in the site.

Learning its lesson much later, the bank then took the precaution to fence off the property to prevent further trespass by squatters and slum dwellers. Unfortunately, this effort did not deter the intruding settlers who continued to gain access again into the area. Soon after, the area began to swarm with more squatters who filled up practically the whole site.

Early Government Intervention

As early as 1976, the Quezon City local government of which the barangay was a part, through its Planning and Development Office, was already conducting studies of blighted areas in Quezon City. More particularly, its Planning Office had been prioritizing blighted areas in accordance with its Slum Improvement and Resettlement Program or the SIR. The program, otherwise known as upgrading of sites and services, was to apply to all urban areas nationwide as provided by Letter of Instructions 555, a legal issuance of the President. The program, according to this legal directive, was supposed to isolate each blighted area, and the local government, thru its staff was to formulate a project plan for the improvement of each area. The NHA, on the other hand, was to issue guidelines for the formulation of plans for the improvement of the areas.

San Martin de Porres was identified as a priority area because it became a squatter's haven, more particularly after the two fires that razed it to the ground. It had thus become a strong magnet that drew to it squatters and slum dwellers not only from the immediate vicinity but from the other adjacent and even distant areas. Prior to the proclamation of martial law in 1972, it had the reputation of being the second Tondo because of its chaotic conditions caused by congestion and uncontrolled peace and order.

In 1978, when the NHA which was then 3 years old became deeply involved in the Zonal Improvement Programs (ZIP), the Quezon City local government submitted to it its studies and plans for the area. It was then

that NHA realized that unless it did something to improve or upgrade the site, the problem was going to worsen and could lead to the deterioration of the area into a huge community of congested, unhygienic and fire-hazardous structures. The area had, by that time, become one of the most attractive spots for migrants and other settlers because of the available cheap transportation and its proximity to the commercial center where employment was immediately available and where people could easily eke out a living by vending, or working as tricycle drivers or jeepney drivers. Many of the female residents could readily find work as salesgirls or clerks in many of the commercial establishments that dotted the Cubao area. Many of the male settlers were, by this time, also lured to join the exodus to the Middle East in search of more lucrative employment, thus improving family income, and with it, aspirations raised for better environment.

Upon the recommendation of the local government and NHA, the Minister of Human Settlements approved the inclusion of San Martin as a Priority Site for 1980, and directed NHA to resolve outstanding land issues. Six months after such directive was made, the NHA successfully acquired the property. Prior to said transfer, the city government had, in the meantime, already installed public faucets which were connected to the regular water and drainage system in the district constructed by the Metropolitan Waterworks and Sewerage System (MWSS). During this time, the residents were free from water charges which were paid by the city government as part of their contribution to the upliftment of the welfare of the slum dwellers and squatters. Electrical connections had also, by this time, already been made, credit for which went to the then community organization called "Buklod ng Mahihirap" whose active representation, reinforced by the pressure exerted by the politicians was successful in having electricity introduced into the community.

The local government had also been maintaining street lights, collecting garbage, and conducting police patrol. A small chapel stood in the area ministering to the spiritual needs of the residents. Thus, when the NHA took over the site for upgrading purposes, what it found was a barangay, 3/4 of which was already occupied by slums and squatters families who even when they had no legal titles of any form to the lands they were occupying was, nevertheless,

a thriving community. Many of them had been in the area for more than 2 decades, surviving the two fires that razed the area to the ground. The NHA also found an area where there were community facilities such as public faucets and electrical connections. Obviously lacking were sewerage and sanitation facilities which made the area prone to flooding. But this did not appear to worry the residents who felt that the many advantages offered by the area far outweighed the disadvantages, most of which were common anyway in slums and squatters settlements. In fact, the clamor for other facilities was not as strong or sustained as in other areas since many of these were available within the immediate vicinity. The place was accessible to adequate public transportation, more particularly jeepneys and buses whose regular route included the main transport artery, the EDSA, and where all forms of land transportation plied regularly and in adequate number.

There were also a number of primary and secondary schools and facilities for primary health care in the adjacent barangays. When the project started, NHA also found that the only informal organization existing in the area was the "Buklod ng Mahihirap" (Community of the Poor) which had a short lived existence because it appeared that once its members were able to secure what they wanted, it gradually phased out of existence.

Genesis and Evolution of the Project

Two months after the NHA successfully negotiated the purchase of the property, the development of the site was bidded out in November 1981. Physical improvements to be undertaken were listed as the upgrading of existing physical structures and the construction of community facilities such as septic tanks, sanitary cores and a multi-purpose center. Alleys were also to be provided, and sewerage and drainage facilities installed. Along with these physical improvements, other services envisioned were health and sanitation assistance and livelihood projects to increase the income of the residents and improve their affordability levels.

Armed with an earlier physical and socio-economic survey conducted in 1978 by the Quezon City Planning and Development Office, the NHA conducted its own surveys to acquire a more complete picture of the project site.

The local governments survey in 1978 recorded the existence of about 700 residential homes and 1,071 families while the 1981 survey of NHA revealed 732 households in the area with 8.3 as the average household size which totalled 5,965 residents. Density was recorded at 256 persons per square hectare, the highest among all the ZIP sites. Another census taken later showed the following tenure: 354 were house-owners, 17 co-owners, 216 renters and 152 were rent-free occupants. The NHA updated this survey of the Quezon City Planning and Development Office in October and November 1980, at the start of the project. Ninety five percent of the residents were covered by the survey since 5% refused to cooperate, reportedly upon instruction of the local political leader who was then in conflict with the national authorities. No exact figures were available but it was learned that the predominant places of origin of these settlers were the north and south of Metro Manila, the Tagalog and Ilocano regions in the north and the Bicol area in the south. These settlers inhabited make shift and semi-concrete houses which were closely built. A substantial number of the houses were made of light materials such as wood and plywood, most of which were one-room all-purpose and dilapidated structures. Some families had their own toilets while others used the "wrap and throw away" system of disposal. Most used

kerosene and electric stoves while a few used LPG gas stoves.

At the beginning of the project, 466 bona-fide family beneficiaries were listed. While NHA initially targetted for 836 families as project beneficiaries, it was later found out, after subdividing the area that only 581 lots could be generated. In the survey conducted of the 466 families, 419 actually participated which revealed that 41% of said households had 4-6 members while 32% had from 7-9 members. The distribution of household size is shown below.

To determine the rate of employment, family members of the age group 15-65 (totaling 1,964) were surveyed. The results showed that 1,200 of them were employed while 764 were unemployed. The labor force is relatively young, where twenty one percent (259) of those in the 21-25 years old bracket; 15.58% (187) of those in the age bracket of 26-30 years and 11.5% (138) of those in the age bracket 36.40 were employed. Of the 764 unemployed, 51% (397) belonged to the age group 15-20 while 16% (124) belong to the age bracket 21-25.

The main employments of the residents (35%) were as sales workers craftsmen/production and process workers. Only less than 10% were employed in professional/technical and administrative/executive/managerial jobs.

Table 1 – No. of Household Members

| <i>Range</i> | <i>Number</i> | <i>Percentage</i> |
|--------------|---------------|-------------------|
| 1-3 | 46 | 10.98 |
| 4-6 | 173 | 41.29 |
| 7-9 | 135 | 32.22 |
| 10-12 | 38 | 9.07 |
| 13-15 | 21 | 5.00 |
| 16-18 | 3 | .72 |
| 19-21 | 3 | .72 |
| TOTAL | 419 | 100.00 |

Source: NHA Survey, 1981

The table below shows the type of occupation of those employed.

More than 1,000(1,023) of the 1,200 workers were employed in Metro Manila, with 639 (or 53.25% of the total employed) actually working in Quezon City where the settlement is

located. About 70% of the employed workers (847) had monthly income of P1,100 and below, with 15% of them earning below P500.00. Only 2.83% (34) earned above P4,800.00 per month. The complete table of monthly income is shown below.

Table 3 – Monthly Income of Employed Members of Labor Force

| <i>Monthly Range</i> | <i>Number</i> | <i>Percentage</i> |
|----------------------|---------------|-------------------|
| Below P500 | 191 | 15.92 |
| P507-P800 | 362 | 30.17 |
| 801-1100 | 294 | 24.5 |
| 1101-1400 | 95 | 7.92 |
| 1401-1700 | 82 | 6.83 |
| 1701-2000 | 45 | 3.75 |
| 2001-2300 | 7 | .58 |
| 2301-2600 | 24 | 2.0 |
| 2601-2900 | 8 | .67 |
| 2901-3200 | 33 | 2.75 |
| 3201-3500 | 3 | .25 |
| 3501-3800 | 5 | .42 |
| 3801-4100 | 10 | .83 |
| 4101-4500 | 1 | .08 |
| 4501-4800 | 6 | .5 |
| Above P4800 | | |
| TOTAL | 1,200 | 100.00% |

Table 2 – Types of Occupation

| <i>Occupation</i> | <i>Number</i> | <i>Percentage</i> |
|----------------------------------------------------|---------------|-------------------|
| Sales Workers | 216 | 18 |
| Craftsmen/Production and Process Workers | 205 | 17.07 |
| Service, Sports and Related Workers | 203 | 16.92 |
| Clerical Workers | 180 | 15 |
| Manual and Related Workers | 155 | 12.92 |
| Transport, Communication and Related Workers | 125 | 10.42 |
| Professional/Technical and Related Workers | 68 | 5.67 |
| Administrative/Executive and Managerial Workers | 48 | 4 |
| TOTAL | 1,200 | 100% |

The following table shows the distribution of household members by educational attainment.

Table 4 – Educational Attainment

| | <i>F</i> |
|---------------------------|----------|
| Primary | 53 |
| Intermediate | 59 |
| High School Undergraduate | 63 |
| High School Graduate | 3 |
| College Undergraduate | 35 |
| Vocational/Technical | |
| School graduate | 3 |
| College graduate | 4 |
| No response | 28 |

The distribution of household members by educational attainment was primary (36%), intermediate (40%), high school undergraduate (43%) and college undergraduate (24%).

The socio-economic survey also revealed other interesting facts about the interests and perceptions of the community. These are summarized very briefly below, culled from the responses of 20% (240) of the total households of 1,200.

- a) The identified community health needs were sanitation (35.1%) health center (27%) toilet facilities (13%) drainage (11%) drug store (9%) and water facilities (5.4%).
- b) 88% reported that their garbage was collected by a disposal unit while 12% said that it is dumped in a pit.
- c) most commonly identified community sanitation problems were drainage (17%) clogged canals (17%) and cleanliness and sanitation (14%).
- d) 68% (101) of household heads and (69%) of other household members indicated televisioning as usual pastime while 7.4% of household heads and 11% of other members expressed preference for radio listening and 5% for going to the movies.
- e) 83% indicated need for playground while 24% pointed to the need for a basketball court.

The Implementing Agencies

Project implementation of the upgrading project was started by NHA in 1982. Census

verification was done two years earlier in 1980. The development plan prepared jointly by NHA and the local government for the site was approved by the Quezon City Mayor on June 4, 1982. The area plan included a circulation system, open space for multi-purpose center, improved footpaths and emergency access roads and individual as well as community sanitary cores. Funding source was the World Bank, which funds were spent mostly for land acquisition (P10.7 million) and the provision of infrastructure (P4.34 million). Aside from the NHA there were other organizations involved in the implementation of the Project. The organizational structure which was set up in the area followed the general structure set up in all other ZIP projects. At the top of the administrative hierarchy was the NHA which was mandated to act as the lead agency in the implementation of the project. The Metropolitan Manila Commission monitored the project based on reports submitted by the District Teams and the Program Office of the NHA. The District Team directly supervised project preparation and execution.

The foreign consultants assigned by the World Bank together with local government representatives and those of NHA and MMC formed the core of the technical and managerial group in charge of implementing the project. A district manager was appointed and most of the personnel assigned were engineers and architects. These people underwent training through seminars on design management and construction supervision. Most of these programs were NHA in-house training programs and were attended by all the technical people of the project, namely the architects and engineers. The managerial personnel, however, felt left out as no seminars were organized for them to prepare them to assume their responsibilities assigned in the project.

To expedite the implementation of the programs, the Barangay Council was designated as the community based structure (CBS) with the barangay captain as chairman, and the six councilmen, one secretary and one treasurer as members. The CBS disseminated information regarding the various project activities such as the livelihood program, identified the social services lacking in the project area and assisted in its provision. It also took part in the formation of the Inter-Agency Coordinating Council and the Awards and Arbitration Committee (AAC). Lending assistance in

crowd mobilization during meetings and other assemblies, it also facilitated physical development by helping explain the need for the "chopping" and or demolition of houses and other structures or their relocation.

An inter-agency coordinating council (IACC) was created to implement a coordinated and synchronized social services program responsive to the needs of the community. It consisted of representatives of the NHA, the CBS, Quezon City Local government, the Department of Social Services and Development, Department of Education and Culture and the Young Men's Catholic Association or YMCA. Its more urgent tasks were to identify the resources/ agencies which could respond to the needs of the target population and to operationalize an employment program. An Awards and Arbitration Committee (AAC) was also formed in January 1982 and put in charge of the classification of existing structures, the selection and classification of beneficiaries and the disposition and awarding of fully developed lots. Its membership consisted of the representatives from the NHA regulatory committee as chairman, and the representatives of the Quezon City Development and Planning Office, the Metro Manila Planning Department (MMC), the CBS and the Barangay Council.

Also mobilized was a livelihood program in the area. A manpower skills survey was conducted to determine available skills, training desired by the residents and specific livelihood activities preferences. The survey showed that on the part of the employed, the most commonly possessed skills were carpentry/plumbing/masonry, dressmaking/tailoring and driving while skills desired were in electronics and electronics repair. On the part of the unemployed, their existing skills were in dressmaking and sewing, typing, bookkeeping, short-hand and welding while skills desired were in electronics, electrical repair, cosmetology, beauty culture and hair science.

Political administrative and financial support to San Martin de Porres, like in other slum and squatter settlements, has been extended by the government primarily in the implementation of its constitutional mandate that guaranteed housing and also in line with the social justice principle. The political consideration could not, however, be discounted completely. Residents of depressed and blighted areas could easily be mobilized during political activities such as

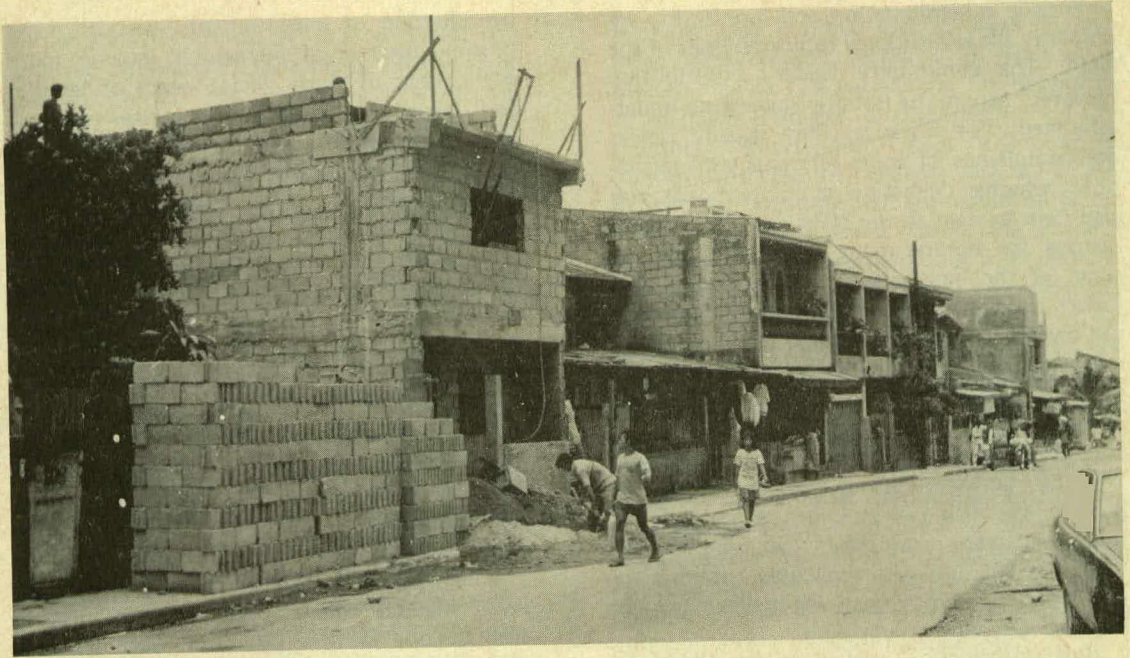
meetings, rallies and public consultancies that have now become an integral part of decision making. The residents of these settlements have become a most responsive group among the private sector who could be tapped at a moment's notice. Very recently, in fact, the residents of these marginal settlements have found a very strong ally in cause-oriented groups which have placed their support behind the disadvantaged urban poor. Many of these cause-oriented groups have joined efforts and formed a federation known as NACUPO, acronym for National Confederation of the Urban Poor. These emerging groups are expected to boost the political stock of the squatters and slum dwellers and possibly encourage their more meaningful participation.

Evolution of Community Participation in the Settlement

Community participation in the project site was encouraged by the NHA from the very start of the undertaking, ensuring that the residents were kept updated on all developments of the project. While efforts on the part of project management was relatively consistent in drawing out and in eliciting the resident's reaction and suggestions at all stages of the project development, the same persistent effort was not true for residents' participation.

Community participation went through various stages of intensity ranging from a very high one, later moving on to a state of diminishing intensity. Such fluctuating enthusiasm expectedly corresponded to the degree of "interest" and benefits" at stake or in contention, as perceived by the project beneficiaries. Thus, the residents were most active during the planning stage when they had so much at stake, peaking during the period when the "threat" or "conflict" with the housing authority was most imminent, and then tapering off when the residents had received what they more or less desired, expected or negotiated for. A review of the other ZIP sites revealed similar experiences.

Much earlier, even before the local government or the NHA came into the project site, a group called the "Buklod ng Mahihirap" (organization of the poor) was already in existence. It was active when the community was negotiating with and trying to "wangle" from the local government concessions such as water and electrical connections. Its activities intensi-



fied during the planning stage of the area when the development plan to guide the direction and pattern of development of the site was being formulated. Even where the policies of the NHA were fairly known to the residents, such as minimum demolition and maximum retention, still they perceived room for further concessions and benefits.

A clean illustration of the fluctuating and quite erratic type of participation of the residents in the activities of the project site was that during the presentation of the two development schemes for the site, where one allowed for substantial demolition and another provided for maximum retention and minimum relocation or what is known as the scheme of "As is where is," there was 100 percent attendance of owners of structures already in the site. The owners of tagged structures (or those whose structures were given tags for actual occupancy during the census taken on the site) were the ones who came. Participants were male dominated and consisted of the older members of the family. This was understandable as the residents present were the heads of families.

The public assembly was conducted and managed by the Community Relations and Information Office (or CRIO) with the assistance of the technical group who explained to the residents the development schemes formulated. They also briefed them on why certain

sacrifices had to be made, such as some amount of "damage" to their property in the course of the construction or the setting up of physical infrastructure. However, in a few cases, even demolition in some parts of the project site already agreed upon was suspended because of some "love letters" which came from politicians or other "intermediaries" who interceded in behalf of some residents.

Public participation, however, began to wane once the awards were made. The residents ceased to show the same interest earlier displayed and thus became lukewarm to participating in other meetings where problems identified during the monitoring stage were discussed. These problems, for instance, were, although basic in character, quite critical to the community such as those affecting the cleanliness, proper maintenance of facilities and compliance with NHA Code of Policies and rules and regulations.

Many of the critical decisions affecting the project site were made by the leaders chosen by the NHA. Earlier, the public was consulted as to who they had confidence in and whose leadership they supported, since popular support was one of the criteria used by NHA in selecting the leaders of the community. It was assumed that since these leaders were the choice of the residents themselves, then these decisions reflected or represented the views of the resident themselves.

Project implementation and monitoring are primarily the institutional responsibilities of the NHA. The community leader's contribution however, cannot be totally ignored or underestimated. For instance, they usually report non-compliance of some residents with regulations, whether deliberate or unintentional, and also help explain to the NHA project staff the reasons for non-payment of amortization by some of the beneficiaries. These leaders also report on absentee owners or multiple structure owners who are disqualified from legitimate ownership in the site. Information are also given on claimants who suffer from other forms of disqualification such as their absence in the area at the cut off date for census taking and "tagging" activity. Part of the problem of the project was also the stubborn persistence of those who were disqualified, had been ejected from the site but who inevitably returned to the area. This was a recurring problem which required very close monitoring.

Such information relayed to the NHA are very useful because NHA does not have adequate staff to regularly monitor non-compliance with its regulations. The leaders also help conduct actual occupancy checks of the houses in the area, and campaign aggressively to intensify collection of amortization. They also attend to serious social problems such as drug addition which can jeopardize the peace and order conditions in the area.

Some cause oriented group members, on the other hand, sometimes play a negative role by quietly persuading residents not to amortize their lands. At one stage, they even encouraged the residents to suspend payment altogether because of rumors that the land may be given to them free of charge. The role of some of the community leaders cannot, therefore, be considered as all positive because they sometimes caused intrigue, conflicts and the intensification of factionalism in the area, thus undermining positive efforts of the other leaders of the community.

Land Occupation and Tenure

One of the major selling points of the project site like in other ZIP sites is the security of tenure and occupation that it provides because it involves various options for occupancy from lease to outright sale. As was the case for most sites and services project, security of tenure has led to a lot of improvements in the dwellings.

Introduction of improvements was also made possible because of increase in income, more particularly of those whose heads of families had joined the exodus to overseas employment. Most of the residents also had more or less regular income and there were no difficulties in funding these improvements. The original selling price of the lot without the house but with the costs of land development was P435 per square meter. By Presidential directive, it was later reduced to P400.00 per square meter. Period of payment is 25 years at 12% per annum interest. Amortization rates are also reasonably low at P177.00 per month. The total cost of the lot, with a minimum size of 35 sq. meters is from P18,000-25,000. Surprisingly, there were those who were able to pay this total cost of the property in cash amounting to about P18,000.

The program imposed the rule found in the NHA manual which required of all project sites a "one lot one structure" and allowed only two storeys. The reason for the restriction is to regulate density. The limitation on the number of storey is imposed because the construction of the homes is not strictly in accordance with the provisions of the Building Code on structural safety. Such strict compliance would have been quite expensive and would have inhibited construction or improvements by the residents. However, because of too many applicants and competing claimants, these restrictions have not been strictly enforced. Often co-ownership was allowed whereby two or more structures were allowed to be constructed on one lot. Also, sometimes, 3-storeys were allowed but usually the top floor was converted into a laundry area.

Livelihood projects which is a standard component in all sites and services project sites did not prosper in the site as well as it did in others, although this was part of the comprehensive package of assistance in the program. There were many reasons for this. One was that there were other livelihood opportunities available outside the project site where the rate of recovery was faster and more immediate. The location of the site at the very heart of a thriving commercial area made access to all types of employment opportunities easy. Another reason was what was considered as a cumbersome procedure and relatively large amount of paper work that securing loans for livelihood activities entailed. One unforeseen consequence of this, however, was that a

thriving activity known as "5-6" emerged. This involved obtaining P5.00 early in the day to be used as "capital," to be repaid in the afternoon, with a P1.00 interest, making it P6.00. Although clearly constituting usury and is illegal, still it offered a convenient source of financing for those who could not be bothered with complicated contractual arrangements. That this alleged practice is thriving could be indicative of its usefulness to the underground economy.

The residents themselves have been mainly responsible for the improvement of their respective dwelling units. This is because the government and the World Bank have made no provisions for the grant of loan or financial assistance for the upgrading of dwellings unless they have been damaged or demolished in the course of the physical development of the site. The residents have also been mainly responsible for generating their own employment opportunities which was not difficult because the project site is in the middle of a thriving commercial district where these opportunities abound. The NHA's role in this regard has been to provide training necessary for engaging in particular livelihood activities.

Financing and Resource Mobilization

Upgrading of the site was primarily funded by World Bank. A major component of NHA's ZIP Upgrading program is the Home Materials Loan for those whose houses were affected by the demolition through the construction of alleys or footpaths. However, for various reasons such as the dwellers own preference, this type of assistance did not materialize in the site.

The project site finally consisted of one thousand two hundred households, accommodated on a total of six hundred one (601) lots, of which only 384 have actually been awarded. One hundred eighty others are still pending, excluding eleven (11) cases being litigated in court or those pending with the Legal Department of NHA. By mid-October 1986, it was expected that all lots would already have been awarded. Monthly amortization amounts to P117.00 for the minimum lot size of 35 square meters (5 by 7) which cost P400.00 per square meter. Of this cost, three hundred pesos, more or less was for the cost of land and

less than one hundred was for land development. Amortization period is 25 years at an interest rate of 12% per annum. The delinquency penalty imposed is one percent of the monthly amortization plus compounded interest. The cases of residents who fail to pay or who are "delinquents" are passed on to the NHA Legal Department where the extreme penalty that could be meted out is foreclosure. However, as of this date, this extreme penalty has not been imposed, either because of the basically compassionate approach of the implementors or because of the effective intercession of intermediaries, in many cases, of people in high places. Such penalty has, by virtue of a most recent Presidential directive, become momentarily impossible to impose. The recent Presidential issuance promulgated on December 10, 1986 directed the NHA to suspend the amortization arrearages and delinquency interest charges on past due accounts of beneficiaries of social housing lots.

Among the ZIP sites, san Martin de Porres has one of the highest collection rates, in absolute amounts, although not percentage wise. This could be due to several factors such as the relatively low amortization rate of P117.00 per month and the comparatively better incomes of its residents compared to other upgrading sites. This is not to say that NHA does not experience difficulties in collecting these monthly payments. The difficulty is due, among others, to the influence and pressure of cause-oriented groups which insist that the urban poor should receive the lots allotted to them for free. There are also, among the residents, those who do not believe in the project or who question the ownership by NHA of the property. Some, however, see through this ruse and claim that these so-called "non-believers" just do not want to pay or want to stall and delay making payments. Generally, however, the problem is still that there are many residents who have difficulties balancing their limited budgets and have, therefore, no choice but to default in their payment. For quite sometime, collection also suffered when rumors spread that payment was going to be suspended altogether upon the change of government administration. In fact, in December 1986, collection in the site suffered because of rumors that the Presidential directive suspending arrearages had the effect of waiving all future payments.

Integration of Social and Infrastructure Improvements

Social services in the area consist of the establishment of facilities for enhancing social interaction and promoting other socio-cultural objectives. These include a multi-purpose hall for holding social and political gatherings, which also serves as the office of barangay officials to conduct and transact their business in. There is also an OB Montessori nursery school established in 1983 to cater to the educational needs of young nursery students. Tuition fee is a very nominal amount of P30.00 (\$1.50) per month. There are three shifts in the school and thus, it is able to service a greater number of students. A chapel with capacity of from 50-80 people at any one time attends to the spiritual needs of the residents. As earlier observed, there appeared no urgent need for comprehensive social services because most of them already exist within easy reach to the residents around the area. The residents have, therefore, concentrated their efforts in clamoring for benefits and facilities other than those already found in the vicinity of the project site.

The San Martin de Porres experience showcases an upgrading scheme which was able to accomplish most of the objectives it set forth in its terms of reference but which, like other government projects, had to contend with unforeseen and/or unanticipated results and consequences, social, political and economic in nature. To start with, not all of the guiding policies and directives required by NHA of similar projects were strictly followed. For instance, the "one structure one lot" provision was not strictly enforced because it would have been difficult to accommodate all the residents who were qualified to own lots in the site. Considering that the project was in a prime area whose land values have gone as high as from P600.00 — P1,000.00 per square meter, it would have been almost luxurious, even if the lot sizes were small, to have allowed only one structure per lot. There was also the general apprehension that if multiple structures per lot was not allowed, doubling up in the one structure authorized to be constructed would have resulted in greater congestion and worse hygienic conditions in the area.

Still another deviation was in the number of storeys allowed for each residential structure. While at most, only two storeys were authorized to be constructed, this was often exceeded

with some structures going as high as three storeys. Often, however, the third storey was used for hanging and drying clothes. However, the fact remains that the original intention of maintaining two storey residential homes for structural safety purpose and reduced congestion was not strictly conformed with.

Some of the basic components of the upgrading program were also not utilized to the maximum such as the livelihood project and the House Materials Loan Scheme (ranging from P3,000-P5,000) due primarily to financial constraints. NHA was, however, able to cause the employment of some 156 workers in 7 subcontracting jobs in such activities as umbrella making, garments, sewing, straw embroidery, crochet and bag lining. Some 155 residents were given job placement elsewhere. Loans were also extended to some five residents engaged in scrap recycling, knitwear and trading. Amount of loans ranged from P6,000 to P25,000. Community participation while definitely improved and satisfactory, indicated many areas for further enhancement such as revisions in the concept of the Community Base Structure.

IMPLICATIONS FOR ACTION

Specific

San Martin de Porres was chosen as a ZIP site on the basis of the criteria of the high level of blightedness, serious land tenure problem and the indorsement of local government as priority area for upgrading. The fact that the settlement had been in existence for more than three decades, with most of its residents fairly well settled in the area for more than 20 years, was also considered. The residents, however did not merely watch by passively as the government decided its fate. They repeatedly petitioned the local government for the inclusion of their area among the ZIP sites. The efforts of the residents finally paid off when the Minister of Human Settlements and concurrently Governor of Metro Manila issued a Memorandum on February 11, 1980 formally including the site among the first priority areas for the ZIP. By June 4, 1982, the development plan for San Martin de Porres had been approved by the Mayor of Quezon City.

The selection of San Martin de Porres, following the procedure and guidelines for project selection showcases the coordinative efforts of

the local government, the Metropolitan Manila Commission and the National Housing Authority, with the participation by a number of line ministries such as the Department of Public Works and Highways, the Department of the Budget and Management and the Metropolitan Waterworks and Sewerage System. While their areas of responsibilities have been fairly well defined and while most of them have displayed the technical and administrative capabilities to perform their responsibilities, difficulties arose in the process of the implementation of the program which demanded modifications in the earlier arrangement agreed upon. Thus, while it was agreed that local governments would eventually take over the project and take care of the collection of amortization payments for remittance to the NHA, Quezon City local government later registered objections to the arrangement pleading non-involvement in the early phases of the operation. This has prompted some deviations from the earlier Memorandum of Agreement entered into between the local government and the NHA.

Delay in the implementation of the project was also caused by the fact that infrastructure development could not be fully synchronized with the timetable of the project. This was because the line departments which were supposed to introduce them were guided by different set of priorities which did not coincide with those of the project site. Obviously, notwithstanding the experience already gained by NHA and the other national government agencies and the local governments in undertaking upgrading programs and the relatively long period of working arrangement among them, coordinative efforts leave room for further improvement. Claims of being bypassed leveled by the local government against the other implementors of the project deserve to be closely looked into. This seems to call for a tighter organizational structure for the implementation of the program of upgrading, including an improved system of communication characterized by the regularity and adequacy of the reporting system. While there was a general acknowledgement of the value of making the resident-beneficiaries participate in all the stages of the planning process, the same type of involvement of all the government authorities in the project execution was missing. This matter is revealing of some administrative gaps in the system that need to be filled.

Insofar as technical capabilities are concerned, there appears to be a dearth of such expertise, more particularly since a different type of orientation and experience are called for to supplement the existing technical expertise in housing. The concurrent implementation of the 13 ZIP projects, in addition to the other related projects such as site and services and relocation schemes have further reduced the expertise available. During the implementation of the Tondo Foreshoreland project, the observation was made that "the supply of skills and experience acquired in the project is scarce, considering that this is the country's first experience in slum upgrading. With various government programs channelled to slum upgrading, the demand for these expertise is high". It is not too optimistic to assume that in the past three years since this observation was made, such expertise has since then been augmented and upgraded, more particularly in the light of the simultaneous slum improvement projects that have been going on. One further matter has to be looked into and this is the determination of whether this pool of accumulated experience and expertise is still intact in the government or whether the more attractive terms of private sector or international employment have placed a dent in this seemingly solid cadre of professionals.

Like in any other major programs of the government which involve the simultaneous implementation of several projects where there is no lead time for other projects to learn from the experience of others, a generous sharing of lessons learned among these several projects becomes imperative. The policy of the NHA of rotating its project directors from one project to another to expand their horizons and to expose them to some of the finer or less known distinctions in the various NHA project types is a useful innovation. There are still, however, other means by which costly mistakes could be avoided through information filtering from the other project sites. A regular program for such exchange of domestic experiences both within the NHA and among other housing agencies should be given as much importance as the exchange with their foreign counterparts.

All indications are that community participation is a component that has been given adequate attention in San Martin de Porres and has been fairly successful. Two years before NHA formally took over the project from the

Quezon City local government, its Community Relations and Information Office (CRIO) already started to conduct an information dissemination campaign through community assemblies, meetings with barangay officials and the distribution of the Authority's newsletter, complemented by personal talks with the residents of the area. To further expedite the implementation of the program in the project site, a community based structure (CBS) was formed and given the task of mobilizing community participation and encouraging more meaningful citizen involvement. The CBS became the important vehicle for information dissemination, more particularly on the project activities and livelihood program. It also helped identify the social services lacking in the project area and assisted in the provision of the same. The Interagency Coordinating Council (IACC) also helped secure more responsive social services for the various sectors of the population. These were only a few of the means used to encourage and enhance community participation.

The experience of San Martin de Porres, however, illustrated the direct and proportional relations between the interest at stake and/or the threat to said interest, with the degree and intensity of community participation. This indicates the need for a program to be developed that motivates a sustained community interest and transcends purely personal concerns. In short, the resident's strong identity with the community remains to be developed which would sensitize him to the need of others and of the community at large. While many have watched with wonder at the degree of cohesiveness and sense of belonging that these settlements displayed before government intervention transformed them into an environmentally improved site, questions have now been raised as to whether something cannot be done so that this laudable sense of community belonging and concern does not deteriorate or gets completely lost. The case study thus carries the message that there is a need to develop a program which would help sustain community interest and involvement in all stages of project execution, more particularly after the primary and basic needs of the residents have been satisfied. This sustained participation would come in handy in solving problems that threaten the peace and order of the community, its moral fiber, and the health and sanitation of the com-

munity. One clear indication of a waning interest or even of a growing indifference is that of unconcern for the cleanliness and sanitation of their immediate neighborhood. This could also be attributed to a feeling of continued dependence on the NHA for the latter to take care of all the needs of the community even when they should already take over and assume some of the NHA's tasks. This apparently calls for a "weaning" process from the very visible presence of the NHA in the site.

Implications for Improving Public Policies:

The opportunities that the owners of the site lost during the fires that razed the area to the ground, to prevent its deterioration into a slum settlement shows the need for the private sector to take a more responsible position affecting their personal properties. There is an obvious need to force the issue of "letting go" of these properties which are not intended to be developed within a reasonable period of time. The role of the private owners in practically abetting or encouraging these uncontrolled settlements through failure to exercise more responsible options over their land is a matter that needs to be given more serious study. Apparently, existing legislation which, for instance, taxes idle lands have not been effective at all.

The noticeable number of residence of San Martin de Porres who were able to make a cash purchase of their lots, including the very marked and visible improvements in the structures of a good number of beneficiaries raise the question of the need to go beyond the usual criteria for identifying the most deserving beneficiaries of these projects. San Martin de Porres project, for instance, has enabled a small proportion of the total population of the urban poor to own lands in one of the more expensive sites in the city inhabited by the middle income group. The implications of such a privileged situation, more particularly to the middle income group who are disqualified from participating in such programs deserves serious review. There is a need to pay more serious attention to observations that if the direction set by projects of this kind is continued, the time will not be far when the present middle income group who, while many of them cannot buy homes in the open market and yet would not qualify in the social housing projects of the

government would end up later as the disadvantaged group. The implications of this unanticipated situation are not pleasant to contemplate and definitely require urgent attention. This matter is closely tied up with the issue of whether security of tenure could only be possible through outright sale of lots to their bonafide occupants. The often-raised question needs to be asked again on whether the government has really exhausted all other alternatives which would bring about the same security of tenure that outright sale provides to the beneficiaries, without the government actually giving up control of these choice lands.

Financial constraints continue to pose the challenge to the housing authorities to think of alternative schemes other than actual provision of complete housing units, or even of sites and services or of upgrading projects. The direction seems to point to an extensive mobilization of the informal and private sector to assume more responsibilities in the provision of shelter and related services. There are a number of housing concepts that are now on the drawing board of the NHA, all of which are a recognition of the need for the government to gradually but surely share more of its responsibilities with the private sector. One such concept is that of "community self help" where the construction of their dwelling units becomes, as the name suggests, a community responsibility. This is a deviation from earlier concepts of self help which relied heavily on individual rather than combined community efforts.

The experience of the Philippine government not only in San Martin de Porres but also in other similar upgrading sites indicates the improvements that have already been achieved insofar as making shelter and support services more accessible to the poor are concerned. At the same time, they have also pinpointed areas for further improvement, some of which are outside its control or means to rectify. More than a decade of experience at more systematic delivery of housing and support services, a new administration whose major thrust is low cost housing with a real interest in greater public participation, and a slowly recovering economy are conditions conducive for NHA and other government housing agencies to conduct a thorough inventory of the various areas where improvement is urgently called for and which they can introduce, both on a short

term and long term basis. As to those which the inventory will reveal as beyond their present resources and capabilities, these agencies would do well to accept and adjust very well to as part of its macro environment.

General

The Philippine case study presentation of the transformation of an upgraded site from an unplanned area with a reputation for being a "Second Tondo" because of its environmental and socio-economic conditions into a vibrant community which hardly carries any trace of its notorious origin but had blended well with the thriving commercial area can be considered a measure of the success of this particular upgrading programme of the country. Across the 12 other ZIP sites, this has been more or less the situation. This becomes no mean feat when viewed against the tremendous financial, socio-cultural and political obstacles that the housing authorities had to hurdle.

Financial constraints is something that may be considered too common and obvious among developing countries and many not therefore be worth repeating. However, in the case of the Philippines whose economy had been punished with severe inflation and substantial flight of capital, even the basic issue of priority to be accorded to housing has raised controversies that had to be confronted time and again. It has also become a major element in assessing the opportunities for further outside financial assistance to housing even if the negative aspects of such assistance has not remained unquestioned.

Political intervention and pressure may likewise be dismissed as a factor that is an inevitable component of the macro-environment for housing in any developing country. However, when this factor becomes a major determinant in some of the more critical housing policy decisions to be made and has caused confusion and uncertainty in the directions to be followed, then, it becomes a matter that deserves more than cursory attention. This becomes more significant to consider when inevitably, it affects and modifies to a large extent the people's socio-cultural behaviour. A critical housing agency like the NHA, for instance which had to undergo changes in the thrusts of its mandate, not because existing developments so validly demanded, but because it was more politically desirable, would

readily agree with such an observation, that indeed political considerations should merit more than a passing mention. The fact too that these housing programmes took place during a period when a display of nationwide support and general acceptance of the government was a major concern, not only for local but also international consumption, had incalculable effects on policies affecting the urban poor which constitute the bulk of the mass base. That this segment of the population had suffered the confusing pull and push in many directions, from the ever present threat of ejection to some form of moratorium later on, from a "land to the landless programme" to an aborted effort to shift to leasehold of all public lands, from being coddled, to being disciplined would show to what extent politics had made its presence noticeably visible in the housing arena, and to what extent it had influenced socio-cultural behaviour, especially among the urban poor.

Having laid the groundwork, it becomes easier and more feasible to examine the country's experience in the delivery of housing and related support services. The country had, in the tradition of other developing countries which had relied on substantial outside financial assistance evolved housing policies that are partly its own making based on its own indigenous experience and perception of the various components of this service and partly in response to its international commitments. The NHA manual and code of policies and WB Guidelines on development definitely reflect this situation.

From a simple, no, even too simplistic and fragmented approach to housing needs such as shelter production to a more comprehensive and wholistic strategy of "community building", involving socio-economic engineering, the shelter service had found a parallel need for the involvement of not just the housing agency but the whole spectrum of government line ministries in charge of what has now become indispensable components of housing delivery—the Departments of public works, social services and the economic agencies too. It was inevitable that the difficult aspects of coordination of efforts and the synchronization of what otherwise are independent programmes and budgets had to come in. To a government that has only been recently making headway

in the "comprehensive approach" to development, it was understandable that the same problems confronting the other government programmes would otherwise affect housing. Thus the San Martin de Porres case study shared with other ZIP programmes this problem of delineating and firming up of roles and commitments of a number of government agencies at various stages of the execution of housing programme.

The livelihood component of the ZIP programme, for instance, which was indispensable for making the residents productive and capable of improving his affordability level involves not one or two but, for a real "comprehensive strategy," possibly a dozen agencies including the private sector. For the livelihood component involves not just financing, but technology development and transfer, skills training, and packaging and marketing. These agencies may be easily identified but may not be as easily tapped or snatched away from their long-term commitments of manpower and finances to other programmes. Their primarily sectoral orientation may not also be that easily shifted to a comprehensive one which demands concurrent activities and sharing of the decision making powers and planning and programming activities. This also indicates many areas for training involving not just the residents (from learning new skills and craftsmanship to acquiring business sense and ability for responsive decision making) but also of the involved government agencies and the private sector.

Community participation had also gained headway in the country where in the recent past it consisted of passive acceptance of information and decision pre-conceived if not already pre-determined. A more meaningful involvement not only of the targetted beneficiaries but also the concerned populace in general has now moved on from being merely paid lip service to an aspiration that has become a concrete reality where more importantly, the institutions and processes have already been put in place. All it requires now is for this community participation to be sustained beyond the period when major individual and community concerns have been satisfied. The same enthusiastic and aggressive community development would be needed for the "maintenance" period of the project in order not to throw away gains already made.

This again is revealing of a training need—an awareness of the existence of concomitant responsibilities of the programme beyond mere payment of financial obligations. It calls for training which effect a reorientation or shift of government—resident beneficiary relationship from benefactor—beneficiary to that of “ne partners” in a community project, a weaning away from a life of dependence and dole-out to that of responsible land ownership.

In this regard and in connection with what the case study showcased, that co-ownership had to be allowed in some one-sixth of the generated lots, to accommodate as many of the qualified claimants as possible, training in responsible landownership or home ownership needs to be extended to that of responsible co-ownership with all its legal, economic and social implications.

The case study also revealed the negative if not “ugly side” of some forms of community participation which seeks to question legal authority, subvert useful programmes and encourage violation of laws and rules and regulations.

The major contribution of this case study is to indicate what efforts of the government it has been representative of and these are:

- a) A serious and genuine effort (although perhaps not necessarily effective) at alleviating the plight of the urban poor through various programmes—from provision of housing to sites and services to resettlement. In the process of executing these programme, it has supported the related government effort of stemming and regulating the tide of urban migration which exacerbates the housing problem, by assisting in the “return to the rural areas” movement, complemented by its regional housing efforts.
- b) Adoption of a comprehensive and total approach to housing which also manifests a radical shift from the very strong emphasis on the physical component to the equally important aspect of restoring dignity and self-worth to erstwhile dependents of society. This, it had done by fostering social interaction and promoting the integration with the mainstream of regular settlements and by making them

economically productive members of society, sharing with the government the responsibilities for providing its citizenry with their basic needs.

- c) Continuing efforts at re-organizing the institutional machinery and procedure for implementing housing programme characterized by strengthened functional linkages, coordinated delivery of complementary services and a more synchronized timetable and budget for execution of relevant sectoral programmes.
- d) A serious commitment to maximizing community or citizen participation and requiring it in all major decision making by even enshrining this in the Constitution of 1986 and its Local Government Code which governs the operation of local governments. For this purpose, among others, it has proposals for community self-help projects modifying its community-based structure by shifting from a leader based to mass based community participation.
- e) Major efforts at training and retraining programme involving the following:
 1. Training on management of housing programmes involving its staff;
 2. Training on community leadership and mobilization;
 3. Training on management of medium and small-scale business;
 4. Training on acquisition of new skills by resident beneficiaries.
- f) Conduct of continuing studies on the following:
 1. Alternative land tenure schemes;
 2. Alternative land acquisition schemes;
 3. Review of programme administration;
 4. Improved and realistic regulation and design standards appropriate to low-cost housing and upgraded settlements.

The past decade has shown the tenacity of the housing bureaucracy to survive against all odds which can be safely said were peculiar to the country. It is expected that the next decade would provide the opportunity not only to hurdle but to reverse these odds in favour of better housing provision for the country’s urban poor. ■

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