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CLOSING THE GAP IN AFFORDABLE HOUSING IN THE PHILIPPINES

Policy Paper for the National Summit on Housing and Urban Development



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**CLOSING THE GAP IN AFFORDABLE HOUSING IN THE PHILIPPINES:
POLICY PAPER FOR THE NATIONAL SUMMIT ON
HOUSING AND URBAN DEVELOPMENT**

This document provides a description of the National Summit on Housing and Urban Development activities and processes, and presents a summary of the analyses, policies, and other recommendations which are discussed fully in the following policy briefs: “Addressing Constraints to Mobilization of Land and Housing for In-City Resettlement of ISFs in Metro Manila” by Land and Governance Innovations, Inc. (LGI), “Rethinking Urban Housing Policy: A Policy Paper for the National Housing Summit” by Toby C. Monsod of the University of the Philippines School of Economics, “Enabling Local Rental Housing Market” by Marife Ballesteros of the Philippine Institute of Development Studies, and “Refining Stakeholder Roles and Relations toward Inclusive Urbanization” by Anna Marie A. Karaos of the John J. Carroll Institute on Church and Social Issues. The present paper, for the most part, contains edited extracts and direct quotations from the policy briefs as well as suggestions culled from the various consultations held during the National Housing Summit. For facility in reference, it cites the papers using standard reference citation format, thus: LGI 2016, Monsod 2016, Ballesteros 2016, and Karaos 2016.

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Acronyms and Abbreviations

BP	Batas Pambansa
BSP	Bangko Sentral ng Pilipinas (Central Bank of the Philippines)
CGT	Capital Gains Tax
CISFA	Comprehensive and Integrated Shelter Financing Act
CLUP	comprehensive land use plan
CMP	Community Mortgage Program
CREBA	Chamber of Real Estate and Builders Associations, Inc.
DENR	Department of Environment and Natural Resources
DILG	Department of the Interior and Local Government
DOJ	Department of Justice
DOST	Department of Science and Technology
DPWH	Department of Public Works and Highways
DSWD	Department of Social Welfare and Development
EO	executive order
HDH	High Density Housing program
HGC	Home Guaranty Corporation
HLURB	Housing and Land Use Regulatory Board
HUDCC	Housing and Urban Development Coordinating Council
IRR	Implementing Rules and Regulations
ISF	informal setter family
KSA	key shelter agency
LCP	League of Cities of the Philippines
LGC	Local Government Code
LGI	Land and Governance Innovations, Inc.
LGU	local government unit
LRA	Land Registration Authority
LSP	local shelter plan
MC	memorandum circular
MFI	microfinance institution
NAPC	National Anti-Poverty Commission
NCR	National Capital Region
NEDA	National Economic and Development Authority
NGA	national government agency
NGO	nongovernment organization
NHA	National Housing Authority
NHMFC	National Home Mortgage Finance Corporation
NUDHF	National Urban Development and Housing Framework
OSHDP	Organization of Socialized Housing Developers of the Philippines

Pag-IBIG Fund	Home Development Mutual Fund
PCUP	Presidential Commission for the Urban Poor
PIDS	Philippine Institute for Development Studies
PO	people's organizations
RA	Republic Act
SHDA	Subdivision and Housing Developers of the Philippines, Inc.
SHFC	Social Housing Finance Corporation
TWG	Thematic Working Group
TWG-LH	Thematic Working Group on Land and Housing
UDHA	Urban Development and Housing Act

Glossary

Executive Order (EO): “Acts of the President providing for rules of a general or permanent character in implementation or execution of constitutional or statutory powers shall be promulgated in executive orders.” Administrative Code of 1987, Book III, Chapter 2, Section 2

Memorandum Circular (MC): “Acts of the President on matters relating to internal administration, which the President desires to bring to the attention of all or some of the departments, agencies, bureaus or offices of the Government, for information or compliance, shall be embodied in memorandum circulars.” Administrative Code of 1987, Book III, Chapter 2, Section 6

“**Presidential Decrees** were an innovation made by President Ferdinand E. Marcos with the proclamation of Martial Law. They served to arrogate unto the Chief Executive the lawmaking powers of Congress. Only President Marcos issued Presidential Decrees. In the Freedom Constitution of 1986, President Corazon C. Aquino recognized the validity of existing Presidential Decrees unless otherwise repealed. <http://www.gov.ph/section/laws/executive-issuances/presidential-decrees-executive-issuances/>

Proclamations: “Acts of the President fixing a date or declaring a status or condition of public moment or interest, upon the existence of which the operation of a specific law or regulation is made to depend, shall be promulgated in proclamations which shall have the force of an executive order.” Administrative Code of 1987, Book III, Chapter 2, Section 4

Republic Act (RA): “A Republic Act is a piece of legislation used to create policy in order to carry out the principles of the Constitution. It is crafted and passed by the Congress of the Philippines and approved by the President of Philippines. It can only be repealed by a similar act of Congress.” <http://www.gov.ph/section/laws/republic-acts/>

Foreword

At the beginning of the 16th Congress, the country was faced with an estimated 5.5 million housing backlog. An earthquake struck Bohol, damaging major infrastructures; and Super Typhoon Haiyan (Yolanda) struck the Visayas, claiming more than 6,300 lives with losses and damage to property estimated at PHP571.1 billion. Moreover, Metro Manila's homeless and informal settlers ballooned to 584,524 families.

The massive displacement of families from these calamities left many of our homeless, typhoon victims, and informal settler families devastated and at the point of hopelessness, without a clear government housing strategy on hand.

Finding remedies to respond to this overwhelming challenge became our mission and compelled us to launch the National Summit on Housing and Urban Development where government agencies together with the private sector and civil society organizations embarked on a tedious journey in search of lasting solutions.

The Housing Summit became the platform for cooperation, where learning and sharing of experiences and an in-depth study of the nuances and complexities of our housing policies and programs resulted in the elaboration of policy recommendations that are deemed to effectively solve the housing crises and improve the participation, efficiency, and collaboration of our well-meaning key shelter agencies, local government units, and the private sector.

We give our heartfelt thanks to everyone involved in all the consultations and the various thematic working groups, most especially to the members and staff of the Congressional Committee on Housing and Urban Development led by Rep. Albert 'Albee' Benitez, Chairman Chito Cruz of HUDCC, the World Bank and its former Country Director Motoo Konishi, for being with us through the whole process and for providing us with the much needed technical support.

We salute the dedicated officials and representatives from all the key shelter agencies, civil society organizations, nongovernmental organizations, local chief executives of Metro Manila, and the different peoples' organizations for contributing their time, data, policies, and program experiences that led us to arrive at these credible solutions for the country's housing crises.

Together, we are able to present a policy framework for an inclusive, sustainable, and resilient in-city housing development and resettlement program. This will lead us in the right track of planning, strategizing, and building not only easily available, resilient, and affordable homes for all in this time

of rapid urbanization and, more importantly, as we build a more responsive government that fulfills its obligation and accountability to the people by protecting their dignity, promoting their interests, and respecting their right to safe and adequate shelter.

Isulong natin ang disente at ligtas na tahanan para sa bawa't pamilyang Pilipino.

SENATOR JOSEPH VICTOR G. EJERCITO

Chairman, Committee on Urban Planning, Housing and Resettlement
Senate of the Philippines (16TH Congress)

The National Housing and Urban Development Summit was the response of the Philippine Congress, through the Joint Committee on Housing and Urban Development, to the need for urgent policy reforms to solve the pervasive problems that are impeding the delivery of affordable and decent shelter to the Filipinos.

Recognizing that the Summit cannot eliminate the housing challenges in the country overnight, the Committee focused on gathering all of the stakeholders, including government agencies, housing developers, key shelter agencies, academe, development organizations, and people's organizations, to identify critical issues on shelter delivery and housing affordability. More importantly, the most significant output of the housing summit is the consensus among all stakeholders on the policy directions to improve housing indicators.

This policy paper encapsulates the urgent issues that need to be addressed in terms of unlocking lands for socialized housing, housing production for the lower to middle income sector, housing financing, and resettlement issues. In addition, the paper also provides a set of policy proposals that will be pushed by the housing sector in the 17th Congress.

In behalf of the Committee on Housing and Urban Development of the 16th Congress, I wish to express my gratitude to all the government agencies, local government units, private sector groups, civil society organizations, and the World Bank for their tireless support to the Housing Summit initiative. This paper is a product of our consolidated hard work and effort of all participants and a concrete proof of our strong commitment to translate the right of the people to decent and affordable housing into a reality.

Maraming Salamat po.

HON. ALFREDO "ALBEE" B. BENITEZ

Representative, 3rd District of Negros Occidental and
Chairperson, Committee on Housing and Urban Development

Urbanization is one of the most significant drivers of development. It can provide a pathway out of poverty and act as an engine of growth. Today, half of the Philippines' population lives in cities, and the proportion will continue to increase to reach over 80 percent by 2050. Philippine cities altogether generate 70 percent of the Gross Domestic Product, half of which is generated in Metro Manila alone. Urbanization has often helped reduce poverty by providing new job opportunities and raising incomes of the poor.

Yet, the speed and scale of urbanization bring challenges. Demands for housing, basic services, functional transport systems, and jobs continue to rise. And as cities fail to keep pace with the rapid urbanization, informal settlements grow. Metro Manila is a case in point. While it is difficult to capture the accurate number of informal settler families (ISFs), estimates range from more than 250,000 to 600,000 in Metro Manila alone. This translates to three million individuals, which means that about one in four people in Metro Manila resides in an informal settlement and has no security of tenure.

The Government has taken commendable steps to tackle the ISF issue. Some local governments and civil society organizations have also made impressive progress in addressing the ISF housing issue. But we need to do more, better, and faster.

The National Summit on Housing and Urban Development, initiated by the House of Representatives' Committee on Housing and Urban Development and the Senate Committee on Urban Planning, Housing, and Resettlement, was a formidable endeavor to tackle the affordable housing challenge head on. The World Bank is pleased to have provided substantive technical inputs to this important effort, supported by the Australian Department of Foreign Affairs and Trade.

Over the course of the year, the Summit involved 125 organizations from all corners of the society and generated consensus on some concrete policy reform agenda that will help close the gap in affordable housing. This policy paper puts forward key policy reforms covering four critical areas of land, housing finance, participatory governance, and inclusive urbanization. The challenge now is to translate these recommendations into action. I hope we can jointly continue this endeavor to make a real difference.

MARA WARWICK

Country Director

The World Bank in the Philippines

Acknowledgements

This report was prepared by a World Bank team led by Makiko Watanabe (Task Team Leader, Senior Social Development Specialist, WBG Manila) with a core team composed of Maria Anna De Rosas Ignacio, Cynthia C. Veneracion, Yan Zhang (Senior Urban Economist, WBG), Marilyn Tolosa-Martinez (WBG Manila), Miguel Ferido (WBG Manila), Nikko Mercader (WBG Manila), Bernice Varona-Soriano (WBG Manila), and Puri Gamon (WBG Manila). A team of technical experts engaged by the World Bank that included Marife Ballesteros (Philippine Institute of Development Studies), Floradema Eleazar and her team (Land and Governance Innovations, Inc.), Anna Marie A. Karaos (John J. Carroll Institute on Church and Social Issues), and Toby C. Monsod (University of the Philippines School of Economics) made major contributions. The Institute of Philippine Culture of the School of Social Sciences of the Ateneo de Manila University provided excellent facilitation support for the numerous consultations that were held with various stakeholders.

The work was carried out under the leadership of the House of Representatives' Committee on Housing and Urban Development and the Senate Committee on Urban Planning, Housing, and Resettlement in the Philippines.

The team benefitted greatly from a wide range of consultations. The team wishes to thank participants in these consultations that included policy makers, national and local government officials, and representatives of academia, civil society, and private sector organizations. The team is especially grateful for the leads and co-leads of the four thematic working groups who led the consultations.

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CLOSING THE GAP IN AFFORDABLE HOUSING IN THE PHILIPPINES: POLICY PAPER FOR THE NATIONAL SUMMIT ON HOUSING AND URBAN DEVELOPMENT

I. Introduction

1. The Philippines is one of the fastest urbanizing countries in the Southeast Asian Region. Since the 1950s, millions have migrated from rural areas to the cities in search of better job opportunities. The country is now 50 percent urban, and by 2025 this proportion is expected to be 80 percent. From 2000 to 2010, Metro Manila absorbed an additional two million people.¹ The Philippines has more than 200 urban areas but Metro Manila, a region comprising 16 cities and one municipality, is expected to remain dominant (with 50 percent of gross domestic product being generated by the Greater Metro Manila area alone²) and absorb more people into it and its periphery.

2. With the unprecedented rate of in-migration have come surges in demand for jobs, housing, and basic services in major cities. With the government unable to address the increased demand, there are enormous gaps in infrastructure and basic services, affordable housing, and jobs, and severe traffic congestion. As cities fail to keep pace with rapid urbanization, the number of informal settlements and informal settler families (ISFs)³ have grown especially in Metro Manila, widening and deepening urban poverty. While it is difficult to capture the accurate number of ISFs, estimates range from more than 250,000⁴ to 600,000⁵ in Metro Manila alone. The latter estimate translates to three million individuals, which means about one in four people in Metro Manila resides in an informal settlement and has no security of tenure. The increase in ISFs raises the total number of poor families, giving rise to “urbanization of poverty.”

3. The issue of ISFs represents a grave challenge the Philippines faces in trying to achieve inclusive growth. ISFs suffer from lack of security of tenure, access to basic services, and access to

¹ United Nations 2012.

² Webster, Corpuz, and Pablo 2003.

³ Informal settlers are defined more broadly by the National Housing Authority (NHA) as households occupying (i) lots without the consent of the owners, (ii) danger areas along river banks, along railways, under bridges and other such structures, (iii) areas designated for government infrastructure projects, (iv) protected/forest areas except for indigenous people, (v) areas for priority development, and (vi) other government/public lands or facilities not intended for human habitation.

⁴ Based on the 2010 Census of Population and Housing and 2012 Family Income and Expenditure Survey.

⁵ Based on Metro Manila city reports as of 2011 (Gaurano 2011).

productive formal jobs. They struggle with chronic poverty, difficult living conditions, and high exposure to natural disasters, especially flooding. They are seldom integrated into the broader communities and face higher than average incidence of crime and violence. The Philippines cannot achieve inclusive growth without addressing the precarious situation of ISFs and providing solutions to lift them out of poverty.

4. The Philippine government has made efforts to address the ISF issue but has been unable to come up with institutional reforms and interventions that can adequately resolve it. It has developed and implemented a number of housing programs to respond to the challenge, ranging from highly centralized government-led approaches to more market-oriented and participatory strategies, but these have not curbed the increasing informality in urban centers.

5. President Benigno S. Aquino III at the start of his term in 2010 signed what he called a “Social Contract with the Filipino People,” promising, among others, “inclusive urban development where people of varying income levels are integrated in productive, healthy, and safe communities.” Among other efforts, his administration accelerated the provision of shelter, particularly for low-income groups and the urban poor. It launched *Oplan LIKAS: Lumikas para Iwas Kalamidad at Sakit* (Operation Plan: Evacuate to Avoid Calamity and Sickness), a program to relocate more than 104,000 ISFs from danger areas. It allocated PHP 50 billion (approximately US\$1.15 billion) over five years, from 2011 to 2016, to finance land acquisition and housing construction.⁶ Taking global and national best practices into account, *Oplan LIKAS* advocated in-city relocation, to within the vicinity of ISFs’ livelihoods, leaving off-city relocation as a last resort.⁷ Yet, due to lack of affordability, land constraints, and institutional challenges, among other factors, about 67 percent of the resettlements by the National Housing Authority (NHA) under *Oplan LIKAS* as of April 2015 were off-city.⁸

6. To help address the constraints in providing affordable housing, with priority for in-city sites where people can have ready access to livelihood and basic services, the House of Representatives’ Committee on Housing and Urban Development and the Senate Committee on Urban Planning, Housing and Resettlement (hereafter referred to as the Joint Committee) decided

⁶ *Oplan LIKAS* is a relocation program that began in 2012 and is being implemented by DILG, in conjunction with LGUs, NHA, PCUP (Presidential Commission on the Urban Poor), and DSWD (Department of Social Welfare and Development), involving ISFs residing along identified waterways for priority cleanup in Metro Manila. The national government allocated PHP50 billion for in-city and off-city relocation of the affected ISFs. Some 25,000 ISF had been relocated in 2015-16 to 20 in-city and off-city resettlement sites, mostly administered by NHA. A small number of ISFs are relocating to in-city and near-city sites adopting a “people’s plan” approach, with housing finance provided by SHFC.

⁷ Draft Joint Memorandum Circular on “Policy Guidelines on the Operationalization and Utilization of the P50 Billion Housing Fund for ISFs in Danger Areas of the NCR” (Republic of the Philippines 2013). Part I, Policy Guidelines Article 1 states that “relocation of the affected ISFs shall be onsite, near-city, and in-city” and that “off-sites shall only be resorted to in accordance with the People’s Plans after adequate and genuine consultation, or when directly requested by the affected ISFs themselves.”

⁸ As of April 2015, NHA had completed 46,077 housing units, of which 25,049 were occupied. About 96 percent of the occupied units are in off-city sites. By end of May 2015, Social Housing Finance Corporation (SHFC) had approved construction of about 11,000 units under its High Density Housing (HDH) program, all of which are in-city.

to convene the National Summit on Housing and Urban Development. The Joint Committee requested assistance from the World Bank to provide technical inputs for the summit.⁹

II. The National Housing Summit

A. Objectives, Activities, and Processes

7. The housing summit sought to bring together all stakeholders in the housing sector — government, private sector, academia, and civil society — to collaborate toward identifying key policy reforms needed to close the gap in affordable housing and effect immediate interventions to address the shelter needs, focusing particularly on Metro Manila. The summit was purposefully designed as a consultative process in which all the stakeholders would be engaged. Such a process was deemed essential in fostering political consensus and ownership of the policy recommendations and proposed reforms.

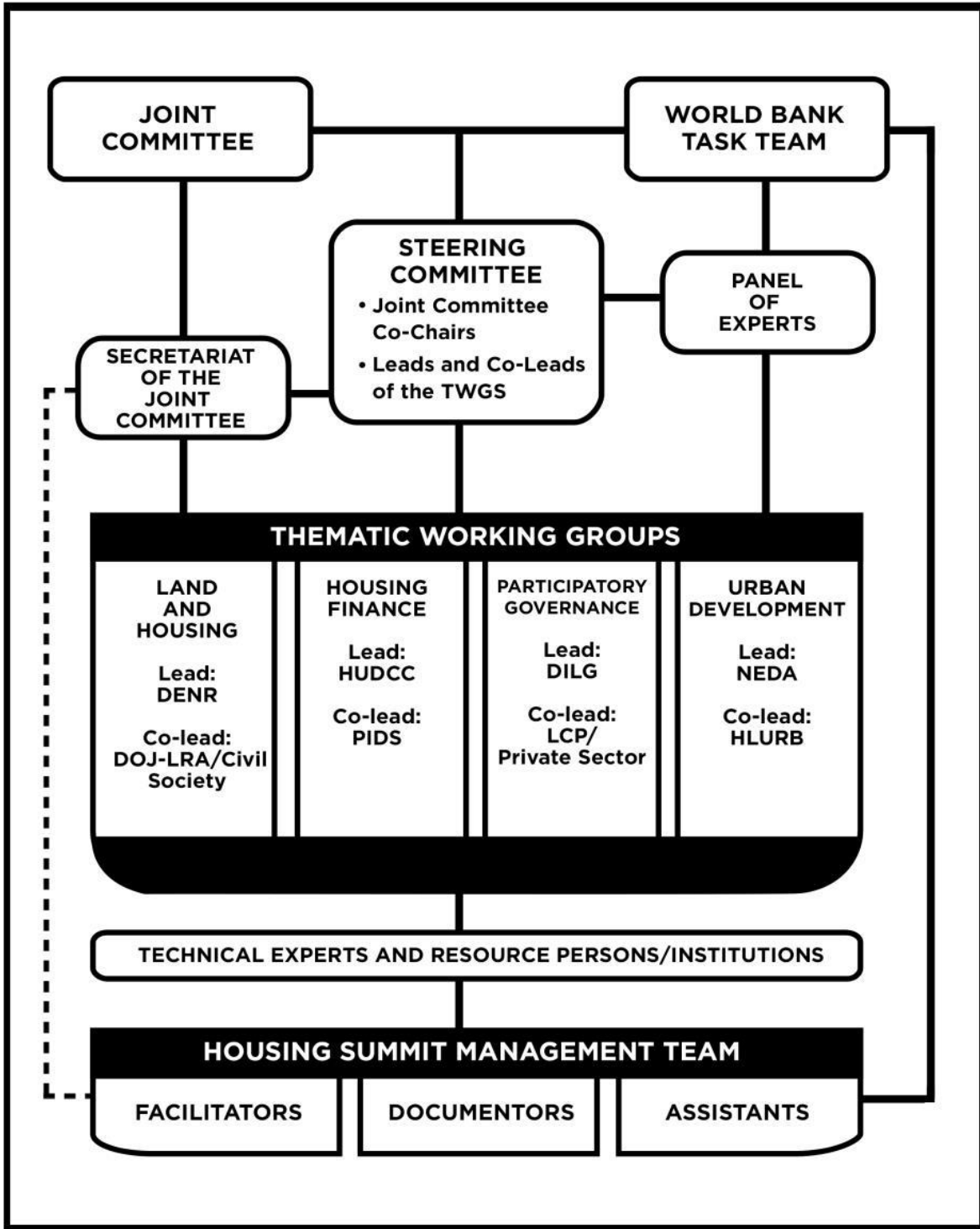
8. Discussions were structured around four interrelated themes essential in making affordable housing provision more effective: (i) land and housing, (ii) housing finance, (iii) participatory governance, and (iv) inclusive urbanization. A working group was constituted for each theme, with leads and co-leads from government, civil society, private sector, and academia. These included the Department of Environment and Natural Resources (DENR), Land Registration Authority (LRA) of the Department of Justice (DOJ), and a 10-person team representing civil society groups, for land and housing; the Housing and Urban Development Coordinating Council (HUDCC) and the Philippine Institute for Development Studies (PIDS) for housing finance; the Department of Interior and Local Government (DILG), the League of Cities of the Philippines (LCP), and a representative (Chamber of Real Estate and Builders Associations, Inc., or CREBA) of private sector groups, for participatory governance; and the National Economic and Development Authority (NEDA) and the Housing and Land Use Regulatory Board (HLURB), for urban development. Thematic working groups (TWGs) were supported by technical experts and an event management team engaged by the World Bank. (Figure 1 shows how the national summit was organized.)

9. From its launch in May 2015 until its conclusion in May 2016, the summit conducted nearly 40 consultations involving 125 organizations and some 500 participants. (See Appendix B for a list of the topics presented at various major sessions and Appendix D for a list of the participants). The Joint Committee conducted four meetings and hearings.

10. In addition to their regular plenary meetings, the TWGs conducted small group sessions. TWG Land and Housing convened the most number of small meetings, focusing on land inventory

⁹ With funding support from the Australian Department of Foreign Affairs and Trade, the World Bank provided the following key contributions to the National Housing Summit: (i) mapping of ISFs and available land in Metro Manila, (ii) a glossary of housing terminologies, and (iii) policy paper and policy briefs that offer recommendations for immediate and longer-term policy and program reforms in closing the gap in affordable housing in the Philippines. Discussions during the summit also benefited from the results of studies and projects supported by the World Bank (see Appendix C).

Figure 1: Working Arrangement of the National Housing Summit



and identification of lands for in-city housing for ISFs; housing design, standards, and planning regulations; 20 percent balanced housing and other innovative mechanisms to mobilize land for in-city housing; and policies and laws. TWG Land and Housing also initiated a pilot activity on mapping locations of informal settlements and idle lands. This was done for Quezon City and was attended by more than 70 city and *barangay* (delineated neighborhood localities) officials and representatives of people's organizations (POs), nongovernment organization (NGOs), and national government agencies (NGAs).¹⁰

11. Members of the technical team noted the problems that surfaced at different sessions and in their own review of the literature, and prepared draft policy briefs articulating long-term and immediate actions to address them. These papers were first presented to the Joint Committee and subsequently discussed in sectoral meetings with civil society, private sector groups, NGAs, and local government units (LGUs). These sectoral gatherings formally closed the housing summit deliberations though small group meetings with specific groups and sectors continued as the policy and other recommendations were being refined. On 4 April 2016, the Joint Committee gathered the summit participants for a culminating activity in which a Unity Statement was presented and signed. (The Unity Statement is in Appendix A.)

12. As part of inputs for the summit, the European Space Agency provided the Joint Committee with satellite maps showing built-up areas, among others, to help identify ISFs in Metro Manila. Subsequently, a memorandum circular signed by the Executive Secretary formalized the inventory of government lands through the creation of an interagency task force chaired by DILG (see section on "Unlocking Land for Informal Settlers" below).

13. HUDCC spearheaded the preparation of the Glossary of Housing Terminologies to give all stakeholders of the housing and urban development sector, particularly key shelter agencies (KSAs), a common understanding and usage of housing terminologies. This was regarded as among many steps "toward addressing their collective housing and urban development problems and challenges" (from a HUDCC presentation to the Joint Committee). In a series of meetings, selected summit participants and international experts mobilized by Cities Alliance helped finalize the glossary.¹¹ The glossary was presented and deliberated on by the Joint Committee at a meeting on 7 December 2016 and subsequently submitted as House Joint Resolution 38.

B. Civil Society Participation and the People's Summit

14. POs and NGOs presented different community cases and experiences at various TWG sessions, providing distinct faces and voices to housing issues and concerns.¹² Several common

¹⁰ This activity formed the basis for a recommendation (see "Institutionalizing Participatory Governance" below) on ground validation of the inventory of lands and informal settler families and communities in Metro Manila.

¹¹ The World Bank facilitated a peer review by the Cities Alliance of the definition of terms used globally.

¹² The presentations of POs and NGOs on community experiences and cases at TWG meetings were reiterated and supplemented by additional cases at what was called People's Summit II.

themes ran through their presentations: the lengthy, cumbersome, and expensive process of land acquisition even for ISF communities desiring to purchase private lands; the tenure uncertainties of ISFs even in proclaimed lands; the constant threats of eviction; and the dire situations in which former ISFs (particularly women and children) found themselves in the predominantly off-city resettlement sites, many of which lack basic facilities and services.

15. To many ISF communities, a disappointing experience concerned the implementation of the DILG-led *Oplan LIKAS*. Many believed that the use of the program's PHP 50 billion one-time fund could have become a template for addressing the housing needs of the urban poor. With help from their NGO partners, several POs undertook community planning and submitted their outputs (the "People's Plans") to DILG and housing agencies concerned. Some of the plans were eventually implemented through SHFC Community Mortgage Program (CMP) and high density housing (HDH) program and NHA in-city projects using medium-rise buildings. However, because of in-city land constraints and the need to accelerate the implementation of *Oplan LIKAS*, many resettlements became off-city resettlements, some of which were very distant from the original communities and characterized by incomplete facilities and services.¹³

16. At some civil society presentations, the government agency concerned gave immediate attention to specific problems raised by community participants such as by setting up dialogues, meetings, or site visits so that solutions could be found. Such interactions, along with the opportunity to engage in multi-sectoral dialogues and network building, became a valuable aspect of the housing summit.

17. POs and their partner NGOs also organized what they called "People's Summit" to enable POs to participate effectively in the national summit discussions and present their positions on the different proposals.¹⁴ They convened three gatherings: in July 2015, as the housing summit was starting, so they could prepare a list of issues they wanted to be discussed; in October 2015 for a presentation of community and other cases they deemed in need of immediate resolution as well as for further TWG discussions and policy formulation;¹⁵ and in February 2016 to discuss policy proposals and other recommendations being put forward at the housing summit. As an output of the People's Summit, Urban Poor Associates (the member-head of the TWG Land and Housing co-lead team) made a list of requests/demands of the urban poor and presented it to the House Committee on Housing and Urban Development (see Box 1).

¹³ The problems and issues concerning resettlement sites were discussed at length at consultative forums in September and October 2015, which were organized by the Joint Committee and PCUP and attended by representatives of 20 *Oplan LIKAS* resettlement sites and their partner NGOs.

¹⁴ Considered as a parallel activity of the housing summit, the People's Summit also received support from the Joint Committee and the World Bank.

¹⁵ Also invited to the second People's Summit were representatives of KSAs and LGUs. Efforts were made at the gathering to address or answer some of the POs' concerns. In some cases, follow-up meetings were organized between the POs and the NGAs or LGUs concerned.

Box 1**“Urban Poor Requests/Demands”*****1. Poor People’s Right to Live in the City**

- The poor have a right to live in the city, where they have access to jobs, services, and social networks.
- All evictions out of the cities should be made illegal.

2. People’s Planning and People’s Planning Bureau (PPB)

- **People’s Planning:** All government agencies involved in socialized housing programs should take genuine consultation and people’s participation seriously and put mechanisms that will ensure these are undertaken properly.
- **PPB:** Establish a separate agency that will cater to the poorest of the poor who do not qualify or cannot afford the amortization required in the regular social housing programs.

3. Subsidies

- The poorest ISFs cannot afford to pay the existing in-city socialized housing programs. Revisit the existing market-driven approach, and discuss appropriate levels of subsidies/grant vis-a-vis ISFs’ affordability.
- Housing is a basic human right.

4. Upgrading of Existing Resettlement Areas

- Government has obligation to improve the lives of the poor who were transferred to distant off-city resettlement sites, especially in access to basic services and jobs.

5. Proclamations

- There should be no revocation of presidential proclamations for socialized housing (e.g., Manggahan Floodway [PP 1160], Lupang Arenda [PP 704]). Proclamations must be made permanent in nature. If they can be easily altered, the purpose of the proclamation is defeated.
- Implement Proclamations in BASECO (PP 145), Manggahan Floodway (PP 458), and in West Rembo, Makati (PP 518).
- Proclaim Isla Putting Bato and Slip Zero.

6. Eviction

- Outlaw evictions [relocation?] outside the city.
- Reexamine the evictions along waterways.
- Prepare in-city relocation sites.

7. Land Acquisition/Land Banking

- Open all government lands for socialized housing.
 - Insist that all LGUs identify land in their cities for the poor.

- NGAs and LGUs should exercise their police power by expropriating privately owned land for socialized housing.
- All land owned by government without improvements for 10 years or more shall be given freely to poor people's housing (possibly on a usufruct arrangement).
- Give 10 percent of the reclaimed land from Laguna Lake C-6 dike project to the poor.
- Think outside the box.
 - Government should hand over its five golf courses occupying 50 hectares in Metro Manila for socialized housing.

8. UDHA Amendments

- House Bill 5144 is a welcome development, but requires further revisions to guarantee the benefit of the poor and the marginalized. Proposed amendments include:
 - Clarify the definition of "danger zone/high risk areas"
 - Remove hierarchy on the modes of land acquisition for socialized housing
 - A court order should be a requisite prior to carrying out evictions or demolitions
 - Establishment of a quasi-judicial body that will hear housing issues
 - Imposition of the 20% Balanced Housing requirement for all land developments
 - Clarify the definition of "consultation" and "resettlement sites"
- Pass amendments stated above for HB 5144 in the Senate and ratify into law
- Deliberate in both Houses and ratify into law the other proposed amendments to RA 7279.

9. Jobs

- Land and housing must be accompanied by jobs for all poor families, e.g., public-private projects to construct manufacturing plants that employ the poor.

*Extracted from "A Presentation of Urban Poor Requests/Demands as of November 25, 2015," prepared by Urban Poor Associates and submitted to the House Committee on Housing and Urban Development.

III. The National Shelter Program: Context, Challenges, and Considerations

18. The past decades saw various attempts to address the problems of the country's growing localities, particularly primate cities.¹⁶ Among these were measures to remedy overcrowding and improve building sanitation, establishment of public housing corporations with different mandates, such as shelter production, financing, provision of guaranties, and regulation. In 1978 an urban land reform program was enacted (through Presidential Decree 1517) with the aim of regulating "the existing pattern of land use and ownership in urban and urbanizable areas."

¹⁶ The creation of the Metropolitan Manila Commission in 1975 through Presidential Decree 824 established Metro Manila as a formal region. A subsequent decree (PD 1396 of 1978) declared Metro Manila as the National Capital Region. At that time, it was composed of four cities (Manila, Quezon City, Caloocan, Pasay) and 13 municipalities (Las Piñas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Parañaque, Pasig, San Juan, Taguig, Valenzuela, and Pateros. Except for Pateros, the municipalities have since become independent cities.

A. Context

19. Since the 1980s, housing policy has been embodied in a national shelter program that features a “total systems approach to housing finance, production and regulation,” characterized by a network of interacting implementing agencies.¹⁷ Led by HUDCC, the key shelter agencies are NHA, the sole government agency engaged in direct shelter production, focusing on housing assistance to the lowest 30 percent of urban income earners; National Home Mortgage Finance Corporation (NHMFC), envisioned to operate a viable home mortgage market and attract private institutional funds into long-term housing mortgages; Home Guaranty Corporation, which provides guaranties and other incentives; HLURB, which regulates land use planning and housing development; and SHFC, a wholly owned subsidiary of NHMFC that develops and administers social housing finance programs for low-income formal and informal households. Three contractual savings institutions — the Home Development Mutual Fund, also known as the Pag-IBIG Fund, the Social Security System (SSS), and the Government Service Insurance System (GSIS) — are also mandated by Executive Order 90 to help ensure the availability of funds for long-term housing loans.

20. The overall goal of the national shelter program has been to increase the access of target households to decent, affordable, and secure shelter. “Target households” pertain to the first three income deciles living in urban areas, while “secure shelter” is a house, a lot, or both.

21. In the 1990s came two landmark legislations on housing: the Urban Development and Housing Act of 1992 (Republic Act 7279, known as UDHA) and the Comprehensive and Integrated Shelter Financing Act of 1994 (RA 7835, known as CISFA). UDHA declares that it “shall be the policy of the State to undertake, in cooperation with the private sector, a comprehensive and continuing Urban Development and Housing Program ... which shall (a) Uplift the conditions of the underprivileged and homeless citizens in urban areas and in resettlement areas by making available to them decent housing at affordable cost, basic services, and employment opportunities; (b) Provide for the rational use and development of urban land in order to bring about the following: (1) Equitable utilization of residential lands in urban and urbanizable areas with particular attention to the needs and requirements of the underprivileged and homeless citizens and not merely on the basis of market forces; (2) Optimization of the use and productivity of land and urban resources” (Art. 1, Sec 2).

22. Through UDHA, the government articulated its focus on socialized housing as a primary concern and thus included a system of balanced housing development, mandated identification of lands for socialized housing, and prescribed the conditions for decent socialized housing and resettlement areas, taking into consideration their degree of availability of basic services and facilities, their accessibility, and proximity to jobs and other economic opportunities. CISFA increased and regularized yearly appropriation of the major components of the national shelter program, augmented the authorized capital stock and paid-up capital of NHMFC and HIGC, and identified other means of mobilizing funds for housing.

¹⁷ Executive Order 90 essentially reiterated the National Shelter Program first formulated in 1978.

23. The Local Government Code of 1991 (RA 7160) provides the statutory framework for the devolution of local public administration and service delivery responsibilities as well as revenue mobilization powers to LGUs. It also provides the framework for the roles of LGUs in the national shelter program.

24. In the next decade and a half, the national shelter program continued the pattern set in the past. In 2001, Executive Order (EO) 20 reaffirmed mass housing as a centerpiece program for poverty alleviation. In 2004, EO 272 created Social Housing Finance Corporation. In 2006, RA 9397 amended Section 12 of UDHA.¹⁸

25. These attempts, however, have had little impact in resolving the housing problem and improving the situation of urban poor communities and ISFs. Given the magnitude of the problem, the housing program remains inadequate and unable to provide the scale and quality needed. Toby C. Monsod of the University of the Philippines School of Economics, citing the 2010 Census of Population and Housing, notes in her policy brief (2016) “there is an accumulated ‘backlog’ of 1.225 million units as of 1 January 2011.... 787,731 units are households in ‘unacceptable housing’ ... and another 437,612 are households doubling up in acceptable structures. There is also a ‘future need’ of 2.25 million for new household formation and 1.93 million for inventory losses over the period 2011-2016, although ‘future need’ does not constitute a housing shortfall per se.”¹⁹

26. Those numbers will inevitably rise as the country’s good macroeconomic performance increases demand for land and housing in urban and urbanizing areas. Since the supply of urban land is finite and has intensifying competing demands, its allocation and use becomes a critical focus of public policy. The dysfunctions of land and property markets and the gravely inadequate transportation system are not strategically addressed. This suggests a formulation bereft of an urbanization framework that should have informed the national and local development planning and investment decision making. HUDCC, the agency in charge of coordinating such functions, has limited powers to influence the urbanization process. The government’s development planning and budgeting are done more on a sectoral manner, with the priorities of cabinet-level agencies taking precedence over coordinative and intersectoral initiatives and mechanisms. As Monsod (2016) points out, provincial governments are limited in their powers and capacities for planning and integration. “Provinces are themselves crippled by their lack of effective planning integration authority over component cities/municipalities (i.e., central government funding can bypass

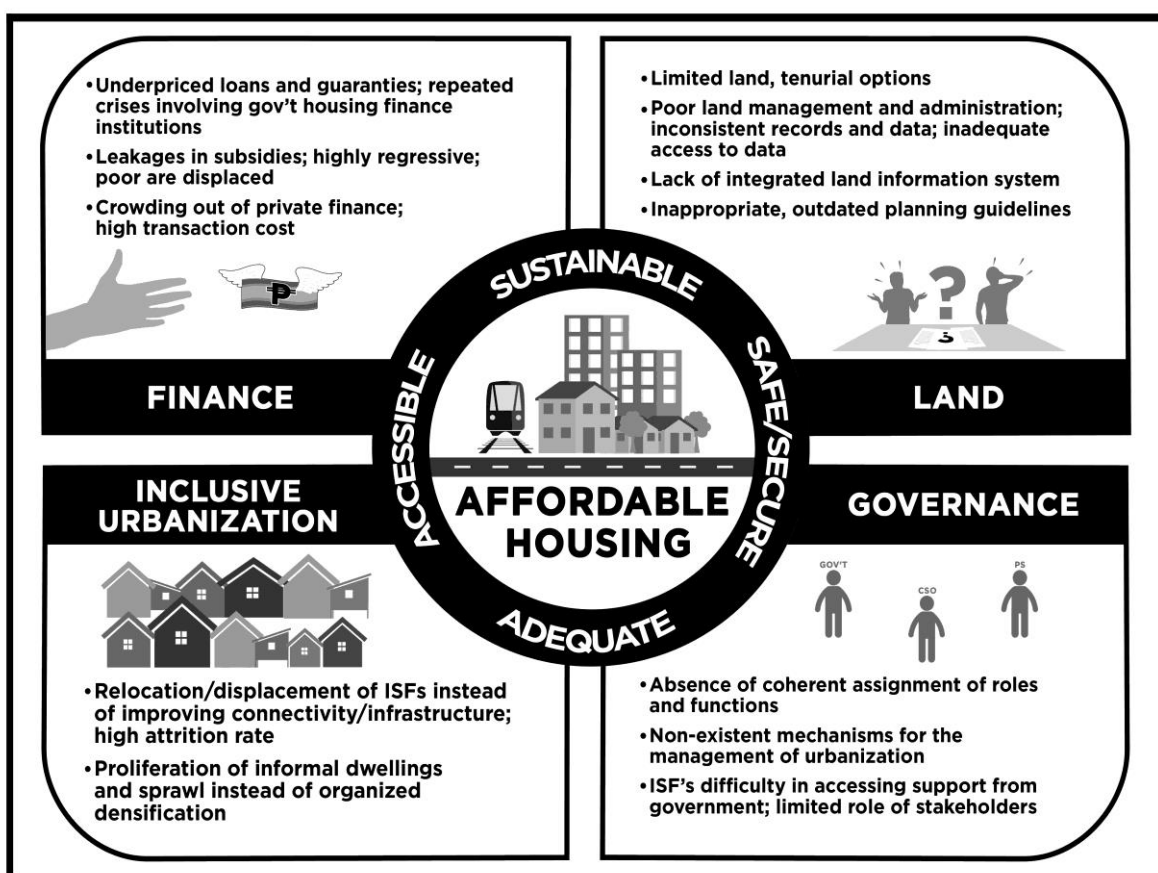
¹⁸ The UDHA amendment reads: “Disposition of Lands for Socialized Housing — The National Housing Authority, with respect to lands belonging to the National Government, and the local government units with respect to the other lands within their respective localities, shall coordinate with each other to formulate and make available various alternative schemes for the disposition of lands to the beneficiaries of the Program. These schemes shall not be limited to those involving transfer of ownership in fee simple but shall include lease, with option to purchase, usufruct or such other variations as the local government units or National Housing Authority may deem most expedient in carrying out the purposes of this Act.” Section 12 of RA 9397 further states: “Consistent with this provision, a scheme for public rental housing may be adopted.”

¹⁹ Occupants of “unacceptable housing” are “on lots without consent of owner, in predominantly makeshift housing, in living quarters not meant for human habitation, in dilapidated or condemned structures” (Monsod 2016).

provinces and go directly to component cities and municipalities) and, perversely, have no administrative or fiscal authority over highly urbanized cities within their geographical boundaries.”

27. Figure 2 gives a summary of the factors that resulted in and further aggravated the housing problem. Derived from presentations and deliberations at housing summit meetings, it synthesizes the many issues and concerns raised about affordable housing. It uses the four major discussion themes (land and housing, finance, participatory governance, and inclusive urbanization) and has affordable housing and its desired characteristics at its core: accessible, adequate, safe and secure, and sustainable.

Figure 2: Major Issues and Concerns



B. Challenges

28. There are major blocks in four strategic areas that prevent effective solutions to the housing problem. These are land, financing, governance, and the urbanization processes. Urbanization is the context in which the housing problem has to be appreciated. In many cities and localities, urban development is not properly planned and managed. Near-city and off-city relocation and displacement of ISFs become doubly problematic or complicated because of lack of

connective infrastructure. Transportation systems are absent or badly planned. Poor investments in the improvement, expansion, and management of transportation infrastructure prevent lagging localities from participating in the development of urban centers. Relocation is still the dominant approach despite a high attrition rate in resettlement projects. As informal dwellings proliferate, there is no organized densification, and instead more spaces are used without following a coherent land use plan. Planning coordination among LGUs is lacking or weak, compromising land use compatibility or integration across localities and resulting in inefficiency of basic services for transportation and traffic management.

29. Land is another key area that requires serious attention. There is limited land and tenurial options for shelter provisioning. Poor land management is manifested in institutional and regulatory failures in land markets. For instance, while land use planning and land use regulations are powers originally vested in cities and municipalities, important land management and administration functions are also lodged in at least seven national government agencies and in the courts. No clear integrated framework guides their functioning and coordination. An integrated information system, inventory of, and policy on government lands, and appropriate and improved planning guidelines and standards are, at best, written up as issuances but not operationalized. Unavailable or inconsistent records and data as well as conflicts in land classification and other regulatory issues push up transaction costs. The cost of securing, registering, and transferring property rights becomes a difficult hurdle, hindering infrastructure investments and increasing costs of servicing land. Adding to the complexity is the practice of land hoarding, absence of a national standard for real property valuation, and weak enforcement of real property taxes.

30. In the housing summit sessions, housing developers and community associations alike cited existing construction codes and subdivision restrictions as constraints to improving housing supply. These regulations are too complex and not easily understood, and make transaction costs prohibitive. *Batas Pambansa (BP) 220*²⁰ is not supportive of existing housing sites or self-help incremental housing. In its policy brief, Land and Governance Innovations, Inc. (2016) says standards in the Revised Fire Code of the Philippines (RA 9514) are unnecessarily stringent for socialized housing, significantly adding to the cost. Moreover, securing all requirements for new development can take 18 months for private developers. Community associations, particularly ISFs with limited resources, cannot afford such delays.

31. Signals of dysfunction in the area of housing finance include underpricing of loans and guarantees in an underdeveloped mortgage market. The existing housing finance approach is prone to leakages in government subsidies, since it is expected to solve a problem better framed in a social policy, i.e., the affordability issue of people in the lowest income deciles. It is also a highly regressive system whereby the poor, in effect, are displaced by middle-income households. The approach also has a crowding-out effect on private finance, aside from the high transaction cost that is a deterrent to the private sector's entry into housing finance market.

²⁰ "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 1185]."

32. In a number of housing summit discussions, the different stakeholders recognized that addressing the housing requirements of the lower-income households would require assistance for middle- and lower-middle income households in accessing formal finance. At present, the housing market fails to do this, as shown by the fact that many of these households also reside in informal settlements or urban poor communities. As Monsod points out (2016), not all dwellers in informal settlements are income poor. Nationwide, it is estimated that only 21.8 percent of households living on lots without consent are income poor while 78.2 percent of households are not poor. In the National Capital Region (NCR), only 6.5 percent of households in informal housing without consent are income poor while 93.5 percent of households are not poor.

33. Regarding governance, at the national and local levels — regional, provincial, city, and municipality — there is lack or absence of coherent assignment of institutional roles and functions in managing urbanization. Current institutional arrangement for planning and implementing off-city resettlement is extremely inadequate, with no government agency taking responsibility for providing basic services in NHA resettlement sites.²¹ The mixed outcome of government resettlement sites under *Oplan LIKAS* is a testament to the dysfunctional institutional setup. Relocated ISFs have encountered a myriad of problems, with those in off-city sites experiencing the most serious ones. Poor coordination between DILG and NHA, on the one hand, and between host LGUs, on the other, at the planning stage of the resettlement results in negative impacts on the quality of life of resettled ISFs, such as lack of adequate and timely access to basic services. Mechanisms for establishing inter-LGU urban development and planning systems are created on a case-by-case basis, rendering uneven the effectiveness and efficiency of resource allocation and causing heavy dependence on these resources, the availability of which is beyond the control of the participating and affected entities.

34. The Local Government Code and UDHA say local governments have the primary responsibility for providing housing assistance and are specifically mandated to inventory lands and identify sites for socialized housing. These are but a few of several local government mandates that have not been implemented by many LGUs. Most LGUs are overburdened by multiple responsibilities coupled with limited land and institutional capacity, which are made more pronounced by their dependence on national government for logistics and finances. Hence, LGU constituents, most of all the ISFs wanting to be engaged in their development process, find difficulty accessing technical and logistical support from government. They too encounter limitations in mobilizing their own resources and those of their partners, thus affecting their efforts for effective claim-making.

35. Nonetheless, when given technical support, LGUs can effectively carry out their planning roles. This is demonstrated by initiatives such as the Citywide Community Upgrading Strategy

²¹ NHA explains that the provision of services is not its mandate and that the subdivision developers that construct the housing units are not compelled and do not have the resources to put up the infrastructure for basic services (e.g., water or power lines to connect the resettlement sites to the main lines of the water and power companies). The host LGUs are not prepared and financially able to put up the needed infrastructure. This begs the question of how the location of resettlement sites is determined in the first place, and why the cost of the installation of this needed infrastructure is not included in the budget of site development. This cost can in fact be subsidized by the national government, as this is a public good necessary for poverty alleviation.

(Citywide) piloted in three LGUs in Metro Manila.²² Participation of civil society organizations and organized communities in the Citywide process has also engendered increased social capital at the local level that LGUs can harness to advance their development and housing initiatives.

36. To make inroads in providing affordable housing, government would need to reframe its understanding of the housing problem. There is need to rethink its role in housing finance, delink housing social assistance from finance markets, and turn government's attention to fundamental supply-side and urban governance issues. Barriers that make land inaccessible for many for housing need to be removed. If not systematically eliminated, these will continuously drive up the price of land and housing and worsen the situation in poor communities. Government would need to determine clearly its role in housing finance and regard housing for the very poor as part of its social program. It would also need to improve its governance so all stakeholders could effectively and efficiently perform their roles in delivering a shelter program. Government's preferred approach of prioritizing housing production and highly subsidizing its cost simply addresses the symptoms and not the root causes of why the housing system fails. Monsod (2016) explains how this inability is manifested by repeated episodes of insolvency experienced by government's housing finance corporations, high attrition rates at resettlement sites, and handling of public subsidies. She further suggests that the manner by which these subsidies are used present a challenge to the entry of private finance in the mortgage market.²³

C. Considerations

37. A number of principles and considerations inform the recommendations contained in the following sections. The first concerns the role of government in its avowed goal of increasing "access to decent, affordable, and secure shelter." This stems from the principle that housing is a basic human right, and the state, being the main institution entrusted with the responsibility of promoting the common good and rights of its people, has to make housing as broadly accessible as possible.

38. Housing or shelter provision needs to be embedded in the higher goal of inclusive and sustainable urbanization. Housing as used here is not only about the physical structure but also the development of thriving neighborhoods and communities where capital (social, physical, and other forms) are created, making them conducive venues for people to be fully human and alive. The unit of measure in an effective and efficient shelter program therefore should not be the number of houses produced or the loans taken out but should be the number of communities that have improved.

39. The mandate of inclusive urbanization has to take numerous factors into consideration. As Karaos (2016) explains: "The housing market in turn responds to spatial, demographic,

²² A program spearheaded by the World Bank, the Citywide provides technical assistance to LGUs and builds multi-stakeholder partnerships at the city level toward addressing the housing needs of poor communities. The pilot LGUs are Muntinlupa City, Barangay 177 of Caloocan City, and District 6 of Quezon City.

²³ In her policy brief, Monsod (2016) discusses in depth the issue of government subsidies.

economic, and other signals. Urbanization policy and management, including zoning ordinances, local development use plans and the placement (or absence) of mass transportation systems, infrastructure and social services is one source of signals. Government creates incentives and disincentives to encourage actions or behavior on the part of certain actors to achieve desired development outcomes, such as making urbanization as inclusive as possible and increasing private sector production of housing for low income sectors.”

40. Through a package of interventions, the state needs to set the stage in order to attract market players to engage actively and productively. Achieving inclusive urbanization requires it to perform its role of ensuring that no social group is systematically excluded from the advantages that result from progress, including access to secure shelter and employment. It cannot singlehandedly provide for the shelter needs of the lowest-income households. Other sectors, notably the communities, civic groups and NGOs, and the private sector, have important roles to play in making affordable housing in adequate and safe neighborhoods.

IV. Key Directions for Policy Reforms in Closing the Gap in Affordable Housing in the Philippines

41. The following recommendations are grouped according to the housing summit’s three thematic areas: land and housing, housing finance, and participatory governance. As explained above, inclusive urbanization and making shelter affordable for the disadvantaged provide an overarching framework in these recommendations.

A. Unlocking Land for Informal Settlers²⁴

42. Based on the analysis of satellite imagery provided by the European Space Agency, ISF communities occupy about 3,000 hectares of land in Metro Manila. The estimates on the number of ISFs in Metro Manila range from 163,094, based on the 2010 Census (Magtulis and Ramos 2013), to 250,895, based on the Family Income and Expenditure Survey of 2012 (Monsod 2016), to 584,524, compiled from Metro Manila city reports (Gaurano 2011).

43. While not having an accurate figure of ISFs is a problem altogether, the magnitude of the ISF population poses significant challenges to LGUs and KSAs in their efforts to provide secure land and housing for ISFs in Metro Manila, where land values are very high and where there are competing demands for land, e.g., for vital public infrastructure, settlements, open spaces, and support services to a continuously growing population. The challenges from climate change likewise call for urgent solutions to improve substandard housing and/or resettle ISFs occupying “danger zones.”

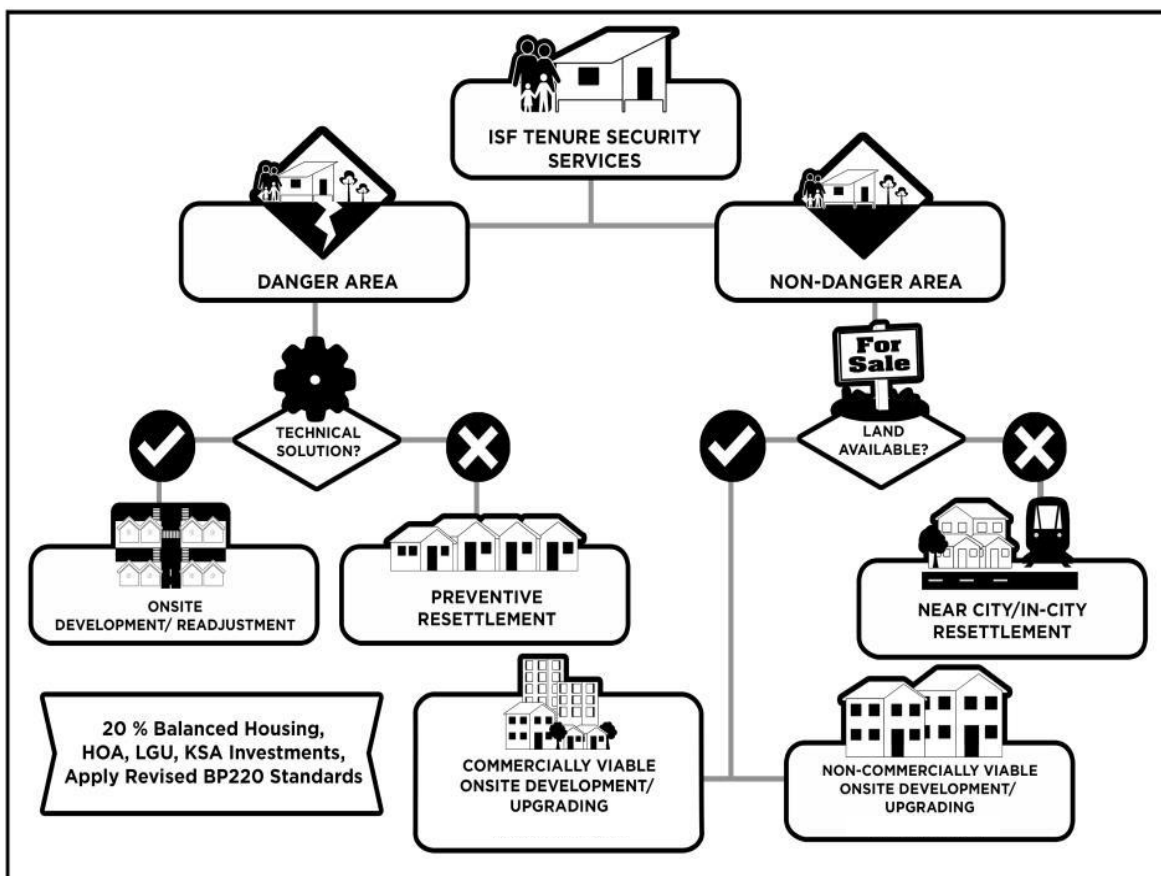
²⁴ Much of this section is from the policy brief prepared by a team from the Land and Governance Innovations, Inc. (LGI 2016).

44. Identifying pathways to land mobilization

- So that options for the possible mobilization of land can be identified, it is important to unpack the issues that constrain its availability. This would require distinguishing constraints according to the type of land currently occupied by ISFs, recognizing that a different approach to mobilization may apply to each. The first step is fundamental to assuring tenure security while giving significance to the safety of the settlement to residents, i.e., whether these are on danger (at-risk) or non-danger areas (see LGI 2016). Those which put people's lives at risk may further be classified into those for which technical solutions may be considered and those which require preventive resettlement of the occupants. Certainly, finding technical solutions, and thus allowing onsite upgrading, has to be tempered by the costs involved in development readjustments (see Figure 3).

- For non-danger zones, the key questions pertain to whether the land is privately owned or government property and, in either case, whether or not it is available for disposition. For non-danger zones, the key questions pertain to whether the land is privately owned or government property and, in either case, whether or not it is available for disposition. Those that

Figure 3: Pathways to Mobilizing Land



are not available for onsite development will entail in-city or near-city resettlement for the occupants. Two paths are possible for lands that are offered for disposition: for commercially viable areas (i.e., large tracks of land), the recommendation is to adopt mixed use development to optimize use of prime land), recognize private sector efficiency in land development and management and, at the same time, integrate informal settlers in the overall development of the area through onsite redevelopment. Onsite redevelopment is also possible for small and non-commercially viable areas through direct purchase, community mortgage, or other programs.

45. **Establishing a program on integrated land and ISF information system for Metro Manila**

The absence of an updated and complete inventory of ISFs in Metro Manila, their locations, and the status of the lands they occupy — with the available information kept in different formats and different information systems — hinder LGUs and KSAs in identifying lands that could potentially be used for socialized housing and other public purposes. It also affects their ability to identify ownership, remove uncertainties related to spurious counterclaims, land syndicates, and fake titles, and facilitate the discharge of administrative remedies to acquire lands through forfeiture of delinquent properties and expropriation of idle lands. Compounding this issue is the lack of information-sharing mechanism among land-related agencies, which has slowed down the land acquisition process and has substantially increased transaction costs. At the root of this issue is the complex land administration and management system, which breed overlaps in the discharge of land administration and management functions by national government agencies.

- It is recommended that the Office of the President issue an Executive Order to establish a program on integrated land and ISF information system for Metro Manila be issued. The intent is to establish a program management office with dedicated funding, resources, and timetable to:

- Conduct an inventory of existing tenure status of ISFs and prepare citywide land tenure improvement plans;
- Identify available land for ISF in-city resettlement or onsite development;
- Establish information system link between government agencies and LGUs;
- Make land information more accessible to all users; and
- Institutionalize land data sharing between and among LGUs and NGAs, including the implementing rules and regulations (IRR) of Section 209 of LGC.

- In essence, the program will be dedicated to addressing problems of tenure formalization of Metro Manila's urban poor, consistent with the intent of UDHA. It will help dissect the issues and needs, for example, of the following: (1) those who have acquired land but need support to complete onsite development; (2) those who are still seeking the owners of the private property they occupy; (3) those whose owners have agreed to sell but where land records have issues that prevent the purchase from taking place; and (4) those who are residing in government proclaimed lands but are having problems with the disposition of these properties. It

is fundamental for proper planning and management of response to understand and take stock of the needed information so that a well-coordinated and appropriate shelter program can be developed, and corresponding budgets and resources can be programmed. Without these, the current response has been to treat all ISFs as having the same issues, thus running the risk of “one-size-fits-all” solutions. National land agencies and LGUs would have to progressively share their records for this program to be successful.

- HUDCC shall be the lead agency for the implementation of this program, through a supplemental budget coupled with institutional strengthening to carry out this program over the long term.

46. Completing an inventory of idle government lands that could be made available for ISF in-city resettlement

- UDHA identifies idle government lands as priority for land acquisition for resettlement of ISFs, but, as noted above, information is not updated and incomplete. It is therefore important to come up with a complete inventory of idle government land to fully exhaust land mobilization for ISFs. The recommendation is for the Office of the President to issue a Memorandum Circular (MC) mandating an inventory of idle government lands.²⁵ The Circular will have provisions that will:

- Mandate government agencies to submit an inventory of their idle lands and provide information as to the purpose for which it has been reserved and its status;
- Instruct LGUs through DILG to conduct an inventory of government-owned and private idle lands appropriate for use as settlement in their respective territories;
- Require DENR to make available, at no cost, its land records, including approved subdivision plans and cadastral maps to DILG and LGUs; and
- Instruct LRA to make available, at no cost, maps, approved subdivision surveys, title information, and abstracts of registry to DILG and LGUs.

47. Resolving issues in the implementation of a large number of problematic proclamations, which cannot proceed with disposition to *bona fide* ISFs

- Proclamations of government lands have remained problematic for a long time, owing to the mandated bureaucratic process and weak due diligence in land investigation work before issuance. This constrains the availability of government lands for ISFs. There seems to be no easy resolution in sight, in the absence of a concerted effort to exhaust all means possible in addressing the problems through the joint action of all agencies concerned.

- The recommendation is for the Office of the President to issue an Executive Order establishing a Presidential Interagency Task Force (including the Metro Manila Development

²⁵ This Memorandum Circular was signed by the Executive Secretary on 1 December 2015, but has yet to be fully implemented.

Authority and cities concerned) to resolve issues in the implementation of proclaimed lands. The Task Force shall:

- Review proclamations that have implementation issues, were revoked, amended, or held in abeyance;
- Resolve and decide on all issues affecting implementation of proclamations that cannot be resolved at the operational level;
- Call on other government agencies and institutions to support the implementation of proclamations;
- Serve as oversight body in the implementation of proclamations/projects;
- Review, assess, and recommend options to improve the systems and procedures in the pre- and post-proclamation processes of affected agencies;
- Investigate and recommend to the President the filing of appropriate cases pertaining to causes of delay or non-implementation of proclamations/projects; and
- Identify and recommend areas for the issuance of Presidential Proclamations.

48. Establishing clear guidelines on administration and disposition of lands proclaimed for ISFs.

- There are no clear guidelines on the administration and disposition of lands proclaimed for ISF. This has resulted in wide variability in the instruments for disposition, absence of timetable to dispose of the property, and reluctance of the affected agency to release the land to NHA or any designated agency identified to administer the land. The impact is that many proclamations cannot be implemented or are left incomplete.

- It is recommended that an Executive Order be issued to standardize guidelines for administration and disposition of proclaimed lands for ISFs that shall:

- Clarify the basis for valuation;
- Address proclaimed lands without titles;
- Ensure smooth conveyance of titles to designated administrator of property;
- Address concerns about inclusion (or exclusion) of ISFs not currently occupying the land which is the subject of a new proclamation; and
- Make provisions for budget from the Department of Budget Management for every proclamation.

49. Streamlining the process for issuance of special patents. The very long process of proclamations of government lands and the eventual issuance of Special Patents over them have affected the pace of housing and tenure provision. Before the enactment of the Residential Free Patent Law (RA 10023), it could take 20 years or more to have a proclamation signed by the President, and almost as much time to issue the Special Patent. The specific provision of RA 10023

could be used to streamline the process for titling government lands if the IRR can be issued. A draft IRR for Special Patent was prepared during the housing summit. The recommendation is for DENR to review and issue the IRR.

50. **Improving access by ISFs to compliance housing projects and mechanisms in accordance with Section 18 of UDHA.** LGUs and ISF do not have full access to information on the nature, location, and type of compliance project by subdivision developers. There is no mechanism that matches ISF housing and financial needs that could be responded to by the compliance projects. The proposed solution is to develop a Joint DILG-HLURB Memorandum Circular specifying procedures that will ensure sharing of information on compliance projects with ISFs and LGUs. This could be done in the process of securing development permits from LGUs and in the evaluation of compliance projects by HLURB. Considering that there are very few subdivision projects in Metro Manila and other highly urbanized cities, the recommendation is to support the legislative bill or draft EO that will expand application of balanced housing to condominiums.

51. **Studying the feasibility of exempting foreclosed properties used for socialized housing from capital gains tax payment.** Many LGUs are already undertaking administrative recourse in case of default in payment of real property taxes. Most private property owners in default own properties that have been occupied by ISFs for many years, and may no longer have the incentives to keep the land. LGUs are unable to mobilize these lands because of the amounts of capital gains tax (CGT) that need to be paid to the Bureau of Internal Revenue before the properties can be transferred. LGUs are thus unable to use the lands for public purposes, including award to ISFs. It is recommended that DILG and the Department of Finance study the feasibility of exempting these properties from the CGT if the purpose is for ISF housing.

52. **Addressing issues relating to Batas Pambansa 220**

- The standards embodied in BP 220 are more applicable to private sector-initiated housing projects that target the middle- to low-middle income formal market rather than the specific circumstances of ISF. In particular, BP 220 and its IRR are limited mainly to development of new sites (off-site) and regulatory process designed for private sector developers and government. Moreover, they do not easily accommodate other emergent housing solutions and approaches, and do not encompass planning guidelines to encourage development of flexible and affordable solutions for and by ISFs. They are also not appropriate to community-initiated/self-help projects. This explains why ISF communities are having difficulties complying with the standards, and why LGUs are also having a hard time enforcing these planning requirements.

- It is recommended that planning and building guidelines and standards be prepared through an addendum to or a separate IRR for BP 220 that will:

- Strengthen and provide a more holistic approach to planning and implementation of shelter and settlements development for ISF communities;
- Encourage involvement of a broader range of stakeholders, especially ISF communities, in settlement and shelter planning and implementation;

- Make guidelines and standards more flexible and appropriate, in order to encourage generation of affordable housing solutions and technologies adaptive to current housing situation and existing programs;
 - Specifically, (a) guide the planning and implementation of onsite development projects, (b) allow for incremental development of sites and housing construction, (c) promote and encourage alternative technologies, (d) allow for conditional non-spatial compensatory measures in site/subdivision planning especially for onsite development, (e) consider disaster resilience and adaptation in planning and design, and (f) provide parameters that would aid ISF communities and other implementers in selecting appropriate and affordable housing solutions; and
 - Establish coverage and timeframe of the guidelines, especially for onsite development, so as not to encourage further illegal occupancy; hence, the need for a database and mapping of all existing ISF-occupied areas.
- Relatedly, it is also recommended that a regulatory audit of BP 220 and other existing building and subdivision codes and planning guidelines be undertaken. This audit should focus on the impact of these laws and other legal framework on transaction costs for ISFs and private developers, and thus the unit cost of land and housing and the implication on owning or rental and access to formal markets.

53. **Providing clarity and consensus on the definition of danger zones and coming up with corresponding policies and guidelines.** There has been clamor, particularly from ISFs and civil society, for government to clarify the definition of danger zones and to issue corresponding policies and guidelines. The Joint DENR-DILG-DOST-DPWH Memorandum Circular 2004-01, titled “Adoption of Hazard Zone Classification in Areas Affected by Typhoon Yolanda (*Haiyan*), and Providing Guidelines for Activities Therein,” could be used as a starting point for discussion on an area’s acceptability from social, technical, and economic perspectives. It could also serve as a guide, should it be immediately necessary to relocate ISFs in identified danger zones.

B. Addressing Housing Finance Challenges²⁶

54. A functioning housing market is one in which a household’s need for quality housing can be made a reality. This requires the following: financing, property market information, improved mortgage systems, and mechanisms for dealing with credit risks and transaction costs. In the absence of these, on the one hand, lenders will hesitate to offer their services to the market, more so to the riskier or poorer segments. Investors, on the other hand, will confront the risks of tying their funds for long periods and of inherent uncertainties. If the markets do not offer reasonable protections against these risks, e.g., insurance, investors will not go into new developments, maintenance, or upgrading, leading to fewer supply, excess demand, and higher market rates. To correct market failures, government has the option to introduce regulations,

²⁶ This section draws heavily from Monsod 2016.

taxes and subsidies, and the direct provision of goods and services. Aside from economic reasons, government's intervention can also be motivated by social considerations such as redistribution and ensuring that minimum housing standards are followed.

55. In the case of the Philippines, redistribution and efficiency or the expansion of formal market are not significantly achieved. Housing acquisition in the country is largely self-financed either through savings or incremental construction or directly financed, i.e., borrowings from family, friends, and associations. The required conditions for an efficient primary mortgage market such as credit bureau information and professional appraisal services are inadequate if not lacking. "Dependence on direct finance results in cities that are built as they are financed, with a considerable and visible proportion of self-construction and slum proliferation" (Lea 2009, quoted in Monsod 2016).

56. As cited in Monsod's paper (2016) "The first priority, and a prerequisite to the creation of a more competitive and effective housing finance system, is the elimination of the (often hidden) subsidies to state housing finance institutions or, alternatively, to provide access to these subsidies by all qualified actors in the sector or reorient these subsidies to leverage private sector participation (Hoek-Smit 2009:433)." It is with this lens that the government's housing finance institutions have to be assessed. How have HGC, NHMFC, and Pag-IBIG Fund enabled the mortgage market to perform better?

57. As earlier stated, addressing the housing requirements of the lower-income households would require that middle and lower-middle income households be assisted in accessing formal finance. This should not be limited to economic or financial interventions, such as reducing interest rates, but could include programs to encourage savings as well as improve employment and safeguards against loss of earnings. Interventions in making communities safe and disaster resilient lessen the risks to households.

58. Households that will not be served by the mortgage market have to be provided with a different program that falls under the welfare policy of the government. The best option is to support ways to secure property rights and for public investments to improve the provision of services and infrastructures. International experiences have shown that regulatory reforms generate better results than increased budget for housing production. Including the budget for housing social assistance in government's welfare program and making it transparent constitutes a twin approach to reforming housing finance.

59. Moreover, house ownership is a major investment decision and not all households are ready to invest and will opt for rental housing. The complexity of rental housing requires more information to design context-specific programs and policies, particularly for those in the low-income segments. What may be the better option is the general improvement of urban infrastructures and community services to improve housing quality and the quality of life of low-income renters. These may include complying with basic sanitation and safety codes and access to microfinance to enable landlords to comply.

60. A transformed policy on housing begins from a rethinking of the government's role in housing finance. This necessarily starts from an appropriate diagnosis and change of mindset from simply engaging in housing production and providing subsidies.

61. Three major groups of long-term and immediate actions are being recommended: (1) enabling the down-market expansion of formal housing finance to middle-income and lower-middle income groups, (2) reaching the lowest income groups, and (3) increasing investment in and supply of rental housing (Monsod 2016, Ballesteros 2016).

B.1. Expanding the reach of mortgage and non-mortgage finance (to and within middle-income and lower-middle income households)

62. Many households in the 4th to 8th deciles have incomes that could be enough to access modest formal markets (rental or otherwise). Yet they remain in substandard or informal housing in large part because of the unavailability of appropriate finance products and services. Expanding housing finance systems down-market will require system subsidies, or interventions to make the housing finance system more efficient. It will likewise entail subsidies that address specific constraints of households at the margin in accessing credit to become formal homeowners.

63. Priority system subsidies would focus on (1) removing barriers to entry, innovation, and price competition; (2) reducing credit risk or collateral risk for mortgage lending, (3) reducing the high transaction costs for loan origination and servicing, and (4) supporting efforts to expand the take-up and reach of market-based housing microfinance. Priority subsidies for households at the margin would depend on the specific binding constraint (i.e., saving, employment and earnings volatility, housing or neighborhood risk). The immediate first steps are the following:

- **Issuance of an Executive Order mandating an independent review of the operations and privileges of subsidized state-sponsored housing finance institutions** — Pag-IBIG Fund, HGC, NHMFC, SHFC — as well as NHA, measuring both benefits and explicit and implicit costs of government's objectives and involvement in housing finance markets and housing production. The last such review was in 1997. The review should take into account links with the financial sector including contractual saving sector, and will require the leadership of the Bangko Sentral ng Pilipinas (BSP), Department of Finance (DOF), and Governance Commission for Government-Owned or Controlled Corporations. This is particularly opportune in the case of NHA, whose charter ends in 10 years.

- In tandem with the above, parallel executive action to **assess options for an alternative use of public funds, in particular to the array of possible system subsidies** that may mitigate the various risks attendant to lending down-market. Among the options are providing short-term support for alternative types of lenders (housing microfinance institutions) through liquidity funding or capacity building; and subsidies to borrower education and to "public good" data and research on property and credit markets (e.g., comprehensive property information), research in standardization of mortgage procedures, new credit instruments, and house price trends. Another option is support for the development of improved/standardized underwriting

and user friendly servicing systems. Alternative use could also be complementary household subsidies to those at the margin of finance markets such as direct and transparent grants to alleviate down payment, title and closing costs, mortgage insurance, home-maintenance education, or matching grants from central government agencies to local government units to incentivize the installation and/or upgrading of infrastructure and services. If private lending to marginal neighborhoods is to be expanded government action on neighborhood investment planning/plans is critical.

- As such a review is being undertaken, it is recommended that new subsidy investments (such as in high density housing and relocation projects of NHA) as well as equity investments (in NHMFC, HGC, and NHA) are carefully disbursed to avoid further lock-in to the status quo. Legislation is needed to rationalize budget allocation for housing, taking into consideration the recommendations on expanding the mortgage system and providing for transparent and on-budget allocation for an improved shelter program.²⁷

B.2. Reaching the lowest income groups and household social assistance

64. It is likely that government has to play a more direct role in increasing general housing consumption for the segment since incomes are too low to access formal sector housing or financing, even for incremental improvements. **This is best served by support for securing property rights and public investments to improve access to urban services and infrastructure** (Hoek-Smit 2009 cited in Monsod 2016).

65. **In the immediate term therefore, addressing real side constraints** is the necessary first step and priority action by local and national government. Correcting real side distortions would also encourage private construction and development into the segment.

66. Additionally, **household social assistance** is almost always necessary. For purposes of GAA (Government Appropriations Act) sourcing, the components below can be considered and costed in lieu of the current non-market finance/production programs (and vis-à-vis other non-housing social assistance programs), with the exception of CMP. These are:

- **Grants in the form of serviced land with or without a core house**, which households can then complete incrementally. If already onsite, active support in **securing property rights** and upgrading, both within and around the community, e.g., matching grants from central government agencies to local government units for upgrading.
- **Home improvement grants**, including for rental extensions of the house. These grants can reach households that do not qualify for loans or microcredit.
- Support for the **establishment of community-based support systems to acquire building materials in bulk and provide quality control**.

²⁷ Any new comprehensive shelter financing, similar to RA 7885 or CISFA, has to be in harmony with the requirements of the present policy reform recommendations.

- Support for **community savings and counseling programs** that would complement efforts to expand the reach of housing microfinance.

B.3. Growing the rental housing market

67. Attracting more investors and increasing the supply of formal rental units requires in the first instance a removal of rent control and any unduly restrictive and non-tenure neutral regulation, taxes, or subsidies which discourage rental investment in favor of ownership investment (Hoek-Smit 2009 cited in Monsod 2016).

68. More information may be needed to design context-specific interventions to incentivize investments into different segments, particularly investment into the low-income rental segment, and to improve the tenure security and quality of housing of low-income renters. Encouraging local governments to design and test approaches would be key.

69. In the meantime a rental policy for the low income sector may be “best focused on the general improvement of urban infrastructure and neighborhood services, which would improve the quality of life of low-income renters more than almost any other government measures” (Hoek-Smit 2009:442 quoted in Monsod 2016). Housing quality and the quality of life would also be improved by better compliance with basic sanitation and safety codes. Access to microfinance could assist landlords improve sanitation and other low-income rental housing services.

C. Institutionalizing Participatory Governance²⁸

70. Responding effectively to the challenges of inclusive urbanization and providing affordable housing to the disadvantaged demands a twofold major shift in the governance of the housing sector. One focuses on refining the mandates of key shelter agencies and LGUs, with the latter exercising fully its roles and responsibilities as prescribed in UDHA and the Local Government Code. The other concerns the need for an authoritative body that will monitor, support, and serve as enabler in local development planning and inclusive urbanization.

71. The specific recommendations concerning the transformation of the key shelter agencies are discussed in the section on housing finance, above, and more fully in Monsod (2016). With regard to LGUs and the need for boosting institutional support, the long-term recommendations are, as follows (Karaos 2016):

- Through executive directives (EOs and Department Orders), institutionalize and strengthen the urban development role of DILG so that its enabling role vis-à-vis city and municipal governments is made effective. A concrete step could be the creation of a bureau within DILG for assisting and monitoring LGUs in the performance of their urban development functions and mandates.

²⁸ This section is mostly from Karaos 2016.

- The 16th Congress attempted to legislate the creation of a Department of Housing and Urban Development (DHUD). There is now an opportunity to determine the most appropriate institutional setup for overseeing and guiding urbanization processes, of which housing is only one element, and enabling LGUs, especially provinces, to perform their mandated roles. The four options presented by Karaos (2016: 4) could provide a starting point for studying and deciding on the most suitable institutional setup.

- In her policy brief, Monsod (2016) offers another option, emphasizing that “monitoring and supporting inclusive urbanization is by nature a coordinative task [and thus] it is not, and should not be, the work of any one department. Rather than a department of housing and urban development (which has long been proposed), a more feasible and, perhaps, efficient strategy to redirect policy and reenergize the sector would be to **reconfigure HUDCC to include DILG and NEDA as co-chairs**, as well as make HUDCC a co-chair of the RDCom [Regional Development Committee], expanding focus of the latter to explicitly include urbanization (i.e., Regional Development and Urbanization).”²⁹

- Through a legislative act, create or designate a state agency that will provide community development assistance to the most needy in urban poor communities and capacity building assistance to community organizations to enable them to engage effectively with LGUs in local shelter and development planning and budgeting and to access housing subsidies and other resources from both public and private institutions to meet their shelter needs. This can be done by creating a CODI (Thailand’s Community Organizations Development Institute)-like institution or creating a special unit and program within the Department of Social Welfare and Development (DSWD) focused on community development for accessing shelter and basic services.

72. LGUs’ roles and responsibilities in shelter provision are expansive – involving land inventory, mobilization, and disposition; land use and investment planning; issuance of permits and regulations; mobilization of resources and financing; provision of basic services; enforcement and monitoring; and registration of beneficiaries and mobilization of community participation. For the immediate or short-term, and so that pressing issues and problems are resolved, the following are being recommended:

- Provide technical assistance to DILG to study the best way to provide the logistical and other support to LGUs to enable them to carry out their mandated task of land inventory, registration of social housing beneficiaries, and identification of social housing sites.

- Promote and expand a citywide community upgrading strategy among LGUs, including to those that serve as host LGUs of resettled ISFs, to enable these LGUs to make shelter plans through a participatory process, and to systematically program their shelter interventions, tapping onto the shelter programs of the key shelter agencies.

²⁹ A reconfiguration would also involve **assigning to HUDCC control over the design and allocation of state subsidies** for housing production, finance, and urban development, including how these subsidies could be channeled, i.e., by different providers — private, NGO, NGAs, and LGU — of which the housing corporations would only be one option.

- Issue an EO to expand the pilot project for undertaking the ground validation of the inventory of land and ISF undertaken in Quezon City to the remaining 16 LGUs of Metro Manila. This expansion of the pilot can also be coordinated by DILG and the resulting database will be kept by DILG and shared with HUDCC. A mechanism for updating the database must be provided as well as the needed resources which can come from budgetary appropriations.

- DILG to develop and implement a pilot program to test different ways of incentivizing LGUs to institutionalize participatory local shelter planning in the context of development and physical plans of the regions/provinces where they are located. This pilot program must include LGUs outside Metro Manila. One type of incentive could be funds for local development projects shown to be part of or consistent with provincial/regional development and physical plans. There needs to be a mechanism for checking the coherence of the components of the plan and LGUs will be rewarded for outcomes.

- Develop the capacity within DILG to guide and assist LGUs in developing urban development plans that would deal with the challenges of urbanization, including the provision of infrastructure and transport, basic, and social services including shelter.

- Review the roles, functions, and mandates of state-owned shelter institutions vis-à-vis the evolution of the banking sector and microfinance institutions with a view to fine-tuning their housing finance programs and interventions so that they complement and not displace the private sector in providing needed financing for housing.

- Provide technical assistance to HUDCC toward strengthening its role in monitoring urbanization trends and impacts and developing an urbanization framework that would guide local and regional development plans so that these will be proactive and responsive to people's needs in housing, transport, infrastructure, and services.

- Create a mechanism for providing capacity building and technical assistance to ISF community organizations for shelter planning, savings, financial management, and accessing government housing programs. The mechanism can be agency-based (e.g., integrated into agency programs like CMP and HDH programs of SHFC). Study how best to institutionalize such a mechanism (e.g., unbundle the housing finance and capacity building functions of SHFC and strengthen its community development and capacity building roles or create a unit within DSWD to engage in community development specifically for shelter provision).

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Appendices

- A Unity Statement
- B Presentations in National Summit Sessions
- C World Bank Analytical and Advisory Assistance
- D National Housing Summit Participants



UNITY STATEMENT

UPHOLDING THE RIGHT TO ADEQUATE, DECENT AND AFFORDABLE HOUSING

We, leaders and representatives of various agencies and institutions from the government, civil society, people's organizations, business groups and international development organizations, call for the adoption of a viable housing policy agenda to address the country's problems on housing and urban development.

We are bound by our conviction that government should continue to uphold the people's right to adequate, decent and affordable shelter. We call on the government to ensure that in-city housing and people's planning process is the preferred option on shelter delivery and to recognize that enabling a wide range of options for decent and affordable housing should be a priority agenda in the State's goal to achieve inclusive growth.

We are united by the participatory process of the National Housing and Urban Development Summit which provided a venue for all stakeholders to extensively discuss present issues on housing and to come up with solutions agreed upon by all stakeholders.

We therefore call on the government and other stakeholders to address the issues affecting housing and urban development and adopt the policy proposals of the National Housing and Urban Development Summit.

Signed in the City of San Juan, on the 4th of April 2016.

HOUSING SUMMIT RECOMMENDED LEGISLATIVE AND EXECUTIVE ACTIONS

A. LAND AND HOUSING

Executive

- a. Establish an integrated land and ISF information system and institutional arrangement for information sharing.
- b. Develop new regulations making settlement planning and building guidelines and standards more flexible and appropriate, to encourage affordable, disaster-resilient housing solutions and technologies for settlements upgrading/on-site incremental housing.
- c. Prioritize the resolution of outstanding issues affecting lands proclaimed as housing sites and standardize the guidelines for administration and disposition of proclaimed lands to intended ISFs.
- d. Issue a Joint DILG-HLURB Memorandum Circular specifying procedures to ensure sharing of information on compliance projects under Sec. 18 of Republic Act 7279 or the Urban Development and Housing Act (UDHA) with ISFs and LGUs.
- e. DENR to review and issue revised Implementing Rules and Regulations (IRR) of the Special Patent Law (RA 10023) to address the lengthy special patents issuance process.
- f. Issue an Executive Order providing for a private sector-led vertical socialized housing program as one of the priority options in urban centers.
- g. Include the implementation of vertical socialized housing in the Philippine Development Plan.

Legislative

- a. Enact a housing policy that promotes the right of the people to access housing within the city, as a preferred option, and institutionalizes the people's planning process as a critical element in the implementation of housing projects.
- b. Amend Sec. 18 (Balanced Housing provision) of Republic Act No. 7279 or UDHA, to include condominiums and recognize vertical socialized development as another mode of compliance

- c. Issue a Joint Resolution on Housing Terminologies for clarity and consensus on the definition of significant housing terms.
- d. Institutionalize vertical development as one of the priority approaches in providing socialized housing in urban centers.
- e. Review and pursue all pending bills related to unlocking government lands for socialized housing and other related housing policies.
- f. Exempt forfeited properties, except raw land, from payment of Capital Gains Tax and related transfer taxes if said properties are to be mobilized for ISF housing.

B. FINANCING

Executive

- a. Assess options for alternative use of public funds, in particular, for system subsidies that may mitigate the various risks attendant to lending down-market. (Options: borrower education, strengthening credit guarantees, strengthening of the Credit Bureau, support to microfinance or complementary household subsidies).
- b. Evaluate alternative modes of household social assistance such as grants in the form of serviced lands with or without a core, home improvement grants, community-based support systems to acquire building materials in bulk and provide quality control, community savings and counseling programs
- c. Review the functions and programs of state-owned shelter institutions vis-à-vis the banking sector and micro-financing institutions.
- d. Formulate and issue uniform procedures in availing of tax incentives for private sector participants in socialized and low cost housing, including vertical socialized and low cost housing, consistent with the provisions of RA 7279 and EO 226 or the Omnibus Investments Code.
- e. Promote and increase supply of rental housing.
- f. Provide adequate funding support for community development programs for ISF communities and resettlement sites.

Legislative

- a. Regulatory audit of rent control and other policies, taxes and subsidies, that may be unduly restrictive and non-tenure neutral.

C. GOVERNANCE AND INCLUSIVE URBANIZATION

Executive

- a. Review the mandates of key shelter agencies in the context of establishing a clear value chain among the agencies and strengthening the housing sector towards the creation of a Department of Housing and Urban Development.
- b. DILG, in consultation with relevant stakeholders, to formulate clear guidelines and provide the necessary support to LGUs in carrying out their mandated tasks on socialized housing.
- c. DILG to develop and implement a program that incentivizes LGUs to institutionalize participatory city-wide local shelter planning and implementation of socialized housing programs.
- d. Update the Implementing Rules and Regulations for Sec. 28 of UDHA to integrate the social preparation protocol.

Legislative

- a. Enact a law creating a Department of Housing and Urban Development with a clear mandate for enabling housing provision and coordinating urban development policy and management, in accordance with the National Urban Development and Housing Framework and the Philippine Development Plan.
- b. Strengthen DILG's institutional structure to assist and monitor LGUs in the performance of their functions and mandates pertaining to urban development and socialized housing.
- c. Enact a resettlement policy clarifying the roles and distribution of resources of receiving and sending LGUs and other government agencies in ensuring adequate access to basic services of resettled communities as well as establishing minimum standards in the formulation of the Relocation and Resettlement Action Plan (RRAP) and procedures for social preparation.
- d. Enact a law streamlining the process for granting permits, licenses and clearances.
- e. Incorporate housing programs in the development of masterplans for economic growth centers or areas.

Appendix B

Presentations in National Summit Sessions

Presentation	Presenter, Session, and Date
Land and Housing	
Land and related constraints in socialized housing provision in Metro Manila	LGI (Local Governance Innovations, Inc.), Learning Session, 4 June 2015
Suggested next steps on BP 220	LGI, Learning Session, 8 June 2015
20 percent balanced housing development	LGI, Learning Session, 8 June 2015
Alternative tenure arrangements	LGI, Learning Session, 8 June 2015
The Philippine housing industry roadmap: 2012-2030	SHDA (Subdivision and Housing Developers Association, Inc.), Learning Session, 22 June 2015
Overview of the housing sector composition, plans, and programs	HUDCC (Housing and Urban Development Coordinating Council), Learning Session, 25 June 2015
Land and related constraints in socialized housing provision in Metro Manila	LGI, TWG Land and Housing, 17 August 2015
ISFs on private land: CMP case	SHFC (Social Housing Finance Corporation), TWG Land and Housing, 17 August 2015
Community experience in land acquisition	HPFPI (Homeless People's Federation Philippines, Inc.), TWG Land and Housing, 17 August 2015
APOAMF housing project	NHA, TWG Land and Housing, 3 September 2015
Building Sustainable Community: Bistekville 2	PHINMA, TWG Land and Housing, 11 November 2015
Housing Finance	
Levelling off on the housing finance problem	Toby C. Monsod, TWG Housing Finance, 24 August 2015
Government shelter delivery systems	HUDCC, TWG Housing Finance, 24 August 2015

Presentation	Presenter, Session, and Date
NHA subsidies in the NCR in-city housing program	NHA (National Housing Authority), TWG Housing Finance, 3 September 2015
SHFC's housing finance subsidy	SHFC, TWG Housing Finance, 3 September 2015
Rental housing for affordable shelter	PIDS (Philippine Institute for Development Studies), TWG Housing Finance, 5 November 2015
Pag-IBIG Fund home financing	HDMF (Home Development Mutual Fund), TWG Housing Finance, 5 November 2015
Role of NHMFC in the housing sector	NHMFC (National Home Mortgage Finance Corporation), TWG Housing Finance, 5 November 2015
Role of HGC in the housing sector	HGC (Home Guaranty Corporation), TWG Housing Finance, 5 November 2015
Quezon City's Housing, Community Development, and Resettlement Department	Quezon City Government, TWG Housing Finance, 5 November 2015
Karanasan ng ULAP Manila sa pag-gamit ng PHP50 billion na pondong pabahay	ULAP Manila (Ugnayan Lakas ng Apektadong Pamilya sa Baybaying Ilog), TWG Housing Finance, 24 August 2015
Akses sa pondong pabahay para sa people's plan ng apat na estero	Nagkakaisang Mamamayan ng Legarda, TWG Housing Finance, 24 August 2015
Bangko Sentral ng Pilipinas and housing microfinance	BSP (Bangko Sentral ng Pilipinas), TWG Housing Finance, 5 November 2015
Socioeconomic survey of ULAP Manila	ULAP, TWG Housing Finance, 3 September 2015
<i>Apat na prayoridad na estero</i> (Four Priority Waterways)	Nagkakaisang Mamamayan ng Legarda, TWG Housing Finance, 3 September 2015
Proposed PPP (public-private partnership) socialized housing program for informal settlers in Metro Manila	SHDA (Subdivision and Housing Developers Association), TWG Housing Finance, 5 November 2015
Perspectives, gaps, and learning on private sector housing finance	OSHDP (Organization of Socialized Housing Developers of the Philippines), TWG Housing Finance, 5 November 2015
CREBA's proposed legislative measures in support of its 5-point agenda for housing	CREBA (Chamber of Real Estate and Builders Association), TWG Housing Finance, 5 November 2015
Participatory Governance	
LGU roles in shelter provision as mandated by LGC, UDHA, CISFA, and related policies	Angie Umbac (DILG), TWG Participatory Governance, 24 August 2015

Presentation	Presenter, Session, and Date
Enabling environment for scaling up affordable housing provision	Marilyn Tolosa-Martinez, Small meeting on Participatory Governance, 25 November 2015
House Bill 6194 for the Creation of the Department of Housing and Urban Development	Marites E. Pempena, Committee Secretary of the House Committee on Government Reorganization, Small Meeting on Participatory Governance, 25 November 2015
NHA relocation and resettlement program	NHA, TWG Participatory Governance, 21 September 2015
Community Mortgage Program and High Density Housing Program	SHFC, TWG Participatory Governance, 21 September 2015
Harmony Hills residences: A sustainable township project of the National Government Center Housing and Development Project	NHA, TWG Participatory Governance, 21 September 2015
Experiences with projects supporting people's plans	SHFC, TWG Participatory Governance, 12 November 2015
Adopting the Citywide Development Approach for social housing	SHFC, TWG Participatory Governance, 12 November 2015
Urban regeneration: Philippine models (1974-2015)	NHA, TWG Participatory Governance, 23 November 2015
Eviction monitoring report (January 2015-July 2015)	UPA (Urban Poor Associates), TWG Participatory Governance, 24 August 2015
Karanasan ng Slip Zero sa pagharap ng banta sa demolisyon dahil sa imprastrakturang proyekto (North Modernization Project)	Samahang Magkakapitbahay sa Slip-0, TWG Participatory Governance, 24 August 2015
FDUP experience with Ernestville Homeowners' Association in Barangay Gulod, Quezon City	FDUP (Foundation for the Development of the Urban Poor), TWG Participatory Governance, 12 November 2015
Experiences with the Citywide Development Approach in Quezon City	ALTERPLAN (Alternative Planning Institute), TWG Participatory Governance, 12 November 2015
Citywide Development Approach: Muntinlupa City	TAMPEI (Technical Assistance Movement for People and Environment Inc.), TWG Participatory Governance, 12 November 2015
Urban Development	
Proposed legislation processed by the Committee on Housing and Urban Development	CHUD (Committee on Housing and Urban Development Committee Secretariat), House of Representatives, Learning Sessions, 25 June 2015

Presentation	Presenter, Session, and Date
Towards sustainable urban development	NEDA, (National Economic and Development Authority), TWG Urban Development, 3 August 2015
Quest for quality cities and quality of life: Sustainable urban development and redevelopment	NEDA, TWG Urban Development, 27 August 2015
Inclusive urbanization: Insights from the 7 th PHDR and World Development Report, 2009	Toby C. Monsod, TWG Urban Development, 27 August 2015
Case of Golden Horizon, Barangay Hugo Perez, Trece Martires City	AKKAP (Ang Karapatan ng Kabataan Ating Protektahan), TWG Urban Development, 27 August 2015
Resettlement validation	UPA (Urban Poor Associates), TWG Urban Development, 27 August 2015
Southville 1, Cabuyao Laguna	UPSAI, TWG Urban Development, 27 August 2015
Metro Manila Mapping and Maps	The World Bank Task Team, TWG Urban Development, 21 September 2015
Achieving sustainable urban development: Some parameters to consider in planning the growth of your city	UN-Habitat, TWG Urban Development, 23 November 2015

Appendix C

World Bank Analytical and Advisory Assistance to the Government of the Philippines: Urban Development and Housing Sector, FY 2011-2016

Project/TA Name <i>Implementing Agency</i>	Brief Description and Key Outputs
Metro Manila Green Print 2030 <i>MMDA</i>	<ul style="list-style-type: none"> • Analytical work in support of the formulation of a broad vision for Metro Manila. The study focused on building a wide consensus over a metro-wide perspective toward economic development and green-growth oriented urban development. • Key Output: “Metro Manila for All: Green, Connected, and Resilient; Embracing Talents and Opportunities, Processing Knowledge and Delivering Services to the World”
Urbanization Review <i>World Bank</i>	<ul style="list-style-type: none"> • Analytical work to better understand the urbanization process in the Philippines, how Metro Manila could better perform, and how urbanization can be leveraged for employment growth, poverty reduction, and improved quality of life. The work was envisioned to better inform policy makers and the general public of the Philippine urbanization process; assist Government to identify policy and investment constraints; and develop a knowledge base and framework to design and implement effective urbanization policies and programs. • Phase 2 will be designed in or around September 2016 as a more action-oriented research that leads to a tangible investment lending. • Key Output: “Philippine Urbanization Review: Fostering Competitive and Sustainable and Inclusive Cities”
National Informal Settlements Upgrading Strategy (NISUS) for the Philippines <i>HUDCC</i>	<ul style="list-style-type: none"> • Technical assistance (TA) aimed at developing a national strategy to guide the national government and local government units (LGUs) in the preparation and implementation of effective policies and programs on informal settlements upgrading. The TA sought to support HUDCC in drafting a "National Government Resettlement Policy" and updating the National Urban Development and Housing Framework; supporting the implementation of the 2010-2016 Philippine Development Plan by promoting awareness and ownership of and involvement, accountability, and partnerships in informal settlements upgrading initiatives among the concerned stakeholders including LGUs, national government agencies, communities, private sector, and civil society; and helping LGUs identify policy and program options for local informal settlements upgrading that should be integrated into the local planning documents. • Key Outputs: (1) “Comprehensive Assessment Report on Informal Settlement Communities in the Philippines,” (2) Working Document on National Resettlement Policy Framework, and (3) “Developing a National Informal Settlements Upgrading Strategy”

Project/TA Name Implementing Agency	Brief Description and Key Outputs
Design of Housing Subsidy Schemes for the ISF Program <i>HUDCC</i>	<ul style="list-style-type: none"> Housing subsidies, currently missing in government housing program, are necessary for scaled up affordable housing program. This analytical work sought to develop upfront and income- based capital subsidy design to make housing affordable, leverage funding from the Home Development Mutual Fund (Pag-IBIG Fund), and incentivize private sector participation in housing production. Key Outputs: (1) Analytical work/presentation materials on the design of upfront income-based subsidy for socialized housing and (2) upfront income-based capital subsidy design to be piloted under Metro Manila Flood Management Project Phase I.
Support to the National Technical Working Group (NTWG) on Informal Settlement Families (ISFs) <i>World Bank</i>	<ul style="list-style-type: none"> Expert and just-in-time advisory services in the formulation of a comprehensive framework for the PHP 50 billion ISF program, premised on prioritizing onsite improvements and in-city or near-city relocation. The TA provided support to DILG in terms of (a) distilling international and regional good resettlement practices; (b) defining the structure and the role of the NTWG that was created to formulate and recommend policies, issue guidelines, and coordinate programs of the different government agencies in the implementation of the PHP 50 billion ISF program; and (c) conceptualizing the LGU Housing Seed Fund, which was envisioned to provide funding to LGUs for technical assistance and capacity- building; land acquisition and site development; and/or bridge financing/matching grant for community savings to allow communities to make down-payments for land acquisition.
SHFC-TA <i>SHFC/WB</i>	<ul style="list-style-type: none"> Phase 1 of the TA provided just-in-time technical advice in the review of SHFC's existing portfolio, procedures, and processes with the aim of addressing current bottlenecks in implementing and scaling up the delivery of quality housing programs under affordable and sustainable housing finance schemes for the underprivileged sectors. Phase 1 of the TA also reviewed the CMP (Community Mortgage Program) Portfolio particularly on how different factors have affected the performance of the community repayments (collection efficiency ratio), project type (onsite or off-site), community size, type of CMP mobilizer, equity contribution, substitution and individualization, and economic cycle of the Philippines. Key recommendations of Phase 1 analytical work was the development of the High Density Housing (HDH) Program for in-city/near-city housing; and demonstrating the citywide development approach to shelter provision in LGUs in Metro Manila. Phase 2 of the TA supported SHFC in the establishment of the HDH program and building the capacity of the agency and its stakeholders to operationalize this new program. It also supported SHFC in championing and piloting the citywide development approach to shelter provision through learning exchange events with SHFC program partners that included LGUs, civil society organizations, and relevant national government agencies.

Project/TA Name Implementing Agency	Brief Description and Key Outputs
<p>Citywide Community Upgrading Strategy</p> <p><i>World Bank, SHFC and the LGUs of Barangay 177 (Caloocan City), District 6 of Quezon City, and Muntinlupa City</i></p>	<ul style="list-style-type: none"> • This TA aimed to pilot a citywide planning process to help reduce informality in Metro Manila in three flood-prone cities in Metro Manila: Caloocan City (Barangay 177), Muntinlupa City, and Quezon City (Congressional District 6). • Key Outputs: (1) spatial mapping and socioeconomic profiling of all informal communities in the city (or district/village) overlaid with hazard maps; (2) citywide shelter development plan for each LGU based on supply (land, subsidy, other financing) and demand-side (shelter needs, affordability, etc.) analyses and prioritization of communities based on a clear set of criteria; (3) prioritization of community-driven slum upgrading projects in each pilot city; (4) establishment or revitalization of a platform for government-civil society-private sector collaboration; and (5) capacity-building activities for key stakeholders. • Key Output: Citywide Community Upgrading Strategy Stock-taking Report
<p>NHA-TA</p> <p><i>NHA/World Bank</i></p>	<ul style="list-style-type: none"> • Phase 1 of this TA was to provide advisory assistance to NHA in reviewing its resettlement program cycle with an end view of introducing good practices and enhancements to make the program aligned with international standards. It also reviewed estate management processes, practices, and arrangements directed toward NHA experiences as well as private and other public initiatives. Phase 1 involved a learning-by-doing cycle to assist NHA in enhancing its organizational capability to sustain the innovations and changes introduced as a result of the analytical work. The TA outputs paved the way for NHA to review and improve its standards and manuals for site selection, site suitability analysis, and site planning; and develop an Estate Management Manual. • Phase 2 of the TA sought to inform the design of the Metro Manila Flood Management Project - Phase 1 by providing input to the preparation of its social safeguards instruments; help NHA strengthen its capacity to plan and implement resettlement programs; and determine its appropriate role in livelihood interventions vis-à-vis other players. The TA reviewed the <i>Oplan Likas</i> program (also known as PHP 50 billion ISF program) to determine the level of compliance and consistency with the World Bank's Operational Policy on Involuntary Resettlement; and recommend improvements for government's future resettlement programs as well as possible corrective actions for past resettlement activities. The TA also conducted a livelihood study to look into optimal livelihood interventions for ISFs who were resettled off-city and in-city considering their differing constraints. Finally, it carried out capacity-building activities for NHA managers and personnel in resettlement planning, implementation, and monitoring and evaluation; and estate management to help improve the performance and outcome of its large-scale resettlement programs. • Key Outputs: Final NHA-TA Report, Estate Management Manual, Revised Manuals for Site Selection, Site Suitability Analysis and Site Planning;

Project/TA Name Implementing Agency	Brief Description and Key Outputs
	(Phase 2) Briefing Paper 1 (Evaluation of the Performance of Oplan Likas Program, Briefing Paper 2 (Stock-taking of the Achievements and Gaps of Oplan Likas Program in Restoring Livelihoods of Resettled ISFs), Briefing Paper 3 (Recommendations on Possible Livelihood Interventions for and Options for Implementation Arrangements for Livelihood Interventions)
Land Constraints Study <i>World Bank</i>	<ul style="list-style-type: none"> • This analytical work sought to generate a better understanding of land-related constraints that hamper the implementation of viable and sustainable housing solutions. The study looked into three key areas: (1) land administration and management, (2) land mobilization, land tenure, and housing rights, and (3) land use and planning regulations. • The study identified and provided recommendations on the following constraints: (1) limited access to up-to-date and reliable information on land and ISFs, (2) planning rules and regulations issues particularly relating to Batas Pambansa 220; (3) presence of a large number of problematic proclamations; (4) absence of clear guidelines on administration and disposition of lands proclaimed for ISFs; (5) incomplete inventory of idle government lands that could be made available for ISF in-city resettlement; (6) lengthy process for issuance of special patents; (7) limited access by ISFs to compliance housing projects and mechanisms per Section 18 of UDHA; (8) high capital gains tax imposed on foreclosed properties prevent LGUs from using these lands for ISFs. These issues and resulting recommendations were unraveled and confirmed during the conduct of the National Summit on Housing and Urban Development. • Key Output: "Understanding Land and Related Constraints in the Provision of Affordable Housing in Metro Manila"
Rental Housing Voucher Scheme <i>World Bank</i>	<ul style="list-style-type: none"> • Rapid assessment of the supply of and demand for low cost rental housing to better understand the rental arrangements, potential supply in the market as well as the behavior and needs of households in informal settlements. A parallel study and development of an Operational Manual on the implementation of a rental housing voucher scheme for Typhoon Yolanda-affected areas was helpful in the design of a transitional rental support program under the Metro Manila Flood Control Project. • Key Output: Survey of Low Cost Rental Housing Supply and Rental Demand of Low Income Households
Metro Manila Urban Slum Study <i>World Bank</i>	<ul style="list-style-type: none"> • Primary data collection from 3,000 ISFs in Quezon City, Muntinlupa City, and Caloocan City, to better understand their socioeconomic welfare. • Key Output: Final report due November 2016.
Slums Analyses in Metro Manila <i>World Bank</i>	<ul style="list-style-type: none"> • This study provides geo-data on informal settlements and urban growth patterns in Metro Manila in the last 24 years through the use of high resolution satellite imageries. It produced maps showing the evolution of ISF settlements as well as their distribution in Metro Manila.

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¹This list – covering the sessions from the organizational meeting on 9 July 2015 to the presentation-discussion of the draft policy paper in February 2016, but excluding task group meetings of the Thematic Working Group on Land and Housing (TWG-LH) as well as the People’s Summits – was prepared with the assistance of the Institute of Philippine Culture of the Ateneo de Manila University’s School of Social Sciences, the management team of the housing summit.

²The number after the participant’s name indicates the following:

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Policy Briefs

Addressing Constraints to Mobilization of Land and Housing for
In-City Resettlement of ISFs in Metro Manila
by *Land and Governance Innovations, Inc.*

Rethinking Urban Housing Policy: A Policy Paper for the
National Housing Summit
by *Toby C. Monsod*

Enabling Local Rental Housing Market
by *Marife Ballesteros*

Refining Stakeholder Roles and Relations toward Inclusive Urbanization
by *Anna Marie A. Karaos*

Addressing Constraints to Mobilization of Land and Housing for In-City Resettlement of ISFs in Metro Manila¹

Challenge

In the face of growing urbanization in the Philippines, there has been, in the last decade, corresponding surge in the population of informal settler families (ISFs) in key cities, particularly those in Metro Manila. The attraction of primary urban centers, driven by excess and highly skilled workforce and coupled with lack of employment and opportunities in the rural areas, has contributed to the changing demographics. The growth of ISFs in the period 2007-2011 reached 7.3 percent, estimated to reach about 584,425 households, representing a quarter of the Metro Manila population. Based on analysis of satellite maps from the European Space Agency, ISF communities occupy 3,000 hectares of land in Metro Manila.

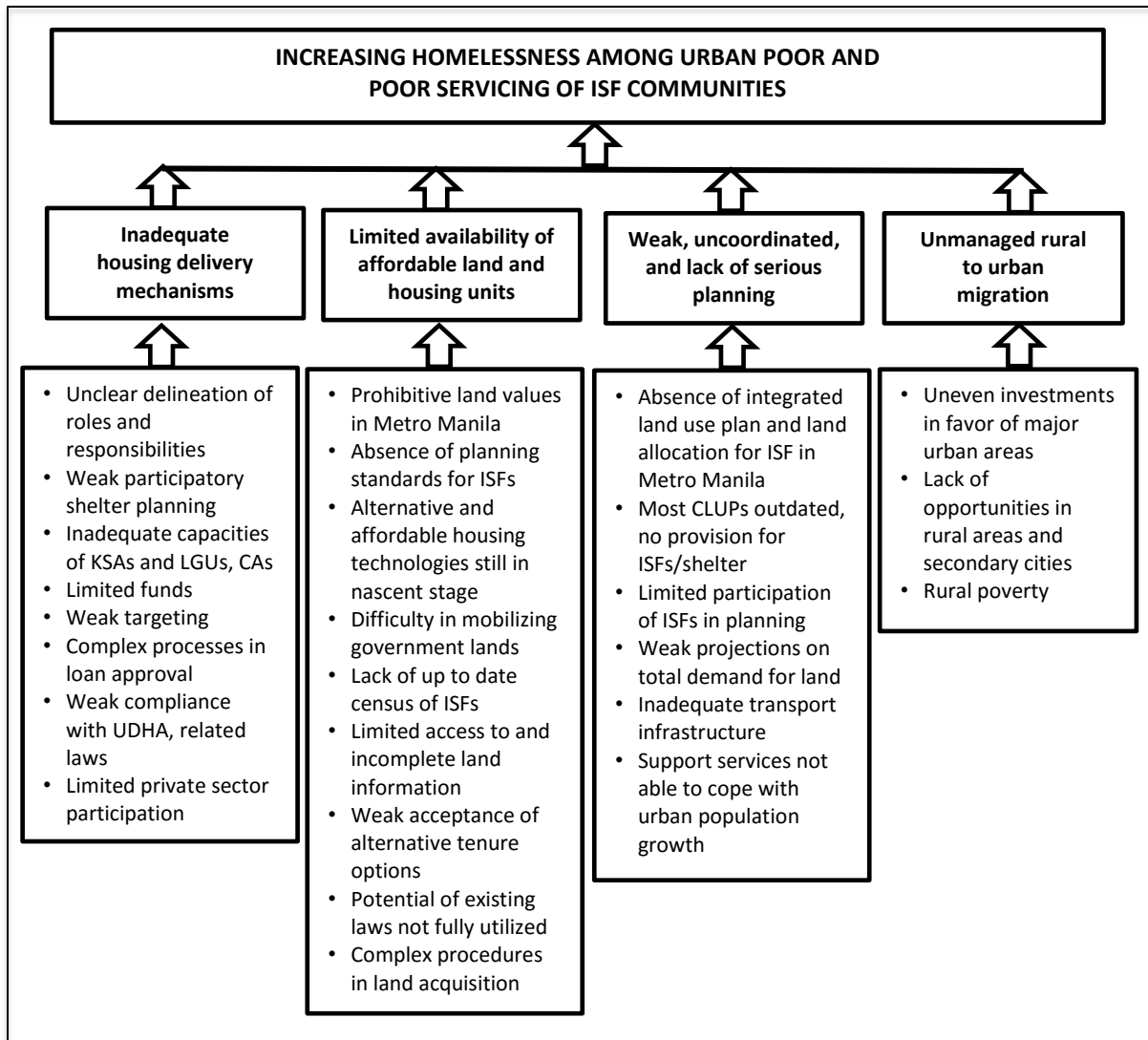
This situation poses significant challenges for local governments units (LGUs) and key shelter agencies (KSAs) in efforts to provide secure land and housing tenure for ISFs in cities where land values are very high and demand for land is at a critical level to support vital public infrastructure, settlements, open spaces, and social services for a continuously growing population. The challenges posed by climate change likewise call for urgent solutions to house and/or resettle ISFs occupying danger zones, while at the same time narrowing the gap between supply and demand for land and housing for the urban poor or disadvantaged segments of the Metro Manila population.

In the context of other issues affecting homelessness and poor servicing of ISF communities in major urban areas, limited availability of affordable land and housing units is one of the key factors alongside other equally important concerns (see Figure 1):

- Inadequate housing delivery mechanisms;
- Weak, uncontrolled, and lack of serious planning; and
- Unmanaged rural to urban migration.

¹This policy note was prepared for the National Summit on Housing and Urban Development by a team from LGI (Land and Governance Innovations, Inc.), led by Floradema Eleazar. The Team acknowledges with appreciation comments and insights from the summit's Thematic Working Group on Land and Housing, led by Undersecretary Analiza R. Teh of the Department of Environment and Natural Resources. The responsibility for the data and analyses in this paper remains with the authors.

Figure 1. Major Causes of Increasing Homelessness Among Urban Poor and Poor Servicing of ISF Communities in Metro Manila



Issues

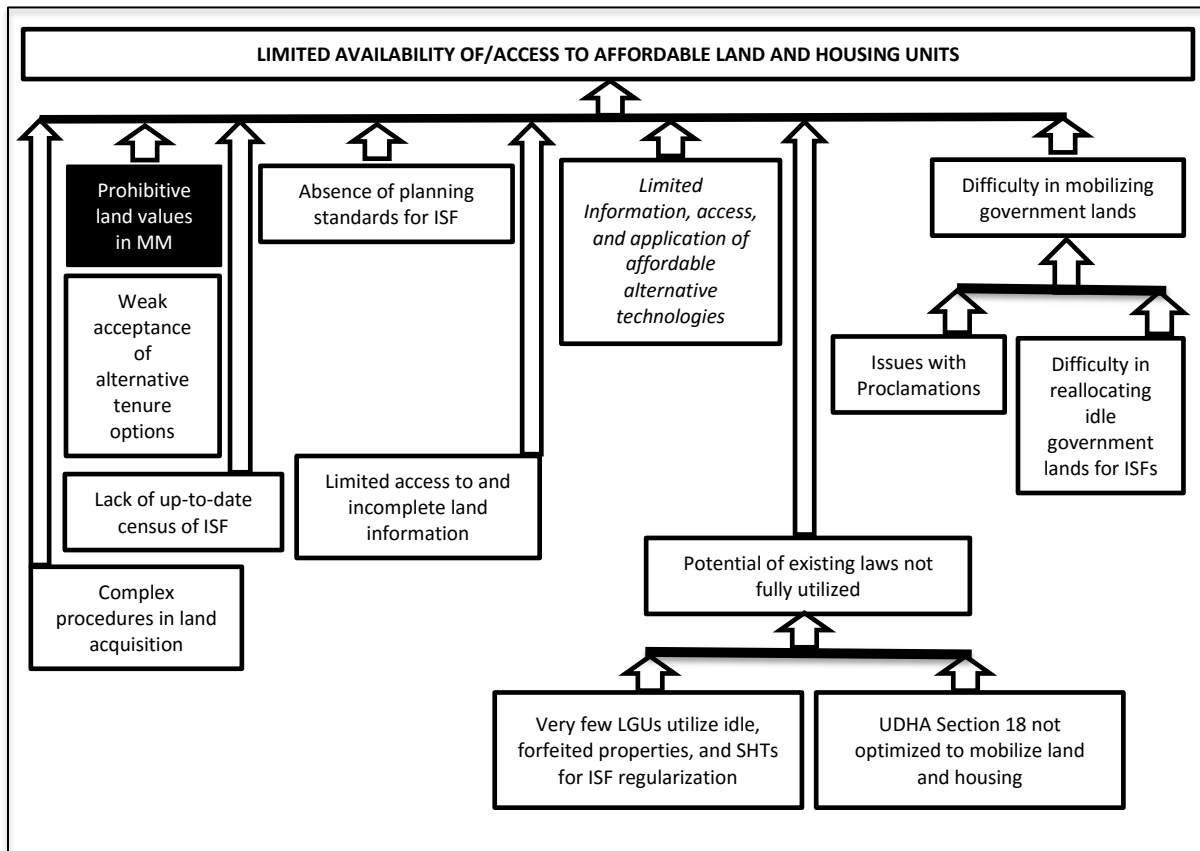
There have been combined efforts by government, community associations, nongovernment organization (NGOs), and development partners to formalize the ISF population. However, the common bottleneck has been finding suitable land for onsite development, or near-city development. The identified constraints are as follows (see Figure 2):

Inadequate access to land information. This impinges on the ability of LGUs and KSAs to undertake proper land inventory; identify ownership; remove the uncertainties related to spurious counter claims, syndicates and fake titles; and discharge administrative remedies to acquire lands through forfeiture of delinquent properties and expropriation of idle lands. At the root of this

issue is the complex land administration system which breeds overlaps in the discharge of land administration and management functions by national government agencies.

Limited land availability, limited land tenure options and housing rights. There is an artificial scarcity of lands in Metro Manila as manifested by plenty of idle lands and high incidence of land speculation, thereby jacking up land prices to exorbitant levels. More aggressive property development has also pushed up land values, thereby making it difficult for ISFs occupying privately owned properties to negotiate. LGUs are not engaged in land banking, thereby making it more expensive to acquire land for public purposes. Finally, land disposition has focused too much on provision of freehold – alternative tenure options have not been explored to provide secure land tenure to ISFs. Proclamations of government lands under the current procedure is taking decades, due to the mandated bureaucratic process and weak due diligence in land investigation work before issuance. This constrains the availability of government lands for ISFs.

Figure 2. Underlying Issues Affecting Availability of/Access to Affordable Land and Housing Units



Absence/weak implementation of planning guidelines and standards. Existing standards for building design and settlements planning, as contained in Batas Pambansa (BP) 220, are seen

as not very relevant to onsite development and restrict the production of housing units. Standards have made it expensive to comply, thus further increasing the unaffordability of socialized housing units. Many LGUs have not updated their comprehensive land use plans (CLUPs), thus rendering their zoning ordinances and land use regulations not attuned to the current situation of the city, particularly the need for better allocation of land for ISFs. In cases where CLUPs exist, the mandatory provision to incorporate city shelter plans for ISFs have not been complied with, thus development of ISF settlements remain isolated from the rest of the urban landscape. In some instances, communities complain that even when successful in buying the property from the private owner, they face difficulty in securing clearances from the City Planning and Development Office (CPDO) due to rigid interpretation of the Zoning Ordinance.

The above factors combined create situations where ISFs, comprising one-fourth of Metro Manila's population, are continuously not secure against eviction and exposed to risks and flooding events. The inability to catch up with providing secure land and housing tenure brings about increasing informality in urban areas, urban blight, and low property values in the surrounding areas. These result in unsustainable cities in the country's metropolis, with about 3 million people denied of their right to own property and access to basic urban services. These produce dualistic cities, which characterize of many Asian countries.

Analytical Framework

In compartmentalizing the above issues, it became important to distinguish the constraints according to the type of land occupied by ISFs, recognizing that each offers a different pathway to mobilize land.

Essentially, there will be different approaches to formalization of ISFs in danger zones compared to those occupying non-danger zones. Constraint to onsite development would be availability of affordable technical solutions to adapt the existing structures so that the physical challenges (flood prone, located in geohazard areas, soil compaction, subsidence, etc.) could be addressed. In the absence of these, there is no option but to find land that is near-site. For ISFs living in areas that are considered as outside danger areas, the key limitation would be the availability of the land currently occupied. This is a function of the willingness of the owner to sell the property in the case of private lands; the availability of land through Proclamation in the case of government lands; and the eligibility of land under Free Patent residential, in the case of untitled alienable and disposable public lands. In the absence of these possibilities, the option is to resettle near-site (Figure 3).

Government lands can be made available to ISFs once proclaimed by the President for the purpose, and then eventual disposition of these lands by the National Housing Authority (NHA) through Special Patents. Another option would be for the government agency to secure a Special Patent over the lands that it administers, and then eventual transfer to NHA for subsequent disposition through any of its housing programs (Figure 4). LGUs can also dispose their lands through various modes.

There are various ways for privately owned properties to be made available for ISFs. The first option is to check with the Assessor’s Office if the owner is in default in real property tax (RPT) payments and whether the property is due for auction. The community association can participate in the auction proceedings and have the property transferred in its name once successful. If the property is not delinquent, nor is it a candidate for auction, the other option is to explore whether the owner is willing to sell the property. This depends too much on the availability of information on the owner, the status of the property, and success of negotiations. Once this process is completed, the community association can access loans from the Social Housing Finance Corporation (SHFC) through its Community Mortgage Program (CMP) or High Density Housing (HDH) program; or mobilize its own savings to directly purchase the property and undertake onsite development following BP 220.

In case the owner is not willing to sell, long term leases and land sharing can be explored to keep the community residents where they are. They can then apply for onsite development. Only when these two options fail would it become necessary to look for alternative land for near-site resettlement. As a last recourse, the government can expropriate the property to make this available for public housing programs (Figure 5).

Figure 3. Pathways to Mobilizing Land – ISFs in Danger and Non-Danger Zones

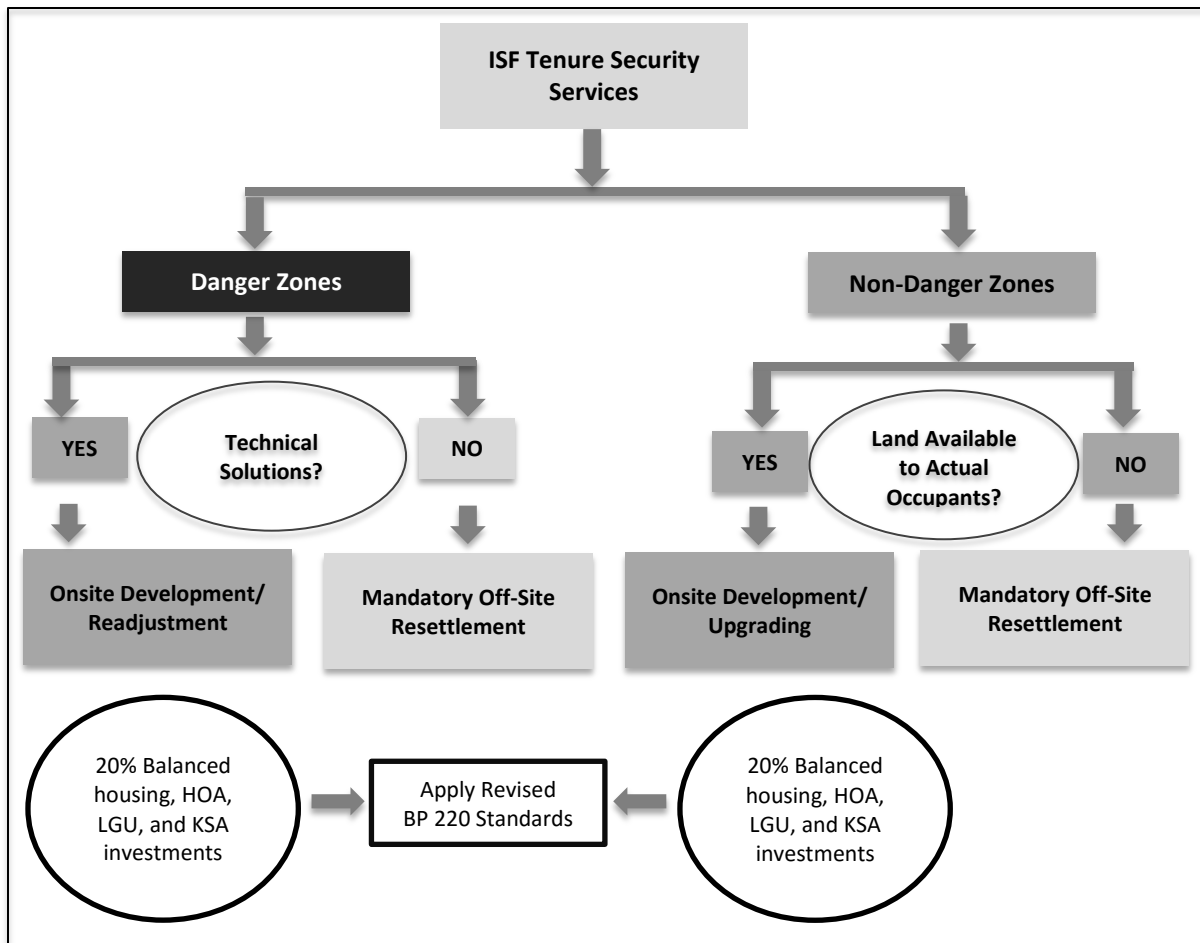


Figure 4. Pathways to Mobilizing Government Lands

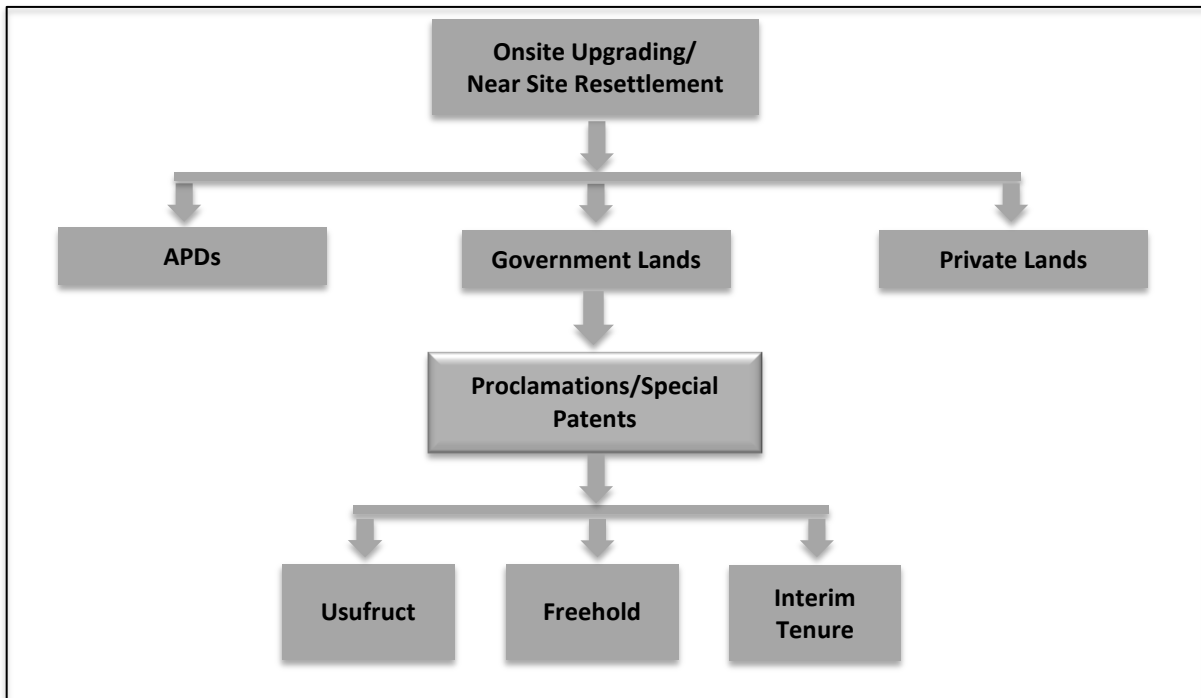
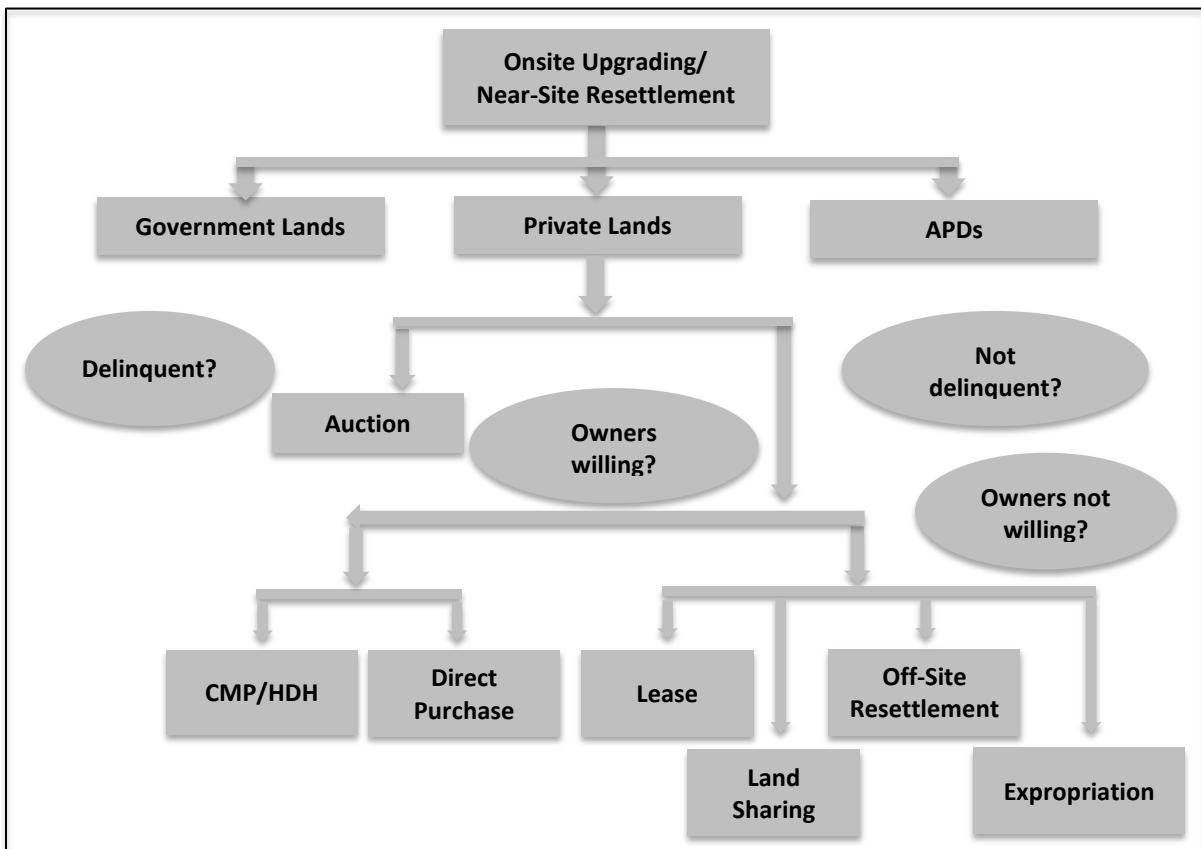


Figure 5. Pathways to Mobilizing Private Lands for ISFs



Issues and Recommendations

Over the course of Thematic Working Group (TWG) discussions in the National Housing Summit, it became clear that the options above are not easy to take as they seem. Community associations shared their actual experiences and predicaments in achieving the much desired tenure security and housing, many of which had persisted for many years without clear resolution in sight. At the same time, it became clear that government needs to better harmonize its actions, be innovative, and shape better policies in such a way that it becomes more responsive to the plight of ISFs.

In identifying possible solutions, the Housing Summit gave priority to more actionable items that can feasibly be achieved. Most of the recommendations, however, would require strong commitment over the long term for the objective to be realized.

The following specific issues and recommended actions were identified, and are currently being pursued to accelerate the pace of land and housing reforms for ISFs:

1. Limited access to up-to-date and reliable information on land and ISF

There is no updated and complete inventory of ISFs in Metro Manila, their locations, and the status of land they currently occupy. Whatever information that are available on land and ISFs are kept in different formats and different information systems, making it difficult to undertake more in depth analysis and be more useful for planning.

On ISFs, it is essential to dissect the issues and needs, for example, of the following: (1) those who have acquired land but need support to complete onsite development; (2) those who are still seeking the owners of the private property they currently occupy; (3) those whose owners have agreed to sell but where land records have issues that prevent the purchase from taking place; (4) those who are residing in government proclaimed lands but are having problems with the disposition of these properties, etc. It is fundamental for proper planning and management of response to understand and take stock of available and needed information so that a well-coordinated and proper program can be developed, and corresponding budgets and resources can be programmed. Without these, the current response has been to treat all ISFs as having the same issues, thus running the risk of boxed type of solutions.

In order to more fully understand the types of lands occupied by ISFs and their status, the LGI team developed a methodology for rapid mapping of ISFs and their locations. The identified areas were then tagged and submitted to the Land Registration Authority (LRA) to secure information on the lands they currently occupy.² It is suggested that LGUs and key shelter agencies undertake this procedure through a citywide approach in order to have an updated ISF and land

²Details of the methodology and the results – **Procedures for Rapid Mapping of ISF and Inventory of Lands** – are included in LGI's full report.

database, and use this for more comprehensive land tenure improvement and shelter planning for ISF.

In relation to land, agencies have to progressively share their records, to be led by local governments, through the establishment of a unified land information system. These should include information on ownership and titles from the Registry of Deeds (RoD), cadastral and subdivision surveys from the Department of Environment and Natural Resources (DENR), and tax maps from the LGU Assessor's Office. Over time, these could be expanded to include the ISF database from the LGU Urban Poor Affairs Office, land use and zoning from the City Planning and Development Office, as well as information on progress in housing provision and land distribution from key shelter agencies such as NHA, HUDCC (Housing and Urban Development Coordinating Council), and HLURB (Housing and Land Use Regulatory Board).

The proposed response here is an **Executive Order to establish a program on integrated land and ISF information system for NCR (for ISF- and other related programs)**. The intent is to establish a Program Management Office (PMO) with dedicated funding, resources, and timetable for undertaking the following:

- Inventory existing tenure status of ISFs and prepare citywide land tenure improvement plans;
- Identify available land for ISFs for in-city resettlement and onsite development;
- Establish infosystem link between government agencies and LGUs;
- Make land information more accessible to all users; and
- Institutionalize land data-sharing between and among LGUs and NGAs including the Implementing Rules and Regulations (IRR) of Sec. 209 of LGC.

The program would be similar to the Comprehensive Agrarian Reform Program (CARP), this time focusing on the problems of formalization of the country's urban poor and strengthening implementation of the Urban Development and Housing Act (UDHA). HUDCC shall be considered as the lead agency for implementation of this program through a supplemental budget, coupled with strengthening of the agency to carry out this program over the long term.³

2. Issues on BP 220

Based on analysis, BP 220 is not very relevant to the needs of ISFs as the law applies more to private sector-initiated housing projects that target the middle-to-low income formal market more than the ISFs. This explains why ISFs are having difficulties complying with these standards,

³A draft Executive Order entitled "Creation of the Unified Land Information System (ULIS) at the National Capital Region, Creating the NCR Land Information Council and Project Management Office" is included in LGI's full report.

and why local governments are also having a hard time enforcing these. A new law, or IRR of this law, is necessary. More specifically, the issues are:

- Current framework is limited mainly to development of new sites (off-site) and regulatory process designed for private sector developers and government;
- Other emergent housing solutions and approaches do not fit within this framework;
- IRR does not encompass planning guidelines to encourage development of flexible and affordable solutions for and by ISFs; and
- IRR guidelines are not very appropriate to community-initiated or self-help projects.

Proposal:

- Formulate planning and building guidelines and standards that will:
 - Strengthen a more holistic approach to planning and implementation of shelter and settlements development for ISF communities;
 - Encourage involvement of broader range of stakeholders, especially including ISF communities, in settlements and shelter planning and implementation;
 - Make guidelines and standards more flexible and appropriate, in order to encourage generation of affordable housing solutions and technologies adaptive to current housing situation and existing programs;
 - Specifically, (a) guide the planning and implementation of onsite development projects; (b) allow for incremental development of sites and housing construction; (c) promote and encourage alternative technologies; (d) allow for conditional non-spatial compensatory measures in site/subdivision planning especially for onsite development; (e) consider disaster resilience and adaptation in planning and design; and (f) provide parameters that would aid ISFs and other implementers in selecting appropriate and affordable housing solutions.
- Establish coverage and timeframe of the guidelines, especially for onsite development, so as not to encourage further illegal occupancy; hence, the need for a database and mapping of all existing ISF occupied areas.⁴

3. Issues with Proclamations

Presidential Proclamation is the mechanism whereby the government designates government lands for disposition for various purposes. In the case of socialized housing, Proclamations are issued in favor of NHA or other government agencies to dispose the property to actual

⁴A more detailed discussion of the issues surrounding the applicability of BP 220 and recommendations to address the gaps in planning standards for ISFs is presented in LGI's full report.

occupants, or to develop a property as a resettlement site for socialized housing, housing for government employees and/or ISFs.

Based on the data from NHA and other government agencies, there are a number of these Proclamations that have been issued but have not been appropriately disposed due to a number of reasons. In addition to lack of inventory of government lands, there are a number of issues with respect to mobilization of government lands for ISFs. These are discussed below.

3.1 Large number of problematic Proclamations, hence, cannot proceed with disposition to bona fide ISFs. Many of these proclamations have persisted for a long time, and there seem to be no easy resolutions in sight, in the absence of concerted effort to exhaust all means possible to address the problems, through the joint efforts of all agencies concerned.

The proposal is to issue an **Executive Order to establish a Presidential Interagency Task Force to resolve issues in implementation of proclaimed lands.** The Task Force shall have the following responsibilities:

- Review proclamations that have implementation issues, or have been revoked, amended, and held in abeyance;
- Resolve and decide on all issues affecting implementation of proclamations that cannot be resolved at the operational level;
- Call on other government agencies and institutions to support the implementation of proclamations;
- Serve as oversight body in the implementation of proclamations/projects;
- Review, assess, and recommend options to improve the systems and procedures in the pre- and post-proclamation processes of affected agencies;
- Investigate and recommend to the President the filing of appropriate cases against those causing the delay or non-implementation of proclamations/projects; and
- Identify and recommend areas for the issuance of Presidential Proclamations.

3.2 Absence of clear guidelines on administration and disposition of lands proclaimed for ISFs. This has resulted in wide variability in the instruments for disposition, the absence of timetable to dispose of the property, and reluctance of the affected agency to release the land to NHA or any designated agency identified to administer the land. The impact is that many Proclamations cannot be implemented or are left incomplete.

The proposal is to **standardize guidelines for administration and disposition of proclaimed lands for ISFs, through an Executive Order.** The EO shall:

- Clarify the basis for valuation;
- Address proclaimed lands without titles;

- Ensure there is smooth conveyance of titles to designated administrator of property;
- Address concerns about inclusion (or exclusion) of ISFs not currently occupying land subject of the new Proclamation; and
- Make provisions for budget from Department of Budget and Management (DBM) for every Proclamation.

3.3 There is no complete inventory of idle government lands that could be made available for ISF in-city resettlement. This is important to fully exhaust the mobilization of government lands for ISFs, which have been identified in the UDHA as priority.

The LGI team prepared a Memorandum Circular (MC) **mandating inventory of idle government lands**. (Note: This was signed by the Executive Secretary as MC 87 on 1 December 2015). The MC has provisions that:

- Mandate government agencies to submit an inventory of their idle lands and provide information as to the purpose for which it has been reserved, and its status;
- Instruct the Department of Interior and Local Government (DILG) through LGUs to conduct an inventory of government-owned and private idle lands appropriate for use as settlement in their respective territories; and
- Instruct LRA to make available, maps, approved subdivision surveys, title information and abstracts of registry to the DILG and LGUs.

The MC also instructed the Task Force to submit the inventory by February 2016.

In preparation for Housing Summit activities, the Task Force met a number of times to discuss the work to be done and to secure from LRA the information needed on government lands in Metro Manila.

3.4 Lengthy process for issuance of Special Patents. The recommended action here is to require DENR to review and issue the Draft IRR of Special Patent. The IRR has been extensively discussed at the TWG on Land and Housing, wherein it was recommended for approval. The Unity Statement likewise recommended that DENR to review and issue the Draft IRR of Special Patent as mentioned in the Residential Free Patent Law (RA 10023) to address the lengthy issuance process.⁵

4. Limited access by ISF to compliance housing projects and mechanisms per Section 18 of UDHA.

ISFs and LGUs do not have full access to information on the nature, location, and types of compliance project by subdivision developers. Moreover, there is no mechanism that matches the ISF housing and financial needs that could be possibly responded by the compliance projects.

⁵The draft IRR is included in LGI's full report.

The proposed solution is to develop a **Joint DILG-HLURB Memorandum Circular that specifies procedures to ensure sharing of information on compliance projects with ISFs and LGUs**. This could be done in the process of securing development permits from LGUs, and in the evaluation of compliance projects by HLURB.

Moreover, considering that there are very few subdivision projects in Metro Manila and other highly urbanized cities, the recommendation is to support the draft Bill or the draft EO which expands application of balanced housing to condominium.⁶

5. Lack of acceptable definition of danger zones and policies or guidelines for activities allowed thereat

Communities lament that government uses criteria for identification of danger zones that differs very much from their perspective and experiences. This has resulted in a standoff between the two parties or reluctance of ISFs to relocate.

The LGI team's research showed that there is an existing Joint DENR-DILG-DOST-DPWH Memorandum Circular 2004-01 entitled "Adoption of Hazard Zone Classification in Areas Affected by Typhoon Yolanda (*Haiyan*), and Providing Guidelines for Activities Therein." This was discussed at the Task Group on Land and Housing wherein the group recommended for adoption of said guidelines for nationwide implementation. This could be used as a starting point for seeking clarity and consensus on what are deemed acceptable from social, technical and economic perspectives to guide the current relocation programs of ISFs in identified danger zones.

6. The high capital gains tax imposed on foreclosed properties, together with outdated parcel information, prevent LGUs from utilizing foreclosed private lands for ISFs

Many local governments are already undertaking administrative recourse in case of default in payment of real property taxes. Most of the private property owners in default own properties that have been occupied by ISFs for many years, and owners do not have incentives to keep the land. LGUs are not able to mobilize these lands because of the huge capital gains tax that needs to be paid to the Bureau of Internal Revenue (BIR) before transfers of these properties can be effected so that LGUs can use these lands for public purposes, including award to ISFs. In addition, the tax maps and records of local governments are also outdated due to the lack of information sharing between agencies – thus preventing LGUs to properly identify the properties in default of payments and the current owners from whom delinquencies are due.

⁶A more detailed discussion of this issue and the recommended actions are presented in LGI's full report.

It is recommended that:⁷

- LGUs establish unified land information system that links the records of DENR, LRA/RoD, LGUs, and relevant agencies in order to maintain an accurate database of ownership and properly track delinquencies; and
- DILG and DoF (Department of Finance) study the feasibility of exempting these properties from the CGT if the purpose is for ISFs.

Actions by the Housing Summit

Most of the above recommendations were adopted in the Unity Statement which was presented and endorsed during a summing-up program of the National Housing Summit held on 4 April 2016 in San Juan City.

More specifically, the recommendations that were included in the Unity Statement are as follows:

Executive

- a. Establish an integrated land and ISF information system and institutional arrangement for information sharing.
- b. Develop new regulations making settlement planning and building guidelines and standards more flexible and appropriate, to encourage affordable, disaster-resilient housing solutions and technologies for settlements upgrading/on-site incremental housing.
- c. Prioritize the resolution of outstanding issues affecting lands proclaimed as housing sites and standardize the guidelines for administration and disposition of proclaimed lands to intended ISFs.
- d. Issue a Joint DILG-HLURB Memorandum Circular specifying procedures to ensure sharing of information on compliance projects under Sec. 18 of Republic Act 7279 or the Urban Development and Housing Act (UDHA) with ISFs and LGUs.
- e. DENR to review and issue revised Implementing Rules and Regulations (IRR) of the Special Patent Law (RA 10023) to address the lengthy special patents issuance process.
- f. Issue an Executive Order providing for a private sector-led vertical socialized housing program as one of the priority options in urban centers.

⁷A more detailed discussion of this issue and the recommended actions are presented in LGI's full report.

- g. Include the implementation of vertical socialized housing in the Philippine Development Plan.

Legislative

- a. Enact a housing policy that promotes the right of the people to access housing within the city, as a preferred option, and institutionalizes the people's planning process as a critical element in the implementation of housing projects.
- b. Amend Sec. 18 (Balanced Housing provision) of Republic Act No. 7279 or UDHA, to include condominiums and recognize vertical socialized development as another mode of compliance
- c. Issue a Joint Resolution on Housing Terminologies for clarity and consensus on the definition of significant housing terms.
- d. Institutionalize vertical development as one of the priority approaches in providing socialized housing in urban centers.
- e. Review and pursue all pending bills related to unlocking government lands for socialized housing and other related housing policies.
- f. Exempt forfeited properties, except raw land, from payment of Capital Gains Tax (CGT) and related transfer taxes if said properties are to be mobilized for ISF housing.

Rethinking Urban Housing Policy: A Policy Paper for the National Housing Summit¹

I. Context and Challenge

There is a significant unmet need for improved and additional housing in the Philippines. Based on the 2010 Census on Population and Housing, there is an accumulated “backlog” of 1.225 million units as of 1 January 2011 (Table 1). Of this, 787,731 units are households in “unacceptable housing” – on lots without consent of owner, in predominantly makeshift housing, in living quarters not meant for human habitation, and in dilapidated or condemned structures – and another 437,612 are households doubling up in acceptable structures. There is also a “future need” of 2.25 million for new household formation and 1.93 million for inventory losses over the period 2011-2016 (Table 2), although “future need” does not constitute a housing shortfall per se.

Supply shortfalls in affordable and quality housing are not uncommon in low-middle income countries like the Philippines. Housing conditions are a reflection of the level of economic development; higher incomes associated with economic development permit greater spending on housing, which is reflected in better housing (World Bank 1993). However, poor housing is likely to be as much the result of housing policy – **the combination of policies and regulations that determine the efficiency and responsiveness of housing supply** – as it is of low income levels per se (World Bank 1993). Bottlenecks in urban land markets that result from institutional failures in land administration and management are, for instance, key in explaining the relatively high costs and poor quality of housing in Metro Manila (Strassman and Blunt 1993, Ballesteros 2000).

The point that informal and substandard housing conditions are not due to low incomes alone is illustrated in Table 3 which presents housing by tenure type and the share of income poor households in those types.² Across the country, only 21.8 percent of households living on lots without consent (“informal, without consent”) are income poor while 78.2 percent of households

¹By Toby C. Monsod, University of the Philippines School of Economics. This paper draws heavily from earlier work, i.e., “Is Government Really Solving the Housing Problem?” published in *The Philippine Review of Economics*, Vol. XLVIII, No. 1, June 2011, updating figures where possible. It also benefits from participation in select meetings of the National Housing Summit, from policy briefs by other World Bank technical experts involved in the summit (Floradema Eleazar and the LGI team, Marife Ballesteros, and Anna Marie A. Karaos) and from comments from Maria Anna de Rosas Ignacio and Cynthia C. Veneracion of the World Bank Task Team. Errors in fact and in analysis are the author’s responsibility alone.

²Households are identified as income poor by region using 2012 regional poverty thresholds produced by the Philippine Statistical Authority.

are not poor. In NCR, only 6.5 percent of households in informal housing without consent are income poor while 93.5 percent of households are not poor.³ Table 4 presents tenure against income class and likewise shows how lower-middle and middle income households swell the numbers in informal housing. Table 5, on the quality of housing, shows that 50 percent of households in substandard housing are non-poor; in NCR, 80 percent are non-poor.⁴

The focus of this paper is on housing policy and how it can be modified to better address observed supply shortfalls. The fact is, decades of well-meaning government housing policies may have impeded rather than promoted the downward expansion of formal housing markets and the delivery of cost-effective housing solutions for lowest income households. Suffice it to say that government's (default) strategy of choice – to maximize the output of new houses and sites for sale at below market prices – has been fundamentally flawed, dealing with symptoms rather than fundamental causes of housing system failures. Problems with this strategy have long been observed – i.e., World Bank 1997, Llanto and others 1998, Llanto and Orbeta 2001, Monsod 2011, to name a few – prompting calls for a fundamental shift in approach. The same call was made in the recent Comprehensive Assessment Report of the NISUS (National Informal Settler Upgrading Strategy) completed in July 2014:

“. . . the government's housing program is not working for the poor . . . despite the considerable resources put into it, the program has accomplished too little for informal settlers. The focus on relocation and resettlement has often proved disastrous for communities and people, and housing subsidies have been an expensive folly. A redirection of current policy is urgently required" (page 84).

What would comprise a more effective approach? This paper begins by laying out how housing markets operate quite differently from other markets and implications for state intervention. It then describes how housing policy over the years, while well-meaning, has dealt with symptoms rather than causes, providing publicly-subsidized housing and housing finance at great cost. The fourth section discusses where policy should instead be focused – on important supply side rigidities and housing finance system failures – and how housing social assistance may be optimized.

³Another estimate of informal settlers in Metro Manila puts the number of informal settler families (ISFs) at 584,524 as of 2011 which is based on city reports (Gaurano 2011) and cited in the NISUS (National Informal Settlements Upgrading Strategy) final report (2014). However, Gaurano (2011) remarks: "it is worthwhile to note that the parameters and methods used in gathering city data are unclear" and that these numbers have not been validated. The comparable 2010 Census-based estimate for the National Capital Region (NCR) is 173,583 as of January 2011 (see first three columns of Table 1 for NCR), which would include households and structures in areas at risk, although it would not include structures on land intended for government infrastructure projects or areas for priority development. The comparable Family Income and Expenditure Survey (FIES) 2012-based estimate for NCR is 250,895 (see column 4 of Table 3). This paper adopts the Census- and FIES-based estimates which are methodologically robust.

⁴Households prioritize the quality of roofing over the quality of walls. Using the latter as an indicator would therefore provide a more conservative estimate of substandard housing.

II. Housing Markets and the State

A functioning housing market is one where households can translate their notional demand for quality housing into effective demand at market prices and where the supply of housing is responsive to that demand. The housing market operates markedly different from other markets however and is prone to significant market failures, especially at the bottom end.⁵

In particular, the housing market is “really not a single . . . exchange market, but is rather a set of overlapping submarkets differentiated by tenure, location, size and quality” (Quigley 2003: 57, citing D. Maclennan). Location derives from the spatial fixity of housing: characteristics associated with a location (e.g., accessibility, physical condition of the neighborhood, hazard) are inherent in the bundle of attributes associated with a dwelling at that location. Size and quality are due to the heterogeneity of housing and the limited substitutability across housing types, sizes, age, materials, design elements, and the like. Tenure choice derives from the durability of housing, which in turn implies an investment aspect of owning a home and the distinction between housing as a consumption good (and the demand for housing services) and housing as an investment good (demand for housing, the asset which emits those services). When households make their housing choice therefore, they face interdependent decisions involving how much to consume, assumed to have both physical and locational characteristics, and whether to only consume or to consume and invest in housing, which is the tenure decision (Yates and Mackay 2006).

Housing markets are also slow to adjust and market adjustment involves significant search, moving, legal, administrative, and financing costs.⁶ Housing supply is, at the same time, relatively inelastic. Housing supply is determined by the existing stock, the rate of deterioration or renovation of that stock, and the flow of new development, but there is a large stock of used housing in the market at any one time. Housing markets are, in a sense, “**suppliers’ markets,**” characterized by excess demand or excessively high market prices (Hoek-Smit 2004). In times of a sudden reduction in supply, increase in demand, or rapid migration, the slow adjustment in the housing system can generate adverse distributional outcomes (Whitehead 2003).

The slow adjustment in the housing system is further complicated by market failures which, if left alone, can lead to outcomes such as neighborhood decline, slums, and segregation.⁷ In the presence of externalities for instance, such as when private markets fail to take into account how poor housing can impact health or foster social instability or how the upkeep or use

⁵These characteristics are not unique to housing but “only in housing are they so pronounced.” (Tu 2003, citing D. Maclennan). Unless otherwise indicated, the discussion of these characteristics draws heavily from Tu 2003.

⁶The immobility of housing means that market adjustment occurs by people moving, rather than the movement of goods. Search costs are high and pricing is difficult because market adjustment operates at multiple levels. Legal and administrative costs are incurred whether renting or owning. Time delays in design, financing, construction, and slow rate of change in demand (due to high moving, search, financing costs, etc.) contribute to the slow adjustment. Supply and price/rent adjustments are slow due to time delays in design, financing and construction, tedious search processes, information problems, and other market inefficiencies.

⁷This section draws heavily from Whitehead 2003, Hoek-Smit 2004, and Stahl 1985.

of a particular property can impact the value of another, private markets tend to under-invest in improvements, new development, or neighborhood management. These inefficiencies are exacerbated by information problems and uncertainties, e.g., the irreversibility of housing capital combined with the long gestation periods involved in production and inherent uncertainties related to the evolution of housing demand and neighborhood conditions, which increase the risk of new construction or improvement investment. Risk needs to be mediated by an adequate set of insurance markets if private markets are to provide sufficient quantities of new housing, including of types that are not in mainstream demand. However, housing finance markets are themselves imperfect and will tend to favor relatively riskless development finance and mortgages for upper-income households (Hoek-Smit 2004). Failures in the housing finance market frequently compound or are at the core of problems of delivering standard quality housing to moderate and low-income households (ibid).

Whether to increase efficiency or to promote equity, policies designed to improve housing supply efficiency and responsiveness clearly offer the greatest scope for reform (World Bank 1993). Increasing efficiency would be served by addressing rigidities in key input markets that push the unit cost of housing up and mitigating risks and barriers to entry which hamper markets from expanding downward.⁸ Such policies would also serve redistribution and merit good concerns, however, since enabling market solutions for a wider array of moderate income groups can free up scarce public resources for innovative social assistance to the poorest households (Hoek-Smit 2015).⁹ The strongest political case for intervention and social provision in housing has typically been in terms of a direct and effective means of ensuring minimum housing standards and redistribution rather than efficiency (Whitehead 2003).

III. Current Housing Policy: Dealing with Symptoms Rather than Causes of Housing System Failures

The principal intention of state-sponsored housing programs in the Philippines has always been to ensure better housing for low-income households. This was implicit in housing interventions during the early 1900s, which included slum clearing programs, relocation, and the enforcement of new sanitation and building codes to “clean-up” Manila, as well as later in the 1940s when housing and subdivision development for low-income/worker households was undertaken.¹⁰ In 1941, the first national housing law (Commonwealth Act 648) created an agency

⁸While market failures and inequities provide a priori economic reasons for government intervention, they do not by themselves justify it. A practical case for intervention should be made depending on whether the market failure is large enough to matter and the chances of government to actually overcome it (Whitehead 2003). Regulations, taxes and subsidies, and the direct provision of goods and services are among the policy options of the State if and when that practical case is made.

⁹The merit good argument is based on a political value judgment about what minimum standards of housing the population should have, reflected in the concept of “housing need” as distinguished from “housing supply” and “housing demand” (Todt 1985).

¹⁰Discussion of policies from 1900 to 1959 draw heavily from Ocampo 1976 and 1978. Policies from 1970 to the early 1980s draw from Ramos 1973.

with distinct pro-poor objectives to undertake urban housing, subdivision, and slum clearance programs. In 1947, the Philippine Homesite and Housing Corporation (PHHC) was established with the explicit corporate objective to establish public housing for low-income families.¹¹

In the 1950s to the 1970s, housing was also recognized as a strategic economic activity and a number of public housing corporations were established to catalyze housing development and finance, demonstrating enterprises for private capital, and phasing out once private capital was ready to step up. A formal housing program came to be articulated which included (1) social housing (e.g., slum clearance, rental tenement construction, and resettlement projects) built and funded by government; (2) economic housing, built and financed by government, and (3) government financing of privately-owned housing. The objective of the program was – “as far as national capacity permitted” – to promote, finance, and establish a supply of dwellings suitable to the economic and social situation of households, maintaining a “judicious balance between subsidized and non-subsidized sectors.” Still, shelter was held as a basic need and “an integral aspect of the human settlements program of government” and the primary function of the lead corporation (PHHC) was the production of housing for low-income families.

Then as now, well-meaning housing programs were marked by inefficiencies and leakages. Early tenement projects (e.g., in Vitas or Punta) were beset by poor design, poor construction, poor collections (despite below-cost rents), and poor sanitation. Although meant for the poor and homeless, workers without stable jobs could be disqualified from these projects. Resettlement (e.g., in Quezon City, Sapang Palay, Carmona, Montalban), the cheaper alternative to tenement housing, was also problematic. Sites were selected not on suitability criteria but on where parcels were voluntarily offered to the government for purchase.¹² Despite lot prices at 25 to 40 percent below acquisition cost, sites were far from the working districts and the lack of urban jobs and lack of basic services led to attrition rates that went over 50 percent. Economic housing had similar location and pricing problems: the pressure on housing corporations to recover investments led to policies (such as liberal eligibility requirements and higher ceilings on loan amounts) that naturally crowded out lower-income applicants even though they were eligible. Higher income groups therefore enjoyed the large implicit subsidies involved in economic housing loans (e.g., loans were at or below market prices with no down-payment requirement).

In 1978, the housing agenda was embodied in a national shelter program (NSP) envisioned as a “total systems approach to housing finance, production and regulation” delivered by an interacting network of implementing housing agencies. These core programs and implementing mechanisms were later enacted into law through **Executive Order 90** issued in December 1986. EO 90 created the **Housing and Urban Development Coordinating Council** (HUDCC), charged with “coordinating the activities of government housing agencies to ensure the accomplishment of the

¹¹The PHHC’s corporate objectives included (1) establishment of public housing for low-income families; (2) slum clearance; (3) establishment of housing for destitute, and (4) acquisition, subdivision, and resale of landed estates.

¹²Ocampo 1978, footnote 72, which cites Abrams and Koenigsberger 1959. Ultimately, PHHC found itself with a high inventory of land that it would not be able to develop for years, yet too costly for resale. It went into heavy debt in the late 1950s and resumed house-building activities only in the mid-1960s.

National Shelter Program,” and identified “key agencies” to accomplish NSP as well as “support agencies” to fund it:

- The **National Housing Authority** (NHA), established in 1975 (consolidating PHHC and seven other corporations and authorities) with a 50-year charter, the sole government agency engaged in direct shelter production, to focus on housing assistance to the lowest 30 percent of urban income earners;
- The **Housing and Land Use Regulatory Board** (HLURB), established in 1976 (as the Human Settlements Regulatory Board), the sole regulatory body for housing and land development, charged with “encouraging greater private sector participation in low-cost housing through liberalization of development standards, simplification of regulations and decentralization of approvals for permits and licenses”;
- The **National Home Mortgage Finance Corporation** (NHMFC), chartered in 1979 as a secondary mortgage market institution and recapitalized by EO 90 to operate a viable home mortgage market utilizing long-term funds principally provided by the support agencies.¹³ In 2004, the **Social Housing Finance Corporation** (SHFC), a wholly-owned subsidiary of NHMFC, was established to develop and administer social housing finance programs for low-income formal and informal households;
- The **Home Guaranty Corporation** (HGC), originally chartered as the Home Financing Corporation in 1950 to “mobilize investible funds for housing purposes”; renamed (Home Insurance and Guaranty Corporation) in 1986 and recapitalized to provide a viable system of guarantees, loan insurance, and other incentives to encourage private development and financing of low-income housing. In its new 2000 charter, mortgage insurance was dropped; and
- The **Home Development Mutual Fund** (HDMF), also known as Pag-IBIG Fund, directed to utilize funds not required for provident benefits for housing loans to members; the **Social Security System** (SSS), directed to be the primary provider of funds for long-term mortgages for low and middle-income private sector employees; and the **Government Service Insurance System** (GSIS), directed to be the primary provider of funds for long-term mortgages for low and middle-income government employees. These three agencies were support agencies mandated to ensure that “funds for long-term housing loans are available on a continuous and self-sustaining basis.” EO 90 prescribed the amount of funds each would contribute along with other parameters for an “integrated home mortgage financing system” anchored by NHMFC.

For the last 30 years, the goal of NSP has been to increase the access of target households to decent, affordable, and secure shelter, where target households are the first three income

¹³NHMFC needed to be recapitalized after it became insolvent in 1985 due to a regime of long-term, below-market fixed rate mortgages financed with higher-priced, short-term debt.

deciles living in urban areas, and “secure shelter” is a house, a lot, or both.¹⁴ “Increasing access” has been interpreted as social provision *per se*, where a set number of houses, sites, or loans, derived from an estimated “housing need” or backlog, is targeted every plan period.

Between 1987 and 2015, around 2.79 million households were assisted with housing units that were built, financed, or insured with public support (Table 6). Households were assisted through housing production, including resettlement, upgrading, sites and services, and other special projects, accounting for 35 percent; housing finance, primarily end-user mortgage loans, 44 percent; community-driven shelter assistance, such as the community mortgage program and the new high density housing program, 11 percent; and land proclamations, 10 percent.

The total number of households assisted represent a little less than 30 percent of the estimated backlog for each period, on numbers alone, arguably a respectable showing. Whether these results have been achieved at lowest cost, whether they represent additional investment (not displacing private investment), or whether the social housing assistance provided have met target household’s requirements, however, is less clear.¹⁵

On the **housing finance** side, the approach has primarily involved simple debt finance-related household subsidies, that is, interest rate reductions on mortgage loans, which basically help beneficiaries “take on a larger loan than they would otherwise be able to” (Hoek-Smit 2009). Combined with underpriced guaranty products and policies for funding and underwriting undisciplined by the market, this approach has ultimately been counterproductive, resulting in large arrears, at least three system crises – in 1985, 1992, and 1996¹⁶ – and, more recently, a liquidity squeeze involving HGC and a PHP12 billion advance from the National Treasury.¹⁷ Household subsidies have also been regressive: it was estimated that between 1993 and 1995, higher-income borrowers captured nearly 75 percent of interest subsidy flows, 90 percent of subsidies associated with arrears under the major lending programs, and 80 percent of cash and

¹⁴The Urban Development and Housing Act (RA 7279) refers to “underprivileged and homeless citizens” as beneficiaries of the law and defines them as individuals or families residing in urban and urbanizable areas whose income or combined household income falls within the poverty threshold as defined by the National Economic and Development Authority (NEDA) and who do not own housing facilities, including those who live in makeshift dwelling units and do not enjoy security of tenure.

¹⁵Whitehead 2003 asks these questions in relation to social investment in housing and its role in urban regeneration.

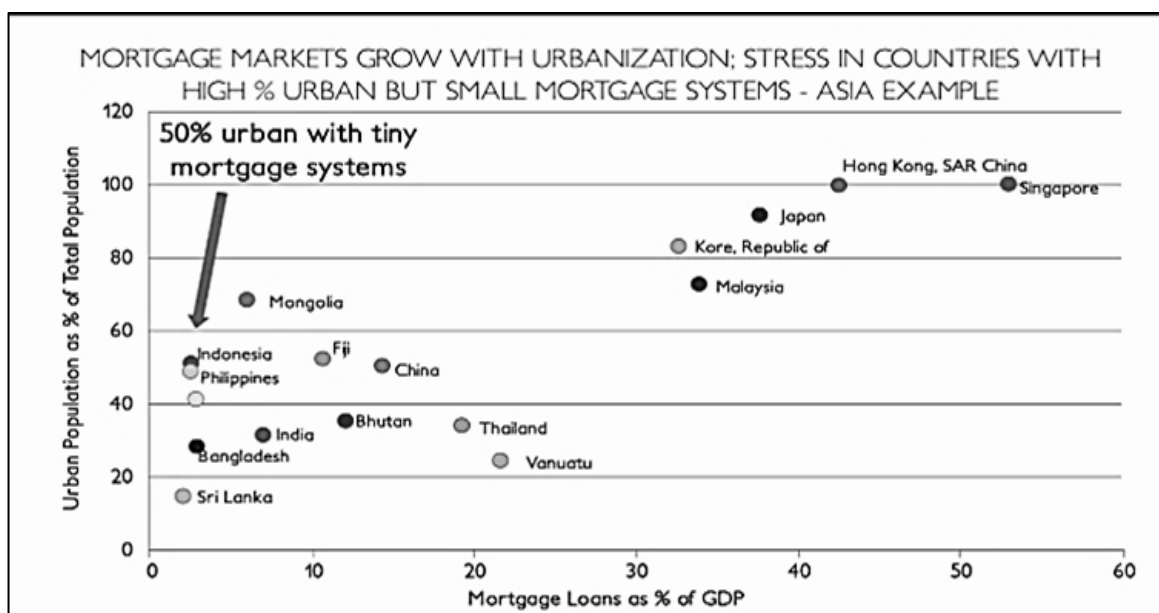
¹⁶These crises were related to the finance component anchored by NHMFC’s operations. Monsod (2011) provides more detail, summarizing World Bank 1997, Llanto and others 1998, and Llanto and Orbeta 2001. In relation to the 1996 crisis, total fiscal and quasi-fiscal costs was estimated at PHP55.4 billion, including PHP30 billion in potential stock losses (nonperforming loan portfolio) and a large number of unoccupied housing units, e.g., 27,000 as of end-2001 (World Bank 1997).

¹⁷HGC was granted a PHP12 billion advance by the National Treasury in 2013 to settle PHP12 billion worth of 7-year zero coupon bonds issued by HGC in 2006. The 2006 bonds had been issued to redeem a prior PHP7 billion worth of bonds, issued in 2002, also to settle guaranty obligations (COA 2008: HGC Report, Part IIA, 4.2). To cover the PHP12 billion advance, HGC identified assets with a book value of PHP16.5 billion. However, as of December 2013, total proceeds/collections from these assigned assets are only at PHP570M (COA 2013: HGC Report, Notes to FS, 12).

bond guaranties (Llanto and Orbeta 2001).¹⁸ While no incidence analysis has been undertaken since, interest rate and other subsidies have continued under the Pag-IBIG Fund – until at least 2012 – as well as under HGC, NHA, and now SHFC.

In all, whether better access to housing has indeed been significantly and sustainably achieved is not clear. But decades of state-sponsored housing finance notwithstanding, Figure 1 shows that the country's mortgage system remains "tiny" relative to countries at the same or lower levels of urbanization (Hoek-Smit 2015). Indeed, homeownership in the country is still largely self-financed (by saving or incremental construction) or directly-financed (from family, friends, and others; Lea 2009). The 2009 Consumer Finance Survey indicates that of the 68.8 percent of households who own or co-own their house/house and lot, of which only 6.7 percent acquired property using loans.¹⁹ In this context, the proliferation of informal settlements becomes clearer. "Dependence on direct finance results in cities that are built as they are financed, with a considerable and visible proportion of self-construction and slum proliferation" (Lea 2009: 30).

Figure 1. Mortgage system of selected countries



Reproduced from Hoek-Smit 2015.

¹⁸Total subsidy flows were estimated at PHP25.4 billion from 1993 to 1995 alone, of which 90 percent were off-budget implicit subsidies related to home mortgage programs and development loan programs, including CMP (community mortgage program).

¹⁹Of those who used loans, only 9.3 percent borrowed from commercial, rural/cooperative, and thrift banks. In NCR, 7.9 percent acquired property using loans, of which only 5.1 percent borrowed from banks. The survey may be downloaded at http://www.bsp.gov.ph/downloads/publications/2012/cfs_2012.pdf. The sample included NCR and Areas Outside NCR (Region 1, 7, and 11).

A rough best-case picture of the market penetration of mortgage finance, both market-sourced and state-subsidized, is presented in Tables 7 and 8.²⁰ It is an optimistic picture because it is based only on average monthly family income and estimated amortization payments by type of mortgage. It does not take into account other prerequisites for accessing home mortgages, such as savings or wealth, the regularity of income flows, or the availability of collateral.²¹ These prerequisites will further constrain access. Ultimately only some of the households in the indicated deciles will actually qualify for a home mortgage.

The tables indicate that commercial home mortgages potentially reach the 8th decile across the country, and the 5th decile in NCR; Pag-IBIG subsidized loans may reach up to the 6th decile overall and the 3rd decile in NCR. Even if qualified based on average monthly income however, both commercial lenders and Pag-IBIG Fund will select individuals with regular income flows, that is, the wage/salary-employed. This means that less than one-third of households per decile in the lower-middle and middle income categories (4th to 8th decile) may qualify, if ever.²²

In other words, **even middle and low-middle income households do not seem to have adequate access to formal, market-sourced finance and housing solutions.** By way of comparison, CMP, a community-driven shelter assistance program, extends to the 1st decile in NCR. CMP assists groups of informal settlers acquire the property they are occupying (whether public or private) or purchase private property for off-site resettlement through nonmarket group financing, called “community mortgages.”²³ Apart from down-market penetration, CMP outperforms other financing programs (e.g., NHA in-house financing for resettlement) in terms of outlay per household (see Table 6) and collection efficiency rates (e.g., 75-80 percent for CMP, 20-35 percent for resettlement).²⁴ However, CMP is dependent on budgetary appropriations and cannot keep up with demand: at the end-April 2015, it had 370 projects pending, requiring roughly PHP2.98 billion in loans involving 41,834 informal settler families.²⁵

The tables also indicate that Pag-IBIG Fund and commercial lenders share the same market. This begs the question of whether social investments over the years have added to or displaced private investments and to what extent. The verdict in the 1990s was that public engagement in finance had a perverse effect on the primary mortgage market: the volume of public lending (by NHMFC), the formulaic lending approach, and the subsidized operations of the public housing corporations (NHMFC, HGC) made it impossible for private banks to lend profitably to the same market and unnecessary for ancillary services (private mortgage insurance, credit bureaus and rating agencies) to evolve. Whether Pag-IBIG Fund – which has just moved to full

²⁰These tables follow a template from Hoek-Smit 2015.

²¹For state-subsidized mortgages, the tables do not take into account capital grants and other complementary subsidies to reach deciles lower than what the mortgage rates alone imply.

²²In NCR, percent employed ranged from 41.8 to 51.4 percent for the 4th to 8th decile. Wage/salaried was 30 to 37.4 percent.

²³“Off-site” CMP is not the original model and has been found to underperform vis-a-vis “onsite” CMP.

²⁴See NISUS 2014, pp. 35-36; also UN Habitat 2009, Tables 12 to 14.

²⁵http://www.shfcph.com/Pipeline_Project.

risk-based pricing but which nonetheless enjoys significant legal and regulatory privileges under the law (mandatory contributions, privilege to deduct loan payments from salaries, tax exemptions, a general government guarantee) – currently helps or hinders entry, innovation, and price competition in relevant segments of the market or, how it can better help, is not known. The latter question relates to a bigger question of Pag-IBIG Fund’s role in the housing finance system: whether it should continue to assume all functions – provident fund and institutional investor, housing lender, and subsidy distributor – or be more strategic. The same questions can and should be asked of other corporations, including SHFC and NHA, both of which also provide financing and subsidies.²⁶

To be sure, in its pursuit of greater access to affordable housing solutions for low-income households, government has never made expanding the reach of market-sourced housing finance an explicit strategy. **But that is precisely where policy has been shortsighted.** When middle and lower-middle income decile groups cannot access formal, market-based housing solutions, they are likely to be self-financing and/or spilling over to, and availing themselves of, government funded programs and services (Hoek-Smit 2015). If the latter, it can only mean that poorest households are displaced from the government programs and services intended for them. The large unfunded pipeline of CMP projects may be evidence of such a “crowding out,” if not of lowest-income households from current projects, then perhaps of CMP itself from the broader housing portfolio.²⁷

A key implication is that interventions to pursue improved efficiency in market-sourced housing finance will not only benefit middle- and low-middle income households but will also serve lowest income household interests. When private capital is better leveraged for the middle income sectors, scarce public subsidy resources can be better optimized for the lowest income sector.

This is not to say however that optimal housing solutions for lowest income households should involve end-user mortgage finance, even if subsidized. Unlike middle and lower-middle income households, the incomes of households in the first three deciles may simply be too low to even contemplate investment spending; consumption spending itself is more often than not inadequate. It is not clear then if pushing formal sector housing is optimal for the lowest income households at this time. What is clearer is that government can play a more direct role in increasing general housing consumption to ensure minimum standards. Support for securing property rights or public investments to improve access to urban services and infrastructure are obvious approaches. Support for housing microfinance that can improve existing (informal, unauthorized) housing is another.

Neither is this to say that housing finance reforms can alone improve housing conditions of the poor. Lowering the costs of housing finance per se matters less to the unaffordability problem than addressing issues that drive the unit cost of housing up. Action on the latter must

²⁶The Consumer Finance Survey indicates that of the 7.9 percent of homeowners in NCR who acquired their residence using loans, 52.6 percent sourced loans from NHA. The next common sources were cooperatives and associations (10.2 percent), Pag-IBIG Fund (9.9 percent), moneylenders (6.8 percent), and commercial banks (5.1 percent).

²⁷An SHFC comment on an earlier version of this paper explains the pipeline as having to do with compliance issues arising from regulations that are not suited to housing interventions for informal settler communities.

accompany if not precede actions on the former. “Without elastic land and housing supply, improvements in housing finance merely generate price effects” (World Bank 1993).

Similar observations can be made about the government’s **housing production** component. That is, in its pursuit of affordable housing solutions for the poor, government has paid no real attention to addressing fundamental factors which impede the efficiency and responsiveness of supply or which drive the unit cost of housing up. Instead, resources have been devoted to the physical production of housing units and sites for sale at below market prices.

Direct production of social housing is assigned to NHA and 75 percent of NHA outputs are generated under its resettlement program. The resettlement program handles off-city and in-city relocation of informal settler families (ISFs) in danger zones, relocation related to government infrastructure projects, resettlement due to calamities, and LGU-led resettlement. The resettlement program is cost-recoverable, e.g., out of a unit cost of PHP290,000, PHP85,000 is a capital grant and PHP205,000 is payable over 25 years at 6 percent; target households are ISFs belonging to the first three income deciles. Housing finance is provided in-house, that is, apart from production, NHA also delivers housing finance and subsidies. Other production programs include settlements upgrading, sites and services, special projects, and other housing assistance programs.

Between 2011 and 2015, social housing production by NHA accounted for 65.8 percent of total social housing production (private and public), up from a 25.3 percent share between 1993 and 1998 and more than double its average share in the previous 10 years from 2001 to 2010 (Table 9). However, just like the resettlement projects managed by its predecessors, NHA projects have been associated with poor pricing, weak disposition rates, and weak collection. In 2000, disposition rates at resettlement sites were at 14 percent and collection efficiency, below 40 percent; collection efficiency continues to be a low 20-30 percent “even with subsidies on materials, interest rates and land” (NISUS 2014: 35). Resettlement projects are also observed to be plagued by delays and shortfalls (e.g., deficient basic services, lack of livelihood opportunities), beneficiary selection concerns, and attrition (families returning to the city to squat).²⁸ And production and administrative efficiency of NHA continues to be a concern: between 2004 and 2010, NHA completed about 15.3 housing units per employee, only slightly better than its rate in 1994 (12 units) when it was one-third the rate for the private sector.²⁹ In the overall: “NHA’s resettlement program has been implemented with doubtful performance” (NISUS 2014:36).

The “when,” “where,” and “how” questions surrounding resettlement *per se* are supposed to be examined elsewhere.³⁰ What is relevant here is that fact that indications of allocative, production, and administrative waste have been demonstrated by the government’s resettlement

²⁸Resettlement programs are sometimes unable to discriminate beneficiaries by income. Of the roughly 11,700 families within the 3-meter easement along the eight waterways of Metro Manila, about 33 percent (or 1 in 3) were from middle income groups (UP Planades 2014, Table 8).

²⁹Author’s computation using annual outputs for resettlement, slum upgrading, sites and services, and core housing, and annual NHA manpower complement (including emergency hirees) indicated in NHA Annual Reports, 1979-2011. The 1994 figures are from World Bank 1997, Annex A, paragraph 27.

³⁰In a separate forum and policy paper involving the Presidential Commission for the Urban Poor (PCUP).

program for decades, yet resources continue to flow into the same types of programs. Despite knowing where strategic interventions may lie – inter-local planning, social preparation, more intensive post-resettlement, unlocking public lands in-city have long been identified – modalities have hardly changed. A new high density housing program of the SHFC (discussed below) represents a significant innovation but it is too early to tell whether this will represent a more effective approach.

Productive and administrative inefficiencies also raise the necessary question about the real impact of NHA operations on innovation, efficiency, and responsiveness of housing supply for the lower income groups and its continued value-added as developer.³¹ Just like Pag-IBIG Fund, NHA enjoys market power derived through, among others, its preferential tax treatment for mass housing developments and privileged access to land by the Urban Development and Housing Act (which automatically assigns all suitable, unused public lands for socialized housing to NHA at no cost). While market/industry conditions in the mid-1900s may have justified direct public residential construction and development to attract private capital into the space, it is far less clear that this same degree of government engagement is necessary or optimal today. The NHA charter is in fact **time-bound**. However rather than manage of smooth “phase out” in 2025, the share of NHA in total social housing production has been sharply increasing.

It also raises a fundamental question about the **corporate form as a vehicle for delivering state subsidies**. There is an inherent contradiction between a principal function to produce housing for low-income families – clearly not a profitable proposition – and the expectation of the corporation to recover housing investments and be self-sustaining. This contradiction, by nature, invites inefficiencies.

In short, to what degree does NHA currently crowd-in or crowd-out private supply of shelter for lower income groups? Are there alternative, more efficient ways to use government resources to enable “direct shelter production” for lower income groups? Should the vehicle for delivering subsidies or incentives to improve low-income housing conditions be a corporation like NHA? These questions need to be addressed objectively and urgently so that the 10 years left on NHAs charter can be leveraged as an opportunity for broader institutional reform in the sector.

Other programs

The High Density Housing (HDH) program of SHFC is a new resettlement program for ISFs in danger areas. It involves both development and mortgage financing for ISFs, including financing of land acquisition, construction of low/medium rise buildings and site development, and community mortgage financing for organized ISF communities, as well as capital grants, interest rate subsidies and technical assistance grants. Subsidies are explicit but embedded in the financing scheme: among others, SHFC pays itself for the technical assistance it provides to communities.

³¹In the U.S., Murray 1983 shows that for every additional 100 publicly constructed units as many as 85 private units have been crowded out.

It is too early to gauge whether the scheme will be more cost-efficient or cost-effective than other resettlement schemes. Suffice to say that while its design is an innovation worth testing, it is not all that clear if the “CMP model” can apply in condominium settings. Can the effort and mechanisms that make for the successful management of a community mortgage to purchase land easily apply to condominium estate management, a highly technical affair? Nor is it clear how HDH works as a business model for the corporation as it seems to be mixing various functions – direct production, finance, and subsidy delivery – in the same way that bred (and still breeds) production, allocative, and administrative inefficiencies in sister corporations.

Actually the business model of SHFC was never clear to begin with. It was largely established as a reaction to the program failures in the 1990s; it was thought that a new corporation was needed to protect the CMP funds and funds of other social housing programs managed by NHMFC. Whether or how a separate corporation for programs like CMP could operate in a sustainable way, or what other type of “agency” or agency arrangements could better administer such programs, was never examined.

With favorable incentives and subsidies directed at homeownership, **rental housing** has received little if any attention in housing policy. However rental housing is a key feature of a “vibrant” housing market and an essential component of affordable housing. “An inhospitable environment facing the rental sector is directly reflected in the large portion of the housing stock that is outside the bounds of formality” (Le Blanc 2009). Rental housing plays a part in the “housing career” of most individuals, being the optimal form of shelter for many segments of the population, such as the young or single households as well as the poorest segments who would ordinarily not be ready to buy property even if mortgage markets were better developed. Rental housing is a straightforward business venture however and the challenge for policy will be how to enable the supply of affordable rental housing while not discouraging private investment in rental housing.

Finally, the **Land Proclamation** program – an urban asset reform program in the spirit of De Soto’s unlocking of dead capital. The program has covered about 800 hectares in Metro Manila and another 6,000 hectares across the rest of the country, with the potential to regularize the land tenure of 81,000 and 142,500 occupant households (as of 2010), respectively.³² However many proclamations have remained unimplemented or incomplete due to the continued absence of clear guidelines, among other administrative factors (LGI 2015). Operationalizing these proclamations is an important first step in loosening up land for urban housing.

IV. Redirecting Housing Policy

The previous section has argued that current housing policy has been costly, ineffective and shortsighted. It has dealt with symptoms rather than causes of housing system failures,

³²HUDCC data (October 2010). The program seeks to regularize the tenure of informal settler families through the issuance of Presidential Proclamations declaring occupied parcels of public lands open for disposition to qualified beneficiaries. Not all occupants may qualify, however (e.g., capacity to pay, not a previous beneficiary).

leaving significant portions of the low, low-middle, and middle-income households without adequate access to housing solutions. A more strategic approach would be for housing policy to shift away from an emphasis on direct provision of housing and loans *per se* to enabling markets and removing distortions that impede market supply responsiveness. Such a shift would involve (1) actions to unlock land markets and reduce institutional and regulatory costs on the supply side, (2) incentives to address risks and promote competition in finance markets, moving mortgage and non-mortgage finance down market and expanding their scale, (3) a reconfiguration social assistance to households which cannot be reached by market forces, and (4) tenure neutral policies and other steps to grow the rental housing market. Reorganizing government instrumentalities to more efficiently monitor and manage urbanization and housing is a fifth action. These are discussed in turn.

Addressing real-side distortions

Among the most important distortions on the supply side are institutional and regulatory failures – dysfunctional land markets, incoherent transportation infrastructure, outdated building and planning standards, and administrative failure in the provision of social housing.

“The housing dilemma is primarily a land problem” (Roxas 1969). The **land problem** is one of disjoint and inconsistent land management and administration policies and processes. Land management has to do with the formulation and implementation of land use policies, including access and distribution, while land administration has to do with the accounting and inventory of land including location, value, and tenurial interests.³³ Since the devolution in 1991, land use planning and the power to regulate land use have been the exclusive mandate of cities and municipalities. However, major land administration and management functions are also vested in at least seven national agencies, plus the courts, and there is no explicit and integrated framework (e.g., cadastral survey) underpinning these functions so that efficient coordination can take place (FEF and LMB-CLAMP 2012). Inconsistent records and data, land use conflicts, and other regulatory problems raise the transaction costs of securing, registering, and transferring property rights, hamper infrastructure investments, and push up costs of servicing land for urban development. Land values are pushed up even further by land hoarding, enabled by the absence of a national standard and method for real property valuation and the poor enforcement of real property taxes at local levels (Ballesteros 2000).

The reform of both central and local land management institutions is a long-term project (which has been ongoing for some time) requiring macro-policy reforms. However there are a number of institutional interventions and **micro-policy reforms** that have the potential of unlocking both public and privately-owned land in key urban centers and providing quick wins (LGI 2016).³⁴ The most important involve resolving issues relating to lands already proclaimed (i.e., but were revoked, amended, or held in abeyance) and completing their disposition through

³³FEF and LMB-CLAMP 2012. See also Ballesteros 2000.

³⁴This section draws heavily from LGI 2016 (included in this volume), which represents agreements arrived at by the Land and Housing Thematic Working Group of the National Housing Summit.

the issuance of uniform guidelines (on valuation, titling issues, issues of inclusion for this purpose; undertaking an inventory of government lands in-city and establishing an integrated land information system that can make information on land for in-city resettlement and onsite development publicly available; and institutionalizing land data sharing between and among local government units (LGUs) and relevant national government agencies (NGAs). Clarifying and achieving consensus on the preconditions for off-site resettlement, such as the definition of “danger zones,” versus onsite upgrading is also critical. This is because onsite upgrading, including support for incremental housing, is one of the least costly and disruptive of interventions, clearly more aligned with low income household capacities and preferences.

The role of **connective infrastructure** in making housing supply more responsive has also been overlooked. Transportation infrastructure connects different parts of a city and guides land use and urban expansion; at the national scale, it allows lagging regions to participate in the growth process of leading urban centers (World Bank 2009). Efficient transport systems widen residential location options and, thus, the housing choices of the urban poor. Yet there has been an acute underinvestment in the improvement, expansion, and management of transportation infrastructure as well as a lack of coherence in existing networks, e.g., in Metro Manila and other metropolitan centers; no new high capacity mass transit facilities have been added to the system since the 1990s and road construction has been limited (HUDCC and PIDS 2009). This is compounded (or enabled) by the lack of planning integration among LGUs, especially in metropolitan areas, a situation which has compromised both land use compatibility across local boundaries, and the efficiency of basic services like transportation and traffic management (Corpuz 2012). Underinvestment in connective infrastructure is also apparent at the national scale, where spatial integration has been hampered by a “missing middle” (i.e., an inadequate secondary [provincial] road network) as well as by an unintegrated road and maritime transport system (Llanto 2007).³⁵

Construction codes and subdivision restrictions also greatly influence cost of supply.³⁶ By controlling floor-to-area ratios for instance, the State controls the consumption of land, the only factor in which poor residents can outbid non-poor residents. Subdivision restrictions and construction codes, which are motivated to ensure public health, safety, and basic infrastructure services in new developments, can also jack up capital costs (in exchange for less maintenance costs) to levels beyond affordable thresholds. In short, regulations designed to ensure minimum standards may in fact have adverse effects on market access to real estate assets by the urban poor.³⁷

To date, there has been no comprehensive audit of construction codes, design standards, subdivision restrictions, and other existing regulations and their impact on the unit costs and supply of housing. Suffice to say however that anecdotal accounts of both developers and urban

³⁵Llanto (2007) also observes that ironically, more attention is paid to integration with global markets (e.g., international airports) than domestic integration. As a result there are pockets of internationally-oriented economic activity weakly integrated to the rest of the country. The link between geography, connective infrastructure, and inclusive human development is also discussed in HDN 2013.

³⁶This section draws heavily from Ortiz 1999.

³⁷This is not to say that planning tools are not useful but that they should be thoughtfully applied.

community groups that attempt to formalize their land and housing describe regulations that are complex and incoherent and transaction costs that are shockingly high. For instance, Batas Pambansa (BP) 220, which was intended to regulate greenfield (i.e., off-site) development, is not appropriate for brownfield projects (self-help, incremental housing) nor enabling of other flexible affordable housing solutions.³⁸ Standards in the Fire Code are also unnecessarily high for socialized housing significantly adding to cost (LGI 2016). Private developers estimate that it takes as long as 18 months to secure all requirements for new developments; how much longer for an organized ISF group with far less administrative and technical resources at its disposal. Among the reasons stated for the reluctance of the private sector in pursuing socialized housing projects is difficulties in government approval of subdivision/housing projects and difficult in financing approvals (NISUS 2014). Part of the government's own CMP backlog apparently has to do with compliance issues, i.e., with "property laws, building laws, agrarian laws on conversion and other regulations that are not suited to housing interventions for informal settler communities"³⁹ – in short government-generated transaction costs.

Clearly, a necessary first step is a **regulatory audit** of existing building and subdivision codes, development and land use planning guidelines, and relevant laws, for their impact on the unit cost of land and housing (for owning or rental) and for improving access to formal markets. An audit would directly inform the regulations and requirements of HLURB and other relevant agencies. However, a more **general assessment of government's objectives for and level of involvement in housing production** given the level of involvement of NHA and SHFC in the sector is needed. Are the public subsidies currently channeled through both NHA and SHFC, and intended to support sustainable shelter solutions for lower urban income groups, obtaining their best social returns? Public subsidies include all the public resources NHA and SHFC run on, whether self-generated or received as a "subsidy" or "equity" from the national government, whether used in "cost recoverable" programs or not. At bottom, the opportunity costs of NHA and SHFC assets and income flows need to be transparently confronted.

At the end of the day, supply side rigidities and other distortions encourage informal land markets and unauthorized urban housing. As Strassman and Blunt (1993) observed of Metro Manila in 1993 in the case of land: "If [land] prices were as low in comparable developing countries . . . as much as 50% more shelter could have been built [a reallocation from the site price] and fewer than [the current] 28% households would probably live under irregular tenure arrangements. There would be more mobility and less squatters"

Housing finance system failures and expanding the reach of mortgage and non-mortgage finance to middle and lower-middle income households

Housing finance markets grow with and support efficient and inclusive urbanization. However, they are subject to market failures especially at the bottom end. The critical questions

³⁸LGI 2015 citing Ballesteros, M. "Linking Poverty and the Environment: Evidence from Slums in Philippine Cities," PIDS Discussion Paper series No. 2010-33, p. 23.

³⁹Comment by SHFC on an earlier version of this paper.

are: Where will normal market forces gradually expand housing finance systems to increase access and where can well-targeted government intervention help accelerate this process? (Hoek-Smit 2009) How can households not reached by market forces even with government incentives be assisted to obtain minimum standards of housing consumption?

With respect to the first question, many households in the 4th to 8th deciles have incomes that could suffice to access modest formal markets (rental or otherwise). Yet many remain in substandard or informal housing. This is, in large part, because of the unavailability of market finance products and services that can accommodate the variability of income flows, their lack of wealth or saving, the uncertain collateral due to poor property rights or neighborhood risk, and inefficiencies and incompleteness of housing finance markets (Hoek-Smit 2009). Behavioral constraints as regards saving, undertaking debt, dealing with financial institutions, and the like may also be a concern (Monsod 2015).

Expanding the reach of housing finance to middle-and lower-middle income households will require (1) **system subsidies** to make the housing finance system more efficient and (2) **subsidies that address specific constraints of target households** who may have the purchasing power but who remain at the margin of credit markets due to, say, saving constraints, employment, and earning volatility, or housing and neighborhood risk (Hoek-Smit 2009).⁴⁰ The latter refers to the risk that the value of the collateral decreases over time, making lenders less likely to make loans in low and middle income neighborhoods.

System subsidies are concerned with *system imperfections* due to market power, e.g., from state sponsored institutions; *lending market failures* (in underserved markets) due to the lack of mechanisms to deal with credit risk, high transaction costs of lending, and the like; and *funding market failures* due to liquidity risk, interest rate risk, and prepayment risk (Hoek-Smit 2009). As a matter of priority, the first two will be the focus here; a more extensive evaluation of the current mortgage system and infrastructure is needed to better understand the third.⁴¹ Priority system subsidies would therefore address (1) structural problems, i.e., removing barriers to entry, innovation, and price competition; (2) credit risk or collateral risk for mortgage lending, (3) high transaction costs for loan origination and servicing, and (4) expanding the take-up and reach of market-based housing microfinance.⁴²

⁴⁰This section draws heavily from Hoek-Smit (2009), which provides a detailed account of housing finance subsidies.

⁴¹Without appropriate markets for managing funding risks, interest rates will be higher and more volatile and loan terms will be shorter (and appetite for fixed rate mortgages lower) than they otherwise would be, even when primary lending institutions are vibrant (Hoek-Smit 2009: 434). It is not obvious, however, that a capital market-based housing finance system will be optimal in our context at this time. Or, even if optimal, whether the participation of government as originally contemplated (i.e., of NHMFC, HGC) should be maintained. The last comprehensive look at the country's mortgage system (in tandem with the contractual saving system) was in the late 1990s. A new evaluation is badly needed.

⁴²Unless otherwise indicated, system subsidies are selected from Table 16.3 of Hoek-Smit (2009), which lists constraints in the expansion of housing finance systems and corresponding system subsidies that have been employed by different countries to address them. Those which are most appropriate to the Philippine context are mentioned here.

The first relates to the operations and privileges of state-sponsored housing finance institutions, and an assessment of these operations, in the context of government's objectives for housing finance, is a necessary first step. "The first priority, and a prerequisite to the creation of a more competitive and effective housing finance system, is the elimination of the (often hidden) subsidies to state housing finance institutions or, alternatively, to provide access to these subsidies by all qualified actors in the sector or reorient these subsidies to leverage private sector participation" (Hoek-Smit 2009:433). To what extent does Pag-IBIG Fund currently help or hinder entry, innovation, and price competition in relevant segments of the market? Can it better contribute to the efficient expansion of the housing market while maintaining its fiduciary responsibility to its members, and how (e.g., as an institutional investor? mortgage lender? subsidy distributor?) Are resources at SHFC's disposal best spent as mortgage lender and financier, or can SHFC play a more strategic role, such as in reducing transactions costs in loan origination and servicing for private providers? Can public corporations like HGC and NHMFC, with legacies of financial distress, still play a role in enabling primary or secondary mortgage markets to work, and if so, what role? Are there links to the broader financial sector (such as the contractual saving sector) that need to be taken into account when assessing the operations of housing corporations?

The second has to do with mitigating the risks attendant to lending down-market (Hoek-Smit 2009). In particular, there are high risks in the lending market due to lack of credit and property market information, poor foreclosure systems, lack of mechanisms to deal effectively with credit risk, lack of consumer protection, and high transaction costs of lending. In these cases, system subsidies may be better applied to (1) the provision of "public good" data on property and credit markets, such as comprehensive property information, research in the standardization of mortgage procedures, new credit instruments, and house price trends; (2) subsidies to borrower education, (3) improving credit bureaus, foreclosure methods, and allowing payroll deductions, and (4) neighborhood upgrading, which is critical to mitigating collateral risk and expanding private lending to marginal neighborhoods. "The single-most-important barrier to lending in low-income markets is the uncertainty of neighborhood factors that are critical in determining house-value movements" (Hoek-Smit 2009: 438) Much broader infrastructure and institutional support – e.g., equity/public investments – is often required before private lenders enter into low-income markets and neighborhood improvement ventures.

The high transaction costs of lending and originating may be addressed with improved and standardized underwriting and servicing methods or with new business models of originating and lending. System subsidies in support of the development and testing of new methods, products and business models by banks and microfinance institutions could therefore be important. Housing microfinance is not a substitute for affordable long-term mortgages but, in the context of a comprehensive country-level housing finance strategy, can play a vital role in reducing qualitative shortages (Daphnis 2009). The expansion of housing microfinance may also give rise to product or process innovations that can spillover to mortgage markets (Monsod 2015).

Incentives directed at creating avenues for middle income and lower-middle income households at the margin of formal markets could be used to complement system subsidies.⁴³

⁴³Unless otherwise indicated, these are drawn from Table 16.4 of Hoek-Smit (2009). Those most appropriate to the Philippine context are mentioned here.

Incentives here are critical since households in the 4th to 8th deciles may have the income to be qualified for commercial mortgages and microfinance but face constraints on other fronts.⁴⁴

Where there is employment and earning volatility for instance, lending to the most creditworthy households could be enabled by incentivizing private market/lender efforts to better understand risk profiles of the sector and to price for this risk, incentivizing the development of flexible mortgage instruments and servicing systems, or supporting borrower education. Where there may be saving constraints, direct and on-budget grants could be used to alleviate down payment, title and closing costs although these should be complemented by borrower education and a savings program to assist households save for some of the equity in the house. Where there is housing and neighborhood risk, mortgage insurance, home-maintenance education of first-time homeowners, or, in the case of condominium ownership, support for an initial repair fund or a condominium support organization, are strategic. Additionally, reducing neighborhood risk and maintaining neighborhood value requires the active collaboration of local governments – i.e., their agreement on investment plans for the installation and/or upgrading of infrastructure and services – which may involve legal or government systems and not individual subsidies per se. **Matching grants from central government agencies to local government units** for this purpose is a potentially productive way to use scarce central government public resources to expand finance and supply down-market.

Note that the preceding system and household subsidies depart sharply from the usual approach of interest-rate discounts on mortgage loans and other related subsidies. For this reason, a review of the operations of housing corporations and an assessment of options for an alternative application of public subsidies may need a third-party perspective and the participation or leadership of the Department of Finance (DOF), Bangko Sentral ng Pilipinas (BSP), and Governance Commission for Government Owned and Controlled Corporations (GCG). Moreover, as a review is being undertaken, proposals for new equity and subsidy infusions into the corporations or their programs may need to be reconsidered or carefully disbursed in order to avoid further lock-in.

Reaching the lowest income groups and household social assistance

As earlier mentioned, it is likely that government has to play a more direct role in increasing general housing consumption for this segment since incomes are likely to be too low to access formal sector housing or financing. Increasing housing consumption is best served by support aimed at **securing property rights** and **public investments to improve access to urban services and infrastructure** (Hoek-Smit 2009). Actions to address real side constraints is the necessary first step and priority action even for lowest income groups in other words. Correcting real side distortions would also encourage private construction and development for the segment.

⁴⁴These incentives are also best applied in the context of reasonably efficient housing market and housing finance systems, otherwise they would be compensating for system shortcomings and be very costly (Hoek-Smit 2009).

Additionally, **household social assistance** is almost always necessary,⁴⁵ for instance, (1) grants in the form of serviced land with or without a core house, which households can then complete incrementally; if already onsite, active support in securing property rights (e.g., possibly through usufruct or direct negotiation with private owners) and for upgrading, both within and around the community (e.g., through matching grants from central government agencies to local government units for upgrading). Improving urban infrastructure and services is also strategic, addressing neighborhood risk and allowing households to improve access to micro-credit and other forms of debt finance.

Other appropriate household subsidies are (2) home-improvement grants which can complement upgrading schemes, including home-improvement grants for rental extensions of the house, which can reach households that do not qualify for loans or microcredit; (3) support for the establishment of community-based support systems to acquire building materials in bulk and provide quality control; and (4) support for community savings and counseling programs that would complement efforts to expand the reach of housing microfinance (Monsod 2015).

There is likely to be room to reallocate budgetary outlays away from subsidized production programs into services and grants that will advance the above four components (CMP for instance is one way the above components have been innovatively integrated into one package). More fundamentally however, reconfiguring housing social assistance and deciding on the level of assistance that will be provided requires addressing broader questions: where does housing social assistance rank among the other social priorities of government (say, against conditional cash transfers)?⁴⁶ What level of social assistance are central and local governments willing to allocate to housing? These questions have not yet been confronted in large part because social subsidies for housing have been predominantly off-budget. Once confronted however, there is a broad consensus that any subsidies should be transparent and on-budget rather than be implicit and off-budget. The use of corporations to deliver subsidies may not be consistent with this.

Growing the rental housing market

Attracting more investors and increasing the supply of formal rental units requires in the first instance a removal of rent control and any unduly restrictive and non-tenure neutral regulation, taxes or subsidies which discourage rental investment in favor of ownership investment (Hoek-Smit 2009). Beyond this however, the rental housing market “is in some ways more complex than that for home ownership,” involving investors and tenants who are different entities and different types of investors (e.g., private formal and informal landlords, nonprofit or public entities; Hoek-Smit 2009:440). In other words, more information may be needed to design context-specific interventions to incentivize investments into different segments, particularly investment into the low-income rental segment, and to improve the tenure security and quality of

⁴⁵These are also selected from Table 16.4 of Hoek-Smit (2009).

⁴⁶Which is not to say that increased budgetary allocations for housing is necessary for better housing outcomes. International experience demonstrates that regulatory reforms matter more for housing than increased public spending.

housing of low-income renters. Encouraging local governments to design and test approaches would be key.

In the meantime a rental policy for the low income sector may be “best focused on the general improvement of urban infrastructure and neighborhood services, which would improve the quality of life of low-income renters more than almost any other government measures” (Hoek-Smit 2009:442). Housing quality and the quality of life would also be improved by better compliance with basic sanitation and safety codes. Access to microfinance could assist landlords improve sanitation and other low-income rental housing services.

Institutional arrangements for inclusive urbanization and housing

That housing policy has tried to forge ahead without squarely dealing with land and property market institutions or connective infrastructure speaks to the absence of an urbanization framework that explicitly underlies or informs national and subnational development planning and investment decision-making.⁴⁷ Urbanization is about the transformation of rural economies into urban ones, a process that is never spatially even or balanced but which can be *inclusive*.⁴⁸ An inclusive urbanization strategy is necessarily geographic in orientation, best anchored at the **provincial** level and supported regionally, and concerned for the efficiency and inclusiveness of these processes as they take place across a portfolio of interdependent places (World Bank 2009, HDN 2013). As it is, however, the national development plan and budget – the Philippine Development Plan (PDP) 2011-2016 and the plans before it—is heavily sectoral in nature, reflecting the priorities of cabinet-level agencies. This is hardly congruent with intersectoral prioritization which is the essence of subnational area-based planning (HDN 2013, HUDCC and PIDS 2009). Provinces are themselves crippled by their lack of effective planning integration authority over component cities/municipalities (e.g., central government funding can bypass provinces and go directly to component cities and municipalities) and, perversely, have no administrative or fiscal authority over highly urbanized cities within their geographical boundaries.⁴⁹ Other problems in the institutional environment of urban development and housing are discussed in the National Urban Development and Housing Framework (NUDHF) 2009-2011, but the NUDHF itself was overlooked by PDP.⁵⁰

As organized, HUDCC is not able to provide leadership with respect to monitoring urbanization trends much less coordinating central government support for inclusive urbanization.

⁴⁷As discussed, HUDCC has focused on the production of housing outputs rather than on housing markets and their enabling environment (e.g., coordination issues involved in urbanization).

⁴⁸Inclusive urbanization, or “concentration without congestion,” was one theme of the 2009 World Development Report.

⁴⁹See HDN 2013 for a discussion. “Highly urbanized” and “independent component” cities are autonomous from the provinces where they are geographically located. Among others, they do not share tax revenues with the province and their officials are not subject to administrative supervision by provincial officials.

⁵⁰NUDHF was cited in a discussion on housing in PDP, Chapter 8, Social Development (NEDA 2011). Housing is also featured in Chapter 5 on Infrastructure Development. Urbanization dynamics, benefits, and challenges are not discussed or well-integrated into the PDP however.

Although authority in “urban development” is implied by its name, HUDCCs mandate is really the coordination of and oversight over the national shelter program, as narrowly defined and designed by the housing corporations. The membership of the council – which includes the key shelter agencies, the three funders, and NEDA, DOF, DBM, DPWH, DBP, and two private sector representatives – and the direct authority of the HUDCC chair (which extends only to key shelter agencies) reflects this. Created before the Local Government Code was enacted in 1991, HUDCC does not include DILG – which has an indispensable oversight role over subnational governments – nor DOTC and DENR whose mandates are crucial to the quality of urbanization and housing market dynamics. The membership of NEDA in HUDCC may compensate for the absence of important agencies, but NEDA itself is often constrained by the vertical/sectoral framework of central government. There are also statutory inter-agency committees under NEDA – such as the Infrastructure Committee, Social Development Committee (SDC), Regional Development Committee (RDCom), and National Land Use Committee (NLUC) – but the national shelter program, treated as a social concern, is primarily assigned to SDC rather than RDCom.

Monitoring and supporting inclusive urbanization is by nature a coordinative task; it is not, and should not be, the work of any one department. Rather than a department of housing and urban development (which has long been proposed), a more feasible and, perhaps, efficient strategy to redirect policy and re-energize the sector would be to **reconfigure HUDCC to include DILG and NEDA as co-chairs**, as well as make HUDCC a co-chair of the RDCom, expanding focus of the latter to explicitly include urbanization (i.e., Regional Development and Urbanization). A reconfiguration would also involve **assigning to HUDCC control over the design and allocation of state subsidies** for housing production, finance, and urban development, including how these subsidies could be channeled, i.e., by different providers – private, nongovernment, central government agency, local government unit – of which the housing corporations would only be one option.

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Table 1. Accumulated housing need, as of 1 January 2011 (based on 2010 Census on Population and Housing)

Region	Rent-free lot without consent and marginal ¹	Homeless ²	Dilapidated/condemned ³	Doubled-up HH in acceptable units ⁴	Total
PHILIPPINES	700,239	4,799	82,692	437,612	1,225,343
NCR	163,094	2,112	8,377	118,651	292,234
CAR	5,098	6	705	5,052	10,861
Region 1	18,026	86	2,566	34,633	55,312
Region 2	13,012	157	3,171	13,983	30,323
Region 3	53,408	598	5,528	41,909	101,441
Region 4A	72,364	537	6,253	55,914	135,068
Region 4B	21,656	28	2,962	4,285	28,931
Region 5	46,001	111	6,423	9,203	61,738
Region 6	58,533	152	8,968	17,772	85,425
Region 7	53,237	410	6,751	19,417	79,815
Region 8	27,806	52	6,557	6,667	41,081
Region 9	22,153	7	4,198	11,964	38,322
Region 10	30,250	41	4,657	17,147	52,094
Region 11	41,594	180	4,981	19,345	66,099
Region 12	35,459	106	4,242	14,634	54,442
CARAGA	17,048	28	3,483	9,014	29,572
ARMM	21,501	188	2,871	38,024	62,584

Source: HUDCC 2015, with original tables from Magtulis and Ramos 2013.

¹Identified by tenure, specifically, households living on lots without consent of property owners, as well as by construction material, specifically, structures made of makeshift/salvaged materials or predominantly of makeshift/salvaged materials, or with no report as to material of roof or wall, as identified in the 2010 Census.

²Identified by type of building, specifically, living quarters not intended for human habitation, e.g., under bridges, in caves, in buses, or in agriculture/commercial/industrial structures.

³Identified by type of repair, specifically, dilapidated and condemned structures, which are to be replaced during the planning period.

⁴Estimated number of households doubling up with another in a housing unit (or total number of households less total number of housing units).

Table 2. Future needs

	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016	Total
Replacement of inventory losses	306,515	312,338	318,273	324,320	330,482	336,761	1,928,689
New HH formation (likely to afford to own/rent acceptable housing unit)	358,522	365,334	372,275	379,348	386,556	393,901	2,255,936

Source: HUDCC 2015, with original tables from Magtulis and Ramos 2013.

Table 3. Households by tenure type and poor households, all Regions and NCR (2012)

Tenure Type	All Regions			NCR		
	HH	Poor HH	% Poor	HH	Poor HH	% poor
Formal (own or rent)	15,536,041	3,240,800	20.9	2,044,459	66,640	3.3
Informal, with consent	3,847,917	1,432,807	37.2	258,189	21,895	8.5
Informal, without consent	649,112	141,262	21.8	250,895	16,344	6.5

Base data: FIES 2012; Author's computation.

Table 4. Households by regional income class and tenure type, all Regions and NCR (2012)

Tenure Type	All Regions			NCR		
	LOW (1 st -3 rd decile)	MID (4 th -8 th decile)	HIGH (9 th -10 th decile)	LOW (1 st -3 rd decile)	MID (4 th -8 th decile)	HIGH (9 th -10 th decile)
Formal (own or rent)	4,100,671	7,824,559	3,610,811	546,165	1,034,208	464,086
Informal, with consent	1,648,708	1,847,261	351,949	102,794	123,338	32,056
Informal, without consent	262,288	341,359	45,465	117,792	118,520	14,584

Base data: FIES 2012; Author's computation.

Table 5. Households by quality of house, all Regions and NCR (2012)

Walls	All Regions			NCR		
	HH	Poor HH	% poor	HH	Poor HH	% poor
Strong	15,351,993	2,451,993	16.0	2,443,848	85,118	3.5
Light	4,422,804	2,252,858	50.9	82,132	13,118	16.0
Makeshift	232,619	116,938	50.3	29,186	6,003	20.6

Base data: FIES 2012; Author's computation.

Table 6. Households assisted and cost (in millions, nominal) by key program, 1987-2015

Key Program	1987-2000			2001-2010			2011-2015			1987-2015	
	HH	Value (M)	Ave/HH	HH	Value (M)	Ave/HH	HH	Value (M)	Ave/HH	HH	Ave/HH
Production¹											
Resettlement	146,422	8,089	55,245	166,450	21,450	128,870	423,508	75,053	177,217	736,380	142,036
Core Housing	6,546	nd		7,412	118	15,920	18	nd		13,976	15,920
Settlement Upgrading ²	52,809	1,566	29,653	33,547	58	1,729	13,873	71	5,122	100,229	16,911
Sites and Services ²	30,598	2,358	77,058	16,281	446	27,394	1,078	26	23,928	47,957	59,003
Special Projects ³	26,550	2,235	84,171	-	-		61,378	17,095	278,521	87,928	219,837
Land Proclamation⁴	-	-		278,680	nd		300	nd		278,980	nd
Community-driven shelter assistance											
Community Mortgage	105,692	2,867	27,130	16,044	5,705	49,166	62,843	3,928	62,503	284,579	43,927
High Density Housing	-	-		-	-		16,851	2,234	132,549	16,851	132,549
Finance											
Mortgage loans ⁵	544,197	104,624	192,254	421,045	209,019	496,429	254,191	181,830	715,329	1,219,433	406,314
Total	912,814			1,039,459			834,040			2,786,313	-
<i>Retail Guaranty</i>	<i>170,585</i>	<i>80,113</i>	<i>469,637</i>	<i>58,627</i>	<i>144,563</i>	<i>911,337</i>	<i>20,242</i>	<i>33,666</i>	<i>1,663,182</i>	<i>349,454</i>	<i>739,273</i>

Source: Author's computation. Base data:

1987-1992: MTPDP 1987-92. Backlog is as of 1988 and is computed at 35% of estimated need based on share of backlog to total need for urban areas. HH assisted based on HUDCC accomplishment matrices for 1987-92

1993-2015: HUDCC matrices for 93-98, July 1998-December 1999, July 1998-2000, Accomplishment Report 2001-2010 as of October 2010, Accomplishment Report July 2010-December 2011; Accomplishment Report July 2010-December 2015

Notes:

1. NHA production of units under medium-rise buildings and completed housing are counted under the financing program that provides mortgage loans to its buyers. "Other housing assistance" (e.g., tenurial assistance, technical assistance, home improvement, among others) is excluded.
2. With possible double counting.
3. In 1987-2000, production by HGC. In 2011-2015, PNP/AFP housing.
4. Technically, this may be considered as indirect housing assistance. The certificate given to beneficiaries is only a preliminary instrument and will be converted to a deed of sale only when the beneficiary starts to pay any required monetary consideration.
5. Prior to 1997, mortgage financing was under NHMFC. From 1997 onwards, it was under HDMF. Other GFI end user accounts (LBP, SSS, DBP, GSIS) are not included here but they report about 26,900 units between 2001 and 2010 and 2,423 units between 2011 and 2015.

Table 7. Current reach of mortgage system, all Regions

	Income Decile, All Regions									
	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
Market finance										
Home mortgage ¹										
Housing Microfinance ²										
Subsidized finance										
Pag-IBIG Affordable Home Loan II ³ (floor for regular program)										
Pag-IBIG Affordable Home Loan I ⁴										
Group mortgages (lots) ⁵										
Group mortgages (High Density Housing) ⁶										
Resettlement loan (NHA) ⁷										

Source: Author’s computation

¹Most liberal package from a website survey of 11 commercial banks (min 400k, 80 LTV, 11.5%, 20 years).

²Package for long-term construction and acquisition loan based on BSP Circular 678, series of 2010 (300k, 70 LTV, 9.5%, 15 years).

³Pag-IBIG Affordable Home Loan II (450k, 6.5%, 30 years, with repricing in 10) can be considered a floor for regular home loan program.

⁴Pag-IBIG Affordable Home Loan I (450, 4.5%, 30 years, with repricing in 10).

⁵Packages under the Community Mortgage Program (165k, 6%, 25 years).

⁶Packages under the High Density Housing program (450k, 4.5%, 30 years).

⁷Resettlement package under NHA (205k, 6%, 25 years).

Assumes repayment capacities of 10% for decile 1, 12% for decile 2, 15% for 3rd – 5th decile, and 20% for 6th-10th decile

Table 8. Current reach of mortgage system, NCR

	Income Decile, NCR									
	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
Market finance										
Home mortgages ¹										
Housing Microfinance ²										
Subsidized finance										
Pag-IBIG Affordable Home Loan II ³ (floor for regular home loan program)										
Pag-IBIG Affordable Home Loan I ⁴										
Group mortgages (lots) ⁵										
Group mortgages (high density housing or HDH) ⁶										
Resettlement loan (NHA) ⁷										

Source: Author's computation

¹Most liberal package from a website survey of 11 commercial banks (min 400k, 80 LTV, 11.5%, 20 years)

²Package for long-term construction and acquisition loan based on BSP Circular 678, series of 2010 (300k, 70 LTV, 9.5%, 15 years)

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⁵Packages under the Community Mortgage Program (165k, 6%, 25 years)

⁶Packages under the High Density Housing program (450k, 4.5%, 30 years)

⁷Resettlement package under NHA (205k, 6%, 25 years)

Assumes repayment capacities of 10% for decile 1, 12% for decile 2, 15% for 3rd – 5th decile, and 20% for 6th-10th decile

Table 9. NHA share in social housing production

Period	NHA ¹	HDH ²	LTS ³	Total	% Share of NHA
1993-1998	140,043		413,891	553,934	25.3
1999-2000	27,579		55,511	83,090	33.2
2001-2010	175,667		444,083	619,750	28.3
2011-2015 ³	484,904	16,851	235,356	737,111	65.8

Source: Authors computation.

¹NHA: Resettlement, core housing, special projects, complete housing, medium-rise. See sources listed in Table 6.

²High Density Housing of SHFC

³License To Sell (LTS) issued by HLURB for social housing, including 20 percent balanced housing compliance. For 1993-2000, HLURB. (<http://hlurb.gov.ph/license-to-sell-statistics/>); for 2001-2015, HUDCC.

Enabling Local Rental Housing Market¹

In-city affordable housing need not be focused on homeownership alone. Creating a hospitable environment for rental housing investment by the private sector is a strategy that should also be given attention.

Rationale for Rental Housing

Rental housing is a key feature of a vibrant housing market and an essential component of affordable housing. While homeownership is a natural aspiration of all households, the demand for rental housing is consistent with lifecycle events. Peppercorn and Taffin (2011) note that the demand for rental housing in most countries arises from the following:

- Workers and young professionals in urban areas who need safe and decent housing at reasonable distance from their place of employment; but either cannot or do not want to commit to a particular location for a long period of time;
- Students who live in dormitories;
- Those experiencing transitional events in their life (e.g., divorce or separation);
- Families who cannot afford or qualify for a mortgage, does not have sufficient income or have not saved enough to meet down payment requirements; and
- People sharing space with relatives.

The same study shows that rental housing makes up a significant percentage of housing around the world, ranging from 11 percent in India to 63 percent in Switzerland. In major cities the percentage of renters can be even higher (Table 1). The experiences of many countries/cities show that rental housing is an option for decent affordable shelter and secure tenure.

It is also observed that homeownership alone can have negative incentives to relocate closer to jobs. For instance, in the Philippines, those living far from job centers are discouraged to relocate in cities owing to poor housing conditions and lack of decent affordable housing especially for those with families. Urban areas are employment centers and avenues for poverty alleviation. The lack of rental housing in urban areas constrains workers mobility and opportunities for better employment.

¹This policy brief was prepared for the National Summit on Housing and Urban Development by Marife Ballesteros of the Philippine Institute for Development Studies.

Table 1. Housing tenure by city

City	Owners	Renters	Others
Cairo	37	63	-
Johannesburg	55	42	3
Beijing	59	40	1
Bangalore	43	55	2
Bangkok	56	40	4
Santa Cruz	48	27	25
Sao Paolo	70	20	10
Paris	48	49	3
Berlin	12	88	-
Rotterdam	26	49	25
Geneva	14	86	0
London	58	41	-
New York	34	66	-

Source: European Mortgage Federation Furman Center for Real Estate and Urban Policy, New York University (2010) as cited in Peppercorn and Taffin 2011.

Housing Tenure in the Philippines

Homeownership is the dominant tenure in the Philippines. As of 2012, only about 7 percent of total households in the country are renting and this proportion hardly changed over time (Table 2). However, there is a significant percentage of the population in informal housing tenure. More than 20 percent of total households in the country are either renting a lot or house and lot under informal arrangements with landowners that usually have no legal rights over land.

In Metro Manila, about 23 percent of households rent, which is about three times the national average. Households living under informal tenure remain significant at 20 percent or one-fifth of total households in Metro Manila. In the last two decades (1991-2012), renter households grew by only 35 percent while households in informal tenure increased by 53 percent. The rental market has not responded as expected to the rapid increase in Metro Manila population during the period. While homeownership grew by 119 percent during the period, the proportion of home-owning households declined by 4 percentage points from 2000, which implies that increases in Metro Manila household population mostly fall in informal tenure arrangements.

Table 2. Distribution of households by housing tenure (in percent)

Year	Owner ¹	Renter ²	Informal Tenure ³	Total
Philippines				
1985	58	7	35	100
1990	63	7	30	100
1994	65	6	29	100
1997	65	6	29	100
2000	69	6	26	100
2003	68	8	24	100
2006	71	7	23	100
2009	72	6	22	100
2012	69	7	23	100
Metro Manila				
1985	41	32	26	100
1990	45	31	24	100
1994	49	28	23	100
1997	50	26	24	100
2000	60	22	17	100
2003	56	26	18	100
2006	52	26	22	100
2009	54	22	24	100
2012	56	23	20	100

Source: Adapted from FIES (Family Income and Expenditure Survey).

¹Owner refers to legal owners or amortizing owners of property.

²Renter refers to households renting house or room including lot with lease payment

³Informal tenure refers to households renting lot or rent-free house and lot, that is, informal tenure, with or without consent. It also includes those homes along waterways, railroad tracks, esteros, and other at-risk areas.

Between 1990 and 2000, about 60 percent of the population increase in Metro Manila was attributed to net migration (Cabegin 2010). Migrant households do not usually need homeownership at the start. Anthropological studies on housing conditions of migrant households in Metro Manila (which was also mentioned in People's Summit II)² indicate that the shelter need of new migrants is for affordable rental housing. However, the lack of affordable rental housing forces families to reside in informal settlements, which eventually become their permanent homes as homeownership in the formal market is also constrained by affordability and access to mortgage finance. Government housing policies and programs have been bias toward homeownership, neglecting the development of the rental housing sector or, worst, discriminating this sector through policies such as the rent control law.

Policy Recommendation

Rental housing should be viewed as a significant part of the country's housing stock instead of a temporary or alternative solution to housing. Government needs to modify the negative perceptions on rental housing and adopt policies to support the development of the rental housing market. Developing the rental market in the country will require actions on the following areas:

Legal framework

There is a need to create a balanced owners' and tenants' rights and duties. Rent control is the legal system that may deter private investment in rental housing. Studies have noted a reduction of private rental housing stock due to rent control laws (Gandhi and others 2014; Peppercorn and Taffin 2011). In particular, the legal framework should be clear on the following items: (1) rent setting and rent increase, (2) duration of contract, (3) procedures for resolving conflicts, and (4) stability and adaptability of legal dispositions.

Incentives

These can be in the form of tax incentives and other supply-side subsidies. While the development of socialized housing for sale is given tax holidays and incentives, the rental sector does not have these privileges. Rental business operations can be heavily taxed, thus many rental business operators remain unregistered and therefore hidden from regulatory building control. Lack of incentives also discourages landowners from improving their rental properties. Government may consider as incentives VAT (value-added tax)-reduced rate or exemption, income or profit tax rebate or exemption, and property tax rebate or exemption. Moreover, small landowners can be encouraged to invest in affordable rental through microfinance and credit

²A parallel activity of the national housing summit was the holding of a people's summit, organized and attended by people's organizations and their partner nongovernment organizations. Two such summits were convened, on 22 July and 6 October 2015, each time gathering some 100 members of POs and NGOs as well as selected representatives of national government agencies and private sector groups. A third people's summit took place on 11 February 2016 for a discussion of the policies and other recommendations being proposed in the housing summit.

guarantees or public-private partnership. Rental vouchers or rental payment guarantees can be targeted at poor households and combined with private sector incentives.

Professional property management for public rental properties

Local government unit (LGU)-based public rental housing can be supported in the short to medium term for temporary housing. So that the experience of vertical slums can be avoided, community and LGU management of public rental housing should be strengthened. The learnings from the Valenzuela City public rental housing program can provide insights for similar programs.

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Refining Stakeholder Roles and Relations toward Inclusive Urbanization¹

Economic development inevitably brings a high rate of urbanization as economic activities and employment opportunities increase in urban areas. In the Philippines, the growth in the urban population has been accompanied by an increase in the number of people living in informal settlements. In Metro Manila, the estimated number of informal settler families (ISF) range from 163,094 as of end-2010, based on the 2010 Census on Population and Housing (Magtulis and Ramos 2013), to 250,895 as of end-2012, based on the 2012 Family Income and Expenditure Survey (Monsod 2015), to 584,524 as of 2011 based on Metro Manila city reports (Gaurano 2011). The surveys and methods/parameters used in these general estimates differ. In the overall, however, informal settlers typically have no secure land and housing tenure and many have poor access to basic services.

The Philippines' improved economic performance during the Aquino administration, while noteworthy for creating a policy environment conducive to investments, has nevertheless been assessed to be not inclusive enough in its outcomes. The improved economic performance has yet to translate into improved incomes, opportunities, and well-being for those belonging to the lower-income segments of the population. Among them would be the urban low-wage workers in the formal and informal sectors who reside in informal settlements.

One good known to have a significant impact on expanding economic opportunities and increasing well-being for the poor is adequate housing. In urban areas, the most critical factor currently affecting the supply of and access to urban housing is land. The country's positive macroeconomic performance has intensified the demand for land in cities particularly for infrastructure, commercial, and financial activities and formal housing to support a growing urban population. Given the fixed supply of urban land and competing demands for it, its allocation and use becomes a critical focus of public policy.

Guiding Principles

Housing is a basic human right. As the main institution entrusted with the responsibility of protecting and promoting the common good and the economic, social, cultural, and political rights of its citizens, the State is responsible for making the provision of housing as broadly accessible as possible.

¹This policy note was prepared for the National Summit on Housing and Urban Development by Anna Marie A. Karaos of the John J. Carroll Institute on Church and Social Issues.

Housing encompasses not only the physical dwelling structure but also the building of communities and neighborhoods that actually function as enablers of social, physical, and other forms of capital that in turn foster people's sustainable pursuit and attainment of human development. Thus the provision of housing must be embedded in the broader mandate of inclusive and sustainable urbanization.

At the same time, the provision of housing is dependent on the workings of the market. Thus the autonomy of the market needs to be recognized. The private sector, which includes private commercial providers of housing as well as households and communities, has a vital role to play in the provision of housing. Stakeholders respond to market-based incentives and disincentives.

The housing market in turn responds to spatial, demographic, economic, and other signals. Urbanization policy and management, including zoning ordinances, local development use plans and the placement (or absence) of mass transportation systems, and infrastructure and social services, is one source of signals. Government creates incentives and disincentives to encourage actions or behavior on the part of certain actors to achieve desired development outcomes, such as making urbanization as inclusive as possible and increasing private sector production of housing for low income sectors. Making urbanization as inclusive as possible implies that government must play a role in ensuring that no social group is systematically excluded from the advantages brought by urbanization, including access to secure shelter and employment. However, governments by themselves are rarely able to provide for the shelter needs of the lowest income households. Other sectors, notably the communities, civic groups and NGOs, and the private sector, have a role in broadening access to and increasing the provision of this vital good. Thus, a key governance challenge is designing institutional arrangements and policies that would facilitate multistakeholder ownership of and participation in housing-focused initiatives targeted at the lowest-income urban households.

Technically, land is a private good (i.e., it is "rival" and "excludable"), although some portions are designated for strict public management and use (such as watersheds). But land (as space) is a necessary input to urban shelter of any type, making its use and allocation of particular significance to the attainment of the goal of increasing economic opportunities for the poor, including informal workers. If government considers inclusive development a priority goal, urban land use policy must be aligned with this goal. This becomes even more compelling in a situation where a quarter of the population of the country's premier urban center is without formal housing tenure. A basic challenge of governance then is making decisions on land use and allocation as inclusive as possible so that the needs of the various social sectors are seriously taken into consideration and reasonably addressed.

Scope of the Policy Note

This policy note seeks to examine the role and functions that various stakeholders would need to perform in the provision of housing within the context of broader urbanization processes.

Specifically, it aims to clarify the role of the State and, within it, national government agencies and local government units, in managing urban development. It outlines a framework for defining the roles of different stakeholders, with a particular emphasis on the role of the local government and the need to strengthen its current capacity to carry out this role. Although government policy must aim to respond to the housing needs of all income groups, the policy note is mainly focused on addressing the housing need of the lowest-income urban households.

Principles and Considerations

In a market economy such as what exists in the Philippines, the private sector acts as the principal provider of housing. Government's role is to enable markets to function efficiently so that resources are allocated to achieve the maximum welfare for the greatest number. However, market failures may also exist, and could even be more significant in certain segments of the market as may happen for instance in the lower end of the housing market, where both market-provided finance and supply are constrained by various factors and could prevent low income households from accessing housing. Government then intervenes to address market failures, through regulations, taxes, or subsidies, or, if necessary, the direct provision (via financing or production, or both), of these goods or services. However, even when markets function perfectly, the distribution of goods and services may not be aligned with societal preferences, in which case, government may want to act to achieve specific redistributive or equity objectives. For this purpose, it may adopt policies and instruments for facilitating access to necessary goods such as land, urban services, and infrastructure, where access to these goods are seen to unduly restrict the improvement of income and welfare of disadvantaged social sectors.

Where the provision of housing is concerned, dysfunctional land markets, poor or badly planned transportation infrastructure and outdated planning and building standards have driven the unit price of housing up.² It is the role of government to correct these dysfunctions through institutional and regulatory interventions. Institutional interventions would include refining the mandates of the different instrumentalities of government at the national and local levels to meet development and efficiency objectives. Under the Urban Development and Housing Act (UDHA), city governments have the primary responsibility for providing housing assistance and are specifically mandated to conduct an inventory of lands and identify sites for socialized housing. Yet these are but a few of several local government mandates that have not been implemented by many local government units (LGUs). Limited institutional capacity on the part of the LGU and limited spaces and capacity for effective claim-making on the part of constituents, among other factors, have contributed to this state of affairs.

A glaring gap at present is the absence of a coherent assignment of functions as regards the managing of urbanization processes which are in many ways responsible for the most critical urban dysfunctions that in turn restrict access to valued goods such as housing and basic services.

²The main policy paper provides an extensive discussion of real and financial side issues in the provision of housing and makes a case for the need to attend to the real side issues which have been largely neglected by government housing policy.

At the moment, this role seems to be shared among the different levels of government (central, provincial, municipal/city) but the specific mandate of each level in relation to managing urbanization processes is not clearly articulated in institutional terms. Moreover, the inter-connection across the various levels is also unclear. Municipal and city governments have urban planning and land use mandates under existing laws, yet efficiency considerations merit planning and land use decisions and actions on a spatial scale that transcends LGU boundaries. Mechanisms for establishing inter-LGU urban development and planning systems do not exist.

Institutional Implications

Reconfiguring the housing sector of the government bureaucracy and refining the mandates of local governments and key shelter agencies to address the issues cited above will be a key challenge for improving the current state of housing provision in the country. The legislative proposal to create a Department of Housing and Urban Development (DHUD) presents an opportunity for rethinking the configuration of the housing bureaucracy. Vital in this rethinking is identifying first the crucial elements which the bureaucracy must have before deciding on the specific organizational form it should take. Hopefully the reconfiguration of the housing sector would be informed by the ideas and frameworks coming out of the National Housing Summit so that the fundamental problems constraining government capacity to respond to the housing shortage are squarely addressed.

Some lessons from other countries have pointed to the advantages of decentralizing the provision of housing by empowering local governments to respond more effectively to the housing need of their constituents (e.g., Brazil or South Africa). Nevertheless, local governments need substantial political and other forms of support from the central government, among them financial resources, policy directions, technical assistance, and instruments to facilitate policies and mandates. Political support from the highest levels of government would be crucial to implementing large-scale housing programs.

Another key lesson is that the provision of housing services particularly to low income households is best done in an integrated manner, focusing on the development of neighborhoods rather than just housing. This is the insight that informed the replacement of the Department of Housing with the Department of Human Settlements in South Africa. This might also be the reason why housing provision is under the purview of the Ministry of Cities in Brazil, a country that has implemented one of the most far-reaching housing programs for low- and middle-income households.

Delineating central, provincial, and city/municipal government roles

Given the considerations cited above, in particular the need to anchor interventions in housing on broader urbanization processes, there is a need for a more explicit integration or grounding of urbanization policy in development planning, both central and local, as well as a better articulation of assignments in managing urbanization as between central, provincial, and city/municipal governments. The province would seem to be the level where inclusive

urbanization – as rural economies transform to urban ones – can be best observed and managed. The central government will play a supportive, yet also a steering role, by performing functions like facilitating the collection and sharing of information useful to subnational units, facilitating coordination across state agencies and between local governments and state agencies, designing policies and programs, including the design and provision of subsidies for housing, and integrating urban development plans to be consistent with national policy frameworks and development goals.

There are four possible options for filling this need given the existing institutional setup of the housing sector. The first is to strengthen the present Housing and Urban Development Coordinating Council (HUDCC) to incorporate the above mandates and functions. The strengthened HUDCC could take the form of a new department, which could be a second option, or an interagency council, that includes the Department of Interior and Local Government (DILG) as a co-chair, to take care of the oversight function over LGUs.

A third option, which may also be done in conjunction with the first two options, is to create a bureau under DILG incorporating those functions that have to do with supporting and monitoring the housing and urban development roles of LGUs. Since the DILG already has a supervisory role vis-à-vis provincial, city, and municipal governments, adding the urbanization-related functions and mandates to its existing set of oversight and guiding functions vis-à-vis LGUs might be less disruptive to the existing institutional setup. Among the functions that the central government might perform within this setup are (1) providing the urbanization framework that will inform local development planning and investment decisions of public institutions as well as the private sector, (2) instituting mechanisms for ensuring the coherence of local development plans and their integration into provincial development and physical plans, (3) building the urban planning capacities of LGUs, and (4) providing grants to LGUs to incentivize local development and shelter planning along desired directions. It might also create policies to facilitate and incentivize practices such as land sharing and land consolidation for the efficient use of land in urban areas.

A fourth option would be a cabinet-level interagency committee under the National Economic and Development Authority (NEDA) Board, or alternatively, a Cabinet Cluster for Urbanization. There are currently seven such interagency committees under NEDA's purview: Development Budget Coordination Committee (DBCC), Infrastructure Committee (InfraCom), Investment Coordination Committee (ICC), Social Development Committee (SDC), Committee on Tariff and Related Matters (CTRM), Regional Development Committee (RDCom), and National Land Use Committee (NLUC). NEDA Board interagency committees figure significantly into national development and investment planning. DBCC, InfraCom, ICC, SDC, and CTRM are well-known within the bureaucracy – DBCC introduces the budget to Congress; InfraCom, SDC, and ICC are the ones involved in overseas development assistance and public investment processing and approval; CTRM is involved in global trade negotiations and the like – RDCom and NLUC less so. These committees also align themselves to support cabinet clusters as needed. This option would be easier to set up in the short-term compared with the other options since this type of institutional arrangement is commonly practiced.

Local governments are presently saddled with many responsibilities, not the least of which is making local development, land use, and shelter plans. This is the reason that they need to be technically assisted and capacitated. Moreover, they need resources for implementing their plans. Performance-based incentives such as matching grants from the national government can be given to LGUs for outcomes achieved according to agreed development priorities. For instance, the reduction in the number of households residing in informal settlements could be a desired outcome around which local land use and shelter plans could be developed and implemented.

Under the Local Government Code and UDHA, city and municipal governments are primarily responsible for addressing the housing needs of the population. UDHA spells out concrete measures to be undertaken by LGUs in this regard: (1) registration of qualified socialized housing beneficiaries, (2) inventory of lands suitable for socialized housing, and (3) identification of sites for socialized housing. During meetings of the Thematic Working Group (TWG) on Participatory Governance of the Housing Summit, DILG identified as factors inhibiting LGUs' performance of their housing-related mandates the LGUs' dependence on national government for logistics and finances, implying the LGUs' lack of capacity and resources to undertake their mandated tasks, and the absence of perceived immediate benefits of undertaking these mandates. Institutional reforms would be needed to overcome these hurdles.

When given technical support, LGUs are able to effectively carry out their planning roles as demonstrated by initiatives such as the Citywide Development Approach (CDA) piloted in three LGUs in Metro Manila.³ Participation of civil society organizations and organized communities in the CDA process has also engendered increased social capital at the local level which can be harnessed by LGUs toward advancing their development and housing initiatives.

In principle, CDA as an approach to city shelter planning must also be adopted in cities and municipalities that serve as host localities of resettled ISFs. The planning of resettlement sites as currently practiced leaves much to be desired as evidenced by the myriad of problems encountered by ISFs recently relocated under the government's *Oplan Likas*.⁴ Those relocated to off-city sites have been experiencing the most serious problems, among them the absence or lack of basic and social services (e.g., water, electricity, school buildings for high school students, equipped health centers) and defective housing units. Poor coordination between DILG and NHA, on the one hand, and host LGUs, on the other, during the planning stage of a resettlement project has resulted in dire impacts on the quality of life of the resettled ISFs. These have been extensively documented, reported, and discussed with the concerned government agencies at the two consultation workshops organized by the House Committee on Housing and Urban Development

³A program spearheaded by the World Bank, the Citywide Development Approach provides technical assistance to LGUs and builds multistakeholder partnerships at the city level toward addressing the housing needs of poor communities. The pilot LGUs are Muntinlupa City, Barangay 177 of Caloocan City, and District 6 of Quezon City

⁴Oplan Likas is a relocation program that began in 2012 and is being implemented by DILG, in conjunction with LGUs, NHA, PCUP, and DSWD (Department of Social Welfare and Development), involving ISFs residing along identified waterways for priority cleanup in Metro Manila. The national government has allocated PHP50 billion for in-city and off-city relocation of the affected ISFs. Some 25,000 ISFs have been relocated to date to 20 in-city and off-city resettlement sites, mostly administered by NHA. A small number of ISFs are relocating to in-city and near-city sites adopting a "people's plan" approach, with housing finance provided by the Social Housing Finance Corporation (SHFC).

and the Presidential Commission for the Urban Poor (PCUP) while Housing Summit meetings were also ongoing.

The current institutional arrangement for planning and implementing off-city resettlement is extremely inadequate in that no government agency takes responsibility for the provision of basic services in NHA resettlement sites.⁵ The sorry state of government resettlement sites under Oplan Likas is a testament to the dysfunctionality of the existing institutional setup. One intervention in the short-term is the provision of additional resources, coursed either through a national agency such as NHA or the host LGU, to subsidize the installation of essential infrastructure so that basic services can be provided promptly. In the long-term, planning processes have to be radically improved so that host LGUs would receive the logistical and financial resources needed to put up necessary infrastructure to service the needs of resettled ISFs. A more systemic solution is to limit or abandon the practice of off-city or distant relocation of ISFs altogether.

Refining the mandates of state agencies

In pursuit of its objective to “increase access to decent, affordable, and secure shelter,” government has largely assumed the role of producer of housing units, either by direct production or by below-market financing. State agencies that have engaged in housing finance include the National Home Mortgage Finance Corporation (NHMFC), SHFC, and the Home Development Mutual Fund (also known as Pag-IBIG Fund). NHA, officially considered as a producer of housing, technically also performs a lending function in that the beneficiaries of its housing projects take out a loan from NHA and amortize payment of the loan to NHA. Whether there should be three state agencies extending loans for housing is a question that government must ask itself. A more fundamental question is whether government should be in the business of lending for housing. Answering these questions is essential but not simple. A necessary first step would be for government to conduct a review of its housing finance programs vis-à-vis their stated objectives and intended results. Government must be clear on its objectives and the comparative advantages of state agencies lending for housing to various target groups as compared to the private sector doing it, with the government only enabling markets to work more efficiently. Such an evaluation should include an assessment of the various forms and uses of subsidies.

Aside from housing finance, the production of housing is another function that the private sector also performs. In fact, housing in informal settler communities is usually done in an incremental fashion and by ISF themselves. NHA, the agency officially designated as responsible for production, is actually either outsourcing the production of housing or purchasing built housing units from private developers. The effectiveness and efficiency of this institutional setup should

⁵NHA reasons that the provision of services is not its mandate and that the subdivision developers that construct the housing units are not compelled and do not have the resources to put up the infrastructure for basic services (e.g., water or power lines to connect the resettlement sites to the main lines of the water and power companies). The host LGUs for their part are not prepared and financially able to put up the needed infrastructure. This begs the question of how the location of the resettlement sites is determined in the first place, and why the cost of the installation of this needed infrastructure is not included in the budget of site development. This cost can in fact be subsidized by the national government as this is a public good necessary for poverty alleviation.

be assessed vis-à-vis alternative arrangements. The government might be better off providing technical assistance and housing subsidies to target groups such as ISF to help them with incremental housing (e.g., in Community Mortgage Program [CMP] sites or slum upgrading) or help develop low-cost rental housing in their communities. Where incremental housing is not possible (e.g., in-city relocation where multi-story housing is to be built), competition among private developers, coupled with regulatory interventions directed at improving the ease of doing business (e.g., obtaining licenses and permits), would theoretically help bring down the cost of housing units. Targeted subsidies can be provided directly to low income homebuyers or renters.

Capacity building for ISFs and their organizations to ensure that they can access government housing assistance and subsidies is another necessary function and is discussed in the following section. This can be undertaken by a specialized national agency (e.g., SHFC, unbundled from the housing finance function) or by a unit within DSWD focusing on community development specifically for shelter provision.

Civil society participation

Civil society groups (e.g., community associations, NGOs) in the Philippines have always been quite active in influencing government policies and programs on housing for low-income communities. As early as the seventies, under martial law conditions, organized communities in the Tondo Foreshore Area advocated with NHA for onsite upgrading and near-site or in-city resettlement. UDHA, largely a product of the united advocacy of urban poor organizations and NGOs in the early nineties, basically upheld the same policy orientation by mandating LGUs to allocate land and designate socialized housing sites within the cities for urban poor housing. This policy thrust has been put into practice, albeit to a very limited extent, in various presidential land proclamations (some of which predated UDHA) and in the creation of CMP. More recently, also in response to civil society advocacy for in-city housing for urban informal settlers, the Aquino government allocated PHP50 billion for relocating and rehousing ISFs residing in danger areas in Metro Manila, principally those inhabiting the banks of waterways. This initiative led to the preparation of “People’s Plans” by organized ISF communities assisted by support NGOs which involve the development of multi-story housing designed by ISF themselves to be built on in-city sites that are selected or approved by them.

For almost fifty years, civil society actions have consistently pushed for a housing policy emphasizing onsite upgrading and in-city resettlement in opposition to the predominant government policy of off-city resettlement. The contradiction between the two approaches has been a running theme in civil society-government engagement on housing issues.

At the Housing Summit TWG sessions on participatory governance, and articulated more emphatically in the first two People’s Summits,⁶ POs and NGOs complained of LGUs’ nonrecognition of and lack of support for People’s Plans; the continuing eviction of ISF communities and their

⁶These people’s summits, considered as a parallel activity of the national housing summit, were convened on 22 July and 6 October 2015. Each of these gathering were attended by over 100 representative of POs and NGOs as well as national government agencies and private sector groups. A third people’s summit took place on 11 February 2016 for a discussion of the policies and other recommendations being proposed in the housing summit.

relocation to off-city and ill-equipped relocation sites; underrepresentation of urban poor groups in local special bodies that make decisions on their housing situation; non-implementation of UDHA mandates to LGUs on land inventory, registration of socialized housing beneficiaries and designation of socialized housing sites; and poor coordination between LGUs that send and receive relocated families. These issues persist even as some headway has been achieved in creating spaces for institutionalized participation of civil society organizations through the newly established High Density Housing (HDH) program of SHFC and the Citywide Development Approach (CDA) being piloted in three cities and two barangay in Metro Manila. Community associations participating in SHFC's HDH program have been encountering problems with getting government approvals for various requirements from national government agencies and city government offices. Communities that have undergone a people's planning process run into problems with their LGUs or the Department of Public Works and Highways when the latter agencies are compelled by higher authorities to clear danger areas of ISF. What this suggests is that participatory initiatives will not be able to achieve their expected results without the requisite institutional reforms as outlined above (e.g., refining state agency and LGU mandates) that can create mechanisms for harmonizing approaches and policies across the various levels of government.

Another critical factor limiting civil society participation is the low level of technical and organizational capacity of POs and NGOs. Participatory processes require a massive input of capacity-building and technical assistance as attested to by both SHFC's HDH program and CDA. Some technical know-how is required for accessing information on land and acquiring land and for preparing people's plans. The estate management of the multi-story buildings being constructed under the HDH program, indispensable for the success of the government's in-city housing approach, also requires heavy investment in the capacity building of POs and NGOs. When government programs rely heavily on people's participation for their success, it may be worthwhile for government to mandate a specialized agency to focus on community development and capacity building. Thailand's Community Organizations Development Institute (CODI) is an independent public organization under the Ministry of Social Development and Human Security which supports community processes controlled by poor people through vehicles such as community savings, community loans, and revolving funds. CODI has successfully supported citywide slum upgrading programs all over Thailand using this approach.

Government endorsement of participatory processes must be backed up by bold institutional interventions and budgetary support. For participatory processes to achieve their intended results in terms of poverty reduction, government must be prepared to dedicate resources and the organization for providing poor communities and households the capacities needed for effective engagement on housing and other welfare concerns.

Recommendations

Immediate/Short-term

1. Provide technical assistance to DILG to study the best way to provide the logistical and other support to LGUs to enable them to carry out their mandated task of land

inventory, registration of social housing beneficiaries, and identification of social housing sites. An Executive Order (EO) may be issued to create the mechanisms for downloading the necessary support to LGUs.

2. Promote and expand the Citywide Development Approach among LGUs other than the pilot cities, including those that serve as host LGUs of resettled ISFs, to enable these LGUs to make shelter plans through a participatory process, and to systematically program their shelter interventions, tapping onto the shelter programs of the key shelter agencies. This will include the designation of lands for social housing projects, including but not limited to the disposition of already proclaimed lands, and unlocking private lands suitable for social housing through a range of policy instruments (e.g., incentives, land swaps, expropriation).
3. Issue an EO to expand the pilot project for undertaking the ground validation of the inventory of land and ISF undertaken in Quezon City to the remaining 16 LGUs of Metro Manila. This expansion of the pilot can also be coordinated by DILG and the resulting database will be kept by DILG and shared with HUDCC. A mechanism for updating the database must be provided as well as the needed resources which can come from budgetary appropriations.
4. DILG to develop and implement a pilot program to test different ways of incentivizing LGUs to institutionalize participatory local shelter planning in the context of development and physical plans of the regions/provinces where they are located. This pilot program must include LGUs outside Metro Manila. One type of incentive could be funds for local development projects shown to be part of or consistent with provincial/regional development and physical plans. There needs to be a mechanism for checking the coherence of the components of the plan and LGUs will be rewarded for outcomes. It is also recommended that participatory local shelter planning and well-functioning Local Housing Boards with civil society representation be included in DILG's criteria for giving cities and urban LGUs a Seal of Good Local Governance.
5. Develop the capacity within DILG to guide, assist, and monitor LGUs in developing urban development plans that would deal with the challenges of urbanization, including the provision of infrastructure and transport, and basic and social services including shelter. DILG to provide capacity building and technical assistance to LGUs in developing and implementing housing programs including public rental housing and estate management schemes. DILG can tap the private sector, the Local Government Academy (LGA), and academe for this purpose.
6. Review the roles, functions, and mandates of state-owned shelter institutions vis-à-vis the evolution of the banking sector and microfinance institutions with a view to fine-tuning their housing finance programs and interventions so that they complement and not displace the private sector in providing needed financing for housing.

7. Provide technical assistance to HUDCC toward strengthening its role in monitoring urbanization trends and impacts and developing an urbanization framework that would guide local and regional development plans so that these will be proactive and responsive to people's needs in housing, transport, infrastructure, and services. The assistance will include policy recommendations for providing incentives to the private sector as well as necessary policy support and regulations for broadening the access of the poor to public housing programs.
8. Create a mechanism for providing capacity building and technical assistance to ISF community organizations for shelter planning, savings, financial management, and accessing government housing programs. The mechanism will identify an agency (whether an existing or a new one) that would assist ISF community organizations in preparing and carrying out people's plans and other community-initiated housing schemes. The mechanism can be integrated into existing agency programs like CMP and HDH programs of SHFC and the community-based housing programs of NHA or institutionalized in a single agency. Study how best to institutionalize such a mechanism (e.g., unbundle the housing finance and capacity building functions of SHFC and strengthen its community development and capacity building roles or create a unit within DSWD to engage in community development specifically for shelter provision).
9. Provide the needed resources, coursed either through a national agency such as NHA or the host LGU, to subsidize the installation of essential infrastructure so that basic services in existing resettlement sites can be provided promptly. A more systemic solution is to limit or abandon the practice of off-city or distant relocation of ISFs altogether.
10. DILG or HUDCC to study and conduct consultations with all levels of government (barangay, city, province, region) to explore mechanisms and policy instruments toward integrating local urban development plans, including local shelter plans, into provincial and regional development plans so that there is synergy among component plans and investments at the different levels (e.g., infrastructure and transport investments at regional or provincial level are harmonized with housing investments at local level in terms of location, timing, and targeting). In this way, public resources are utilized rationally and efficiently.

Long-term

1. Strengthen the capacity of LGUs for undertaking participatory urban planning and development and forging multistakeholder partnerships. The principle of embedding the provision of housing in the broader mandate of inclusive and sustainable urbanization must find institutional expression in strengthened and capacitated LGUs that engage various sectors (communities, NGOs, private sector) in urban planning and development. If all urban LGUs are thus empowered and capacitated, the dichotomy between in-city and off-city resettlement will disappear because all LGUs

will have the resources and multistakeholder arrangements to address the housing needs of their constituents.

2. Strengthen HUDCC and consider institutionalizing the urban development role of DILG by making it a co-chair of HUDCC so that its enabling role vis-à-vis city and municipal governments is made effective. Create a bureau within DILG for assisting and monitoring LGUs in the performance of their urban development functions and mandates.
3. Reconfigure the public housing sector in accordance with the review of the mandates of state-sponsored shelter agencies vis-à-vis the envisioned housing strategies for increasing the participation of the private sector to leverage public resources. The four options presented in this policy note (page 145) could provide a starting point for studying and deciding on the most suitable institutional setup.
4. Designate or create a state agency that will provide community development assistance to ISF communities and capacity building assistance to community organizations to enable them to engage effectively with LGUs in local shelter and development planning and budgeting and to access housing subsidies and other resources from both public and private institutions to meet their shelter needs. This can be done by creating a CODI-like institution or creating a special unit and program within DSWD focused on community development for accessing shelter and basic services.

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