

# National Urban Development and Housing Framework

(NUDHF 2009-2016)

URBAN COMPETITIVENESS

HOUSING AFFORDABILITY

POVERTY ALLEVIATION

SUSTAINABLE COMMUNITIES

PERFORMANCE-ORIENTED GOVERNANCE



HOUSING AND URBAN DEVELOPMENT COORDINATING COUNCIL



PHILIPPINE INSTITUTE FOR DEVELOPMENT STUDIES



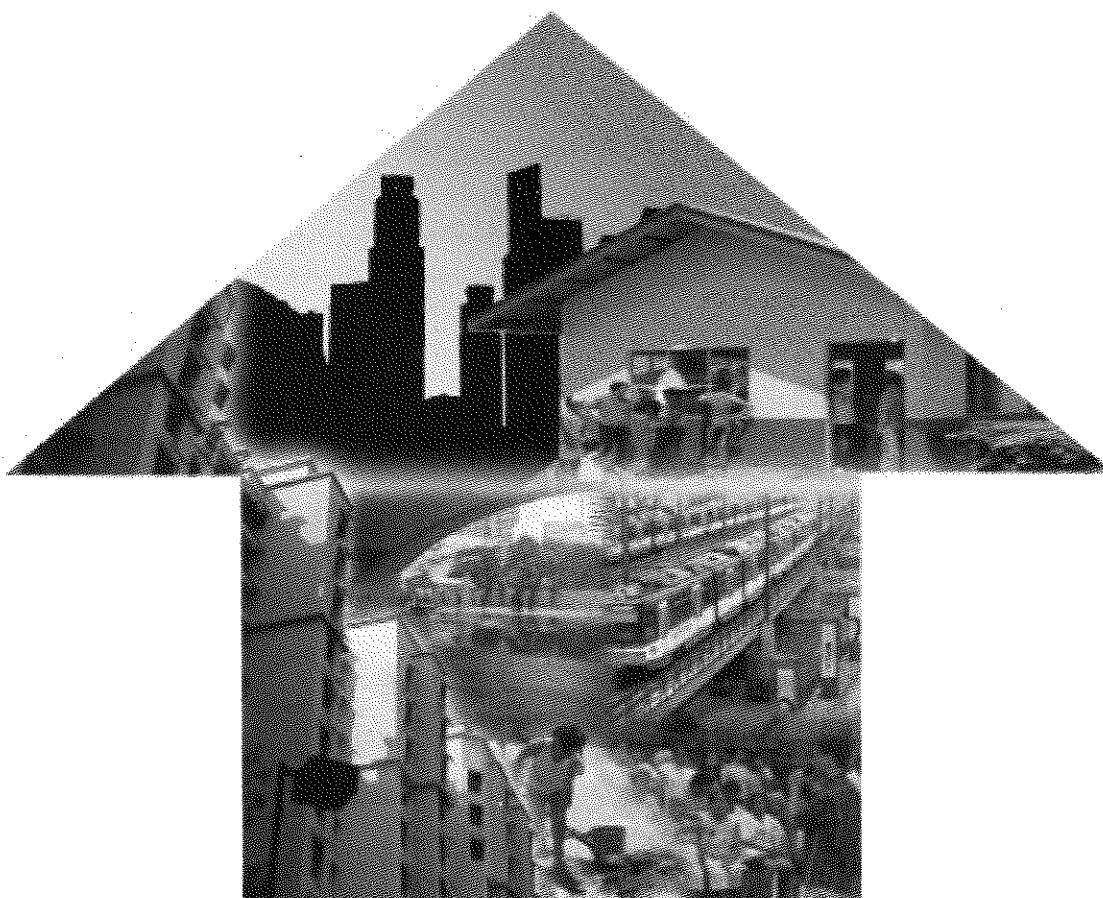
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UNITED NATIONS DEVELOPMENT PROGRAMME

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UN-HABITAT



UNITED NATIONS DEVELOPMENT PROGRAMME

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## List of Acronyms

A&D.....	Alienable and Disposable (land)
ADB .....	Asian Development Bank
AIP .....	Annual Investment Program
ARMM.....	Autonomous Region of Muslim Mindanao
BOT .....	Build-Operate-Transfer
CALABARZON .....	Cavite, Laguna, Batangas, Rizal and Quezon
CAR .....	Cordillera Administrative Region
CDF.....	Countryside Development Fund

CDP .....	Comprehensive Development Plan
CLUP .....	Comprehensive Land Use Plan
DBM .....	Department of Budget and Management
DHUD .....	Department for Housing and Urban Development
DILG .....	Department of the Interior and Local Government
DOF.....	Department of Finance
ECOZONES .....	Economic Zones
FACES-MDG.....	Family-Based Actions for Children and their Environs in the Slums – Millennium Development Goals
FDI.....	Foreign Direct Investments
GDP.....	Gross Domestic Product
GOLD .....	Governance and Local Democracy (Project)
HDMF .....	Home Development Mutual Fund
HGC .....	Home Guaranty Corporation
HLURB.....	Housing and Land Use Regulatory Board
HUDCC.....	Housing and Urban Development Coordinating Council
ICT .....	Information and Communications Technology
IRA.....	Internal Revenue Allotment
IT .....	Information Technology
IT-BPO .....	Information Technology and Business Process Outsourcing
LARA .....	Land Administration Reform Act
LDC .....	Local Development Council
LDF.....	Local Development Fund
LDP .....	Local Development Plan
LFC .....	Local Finance Committee
LGC.....	Local Government Code
LGU .....	Local Government Unit
MDG .....	Millennium Development Goal
MTPDP .....	Medium Term Philippine Development Plan
MMDA.....	Metro Manila Development Authority
NCR .....	National Capital Region
NFPP .....	National Framework for Physical Planning
NGA .....	National Government Agency
NGO.....	Nongovernment Organization
NHA.....	National Housing Authority
NHMFC .....	National Home Mortgage Finance Corporation
NUDHF.....	National Urban Development and Housing Framework
NUPA .....	National Urban Policy Agenda
NEDA.....	National Economic and Development Authority
OFW.....	Overseas Filipino Workers
PPAs .....	Programs, Projects, and Activities
RDC .....	Regional Development Council
RORO .....	Roll-On Roll-Off
SHFC.....	Social Housing Finance Corporation
SME .....	Small- and Medium-size Enterprise
SUCs .....	State Universities and Colleges

## FOREWORD

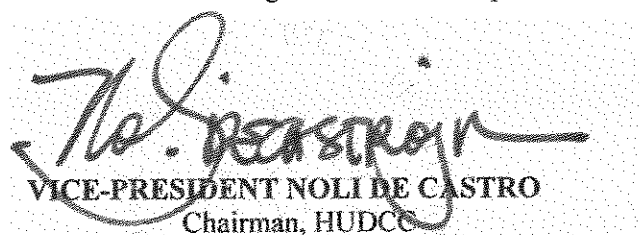
Today, urban dwellers make up more than half of the total Philippine population. This translates to a need for higher standards in the management and development of the urban sector to effectively address the challenges that come with a rapidly growing urban population.

Given our limited resources, the effective implementation of development programs focusing on the urban population largely depends on strategic courses of action that recognize the order of priority of their most urgent needs.

The National Urban Development and Housing Framework (NUDHF) 2009–2016, developed in line with Section 6 of Republic Act 7279 (s. of 1992) or the Urban Development and Housing Act, specifically addresses this challenge. An update of the previous framework (NUDHF 1999–2004), this is a product of a rigorous and careful process of policy reviews and consultations. It complements existing policies as defined in various documents. More importantly, its major feature is its being more strategic in character. As a basis for its recommendation for specific courses of action, the framework first explains the current performance and efficiency of the urban system, with focus on the drivers of key urban issues and problems as well as the institutional environment in which policies and programs operate.

The overall vision of this framework focuses on urban competitiveness and poverty reduction, housing affordability and delivery, development and management of sustainable communities, and performance-oriented governance.

The Housing and Urban Development Coordinating Council (HUDCC), with the assistance of the United Nations Development Programme (UNDP), is pleased to support the publication of this framework together with the Philippine Institute for Development Studies (PIDS). We hope that this framework would guide decision makers, policy makers, planners and implementers from the national government agencies, local government units, civil society groups, academic institutions and other entities concerned for the successful achievement of a common vision for sustainable housing and urban development.



VICE-PRESIDENT NOLI DE CASTRO  
Chairman, HUDCC



# Framework Vision Towards 2016

## A. VISION AND GUIDING PRINCIPLES

The vision for urban development in the Philippines is an urban system that:

- facilitates economic growth,
- develops and strengthens local comparative advantages, and
- significantly improves the quality of life of its residents.

Given this vision, and based on the current policy and institutional environment, the following principles were derived to guide the formulation of a National Urban Development and Housing Framework 2009–2016:

### 1. Strategic character

Unlike previous policy documents, which tend to be comprehensive as far as sectoral coverage is concerned (and thus assume the availability of a large amount of resources), NUDHF 2009–2016 is more strategic in character. It assumes that resources for urban development are limited. For this reason, key urban development issues have to be identified and specific courses of actions have to be prioritized.

### 2. Focus on drivers

In the analysis of the performance of the current urban system, the focus is on “drivers” (rather than “symptoms”) of key issues and problems. In many local plan documents and frameworks, the factors that underlie existing conditions described are not sufficiently identified and explained. The identification of these underlying factors is key to the formulation of effective urban development and housing policies and programs.

### 3. Institutional considerations

While previous policy frameworks tend to gloss over implementation issues and institutional parameters, NUDHF 2009–2016 assesses the capacity of current institutional arrangements to carry out the recommended strategies.

### 4. Medium- to long-term perspective

While the NUDHF 2009–2016 includes short-term strategies and actions, as a framework, it extends its perspective and analysis beyond the medium- and long-term period. This is necessary particularly because what is dealt with are urban developments that take place over a protracted period of time. Moreover, the NUDHF will be reviewed after 2010 for consistency with future MTPDP.

## B. CONTEXT AND STRATEGIC IMPLICATIONS

### 1. Recognize the arena of urban competition and build on strengths

Much of the future of the country will depend on the performance of its urban system which, in turn, depends substantially on its overall competitiveness relative to other urban areas of the world. At least in the short to medium term, capital flows to the Philippines will be influenced increasingly by the management and performance of the business and the social and physical environment of Mega Manila and other urban regions of the country—not just by the cost of doing business but also by the variety of cultural experiences, the air quality, and the efficiency of the public transportation system, to cite several examples—vis-à-vis other cities.

It is important, therefore, to build up the competitiveness of Philippine cities, and this means maximizing its strengths—its language and service proficiency in the IT-BPO sector; natural, cultural, and human resources that cater to a growing tourism industry; the emergence of several large urban markets; active private-sector participation in several sectors; and its decentralized government structure to mention some of the most prominent—while minimizing the impacts of its weaknesses. Further, while national welfare depends largely on the performance of the urban system, this is invariably linked to the rural sector. The success of the urban system, therefore, cannot be separated from a commensurate improvement in the living conditions of the rural population.

### 2. Identify strategic priorities

Given limited resources, capital and other investments need to have strategic focus and priority in order to avoid dissipation into many initiatives that will have minimal collective impact. Identified priority actions should address causes rather than symptoms of development issues even as they realistically take into account resource limitations. Ideally, top priority should be given to activities that will lead to the largest positive impacts to as many people as possible, using the least amount of resources, in the shortest possible time.

However, tradeoffs will have to be made, particularly in terms of investments across sectors and locations. By definition, investment priorities should not be comprehensive, meaning they should not cover all activities and regions of the country. It is very convenient politically, for example, to allocate infrastructure projects to all the regions. But limited resources means that not all of these projects will be implemented at the same time or that such resources will have to be spread out to cover many but smaller projects. Clearly, if the objective is to spur regional-scale growth, many small individual and unrelated projects are not going to be acceptable because these will have minimal impact on their host regions compared to a few major regional-scale initiatives.

### 3. Emphasize short term actions without losing sight of strategic objectives

The short- and medium-term horizon of this framework requires actions which demonstrate immediate impacts. This is consistent with the political objectives of many local leaders. However, many issues cannot be resolved in the short term. In these cases, the objective would be to avoid quick-fix cosmetic projects and instead, implement projects that yield visible results within the political tenure of political incumbents and, more importantly, initiate more sustainable solutions in the future. Experiences in other countries show that concerted and strategic action can yield meaningful results within a decade as far as economic growth and even environmental rehabilitation is concerned.

### 4. Continue to work with the decentralized bureaucracy and local autonomy

The decentralized bureaucracy and relative autonomy of local governments in the Philippines emphasizes the need to work with local initiatives. This also means that unlike a government with a strong centrist orientation, there will be a greater variation in opportunities for introducing and implementing urban development projects and programs across LGUs. Obviously, local governments will be in a better position to attract and manage urban development by, for example, creating better planning and investment environments.

There is a need to strengthen LGU capacities, i.e., ensure that governance capabilities and logistical requirements are available at local levels. At the same time, national-local and interlocal coordination cannot be assumed and if this is not yet in place, it will have to be established to ensure consistency in planning and implementation.

Improving local revenues to provide more resources for project implementation should form part of this objective.

### 5. Enhance coordinative mechanisms at various levels

In the context of decentralization, urban development initiatives should be driven locally. Since a large amount of funds continues to be sourced from the national government and also because major investments require the approval of national government agencies, such urban development initiatives will have to be facilitated at the national level.

Clearly, there is much room for improving national-local relations. National-local interfaces, which could influence the form and substance of local development plans and investment programs, must be encouraged. As revealed elsewhere, interfaces between local government officials with representatives of regional and national government agencies have been found to be infrequent and have little impact on local project priorities.

At the same time, coordinative mechanisms at the national level must be strengthened. There are numerous agencies that are involved in the provision of services relative to housing and urban development. These services lack synchronization and harmonization. "Council" or "committee" type of mechanisms (e.g., the HUDCC and the NLUC) have largely been relied upon to coordinate urban development, housing, and land use activities. In the absence of budget control and resource allocation powers, experience has shown that these coordinative mechanisms seem to be inherently weak. Resource allocation powers seem to be a requirement to ensure effective coordination among various agencies.

### 6. Enhance participatory governance

The structure and composition and role of the Local Development Council in planning, decisionmaking, and as a forum for local-national coordination need reassessment. Despite numerous planning, programming, and resource allocation functions assigned to it by the LGC, it plays a relatively limited role

in planning and investment decisions. It is a large, unwieldy body that rarely meets and it is the Executive Committee that absorbs most of its functions for the greater part of the fiscal year.

Much reform is also needed at the national and local levels to enhance the participation of the business sector in various development activities. In particular, there is a need to reduce the high number of procedures that are required to start a business, to deal with construction-related activities, and to transfer a property ownership title across Philippine cities. Overall, enhancing private sector participation and partnerships will require more transparent participation and evaluation processes, consistency in enforcement and interpretation of rules, realistic valuations, and reduced corruption.

## 7. Reorient political leaders

In the final analysis, the success of programs and projects in housing and urban development rests with local political leaders. Ideally, local political leaders should submerge political interests in favor of the overall welfare of their respective communities. However, this is easier said than done in the context of the local political culture in the country.

One important intervention has to do with educating/reorienting local political leaders on the importance of and the benefits to be derived from medium-term strategic planning. Past experiences suggest that the success of these interventions relies on (a) the early engagement of local officials in the planning process so as to promote their commitment to the local development plans formulated and (b) the participation of broad-based multisectoral groups in the exercise. For this reason, advocacy among LGU officials on the importance of medium-term strategic planning must be sustained.

## C. ELEMENTS OF A FRAMEWORK

What has been previously discussed may be grouped into three basic themes that form the structure of the framework: (a) the urban system; (b) housing and communities; and (c) governance. The first can be divided into two modules, each corresponding to the fundamental objectives of improving urban competitiveness and poverty reduction. The second theme can similarly be divided into housing delivery and sustainable communities—micro and macro elements of the urban system. The third serves as the fifth module and cuts across the previous modules. To illustrate:

<b>The urban system</b>	1. Urban competitiveness 2. Poverty reduction
<b>Housing and communities</b>	3. Housing affordability and delivery 4. Sustainable communities
<b>Governance</b>	5. Performance-oriented governance

### 1. Urban competitiveness

The urban system plays a major role in the economic development of the country. Given increasing global integration, the extent to which the cities that comprise our urban system can play this role depends on their competitiveness relative to other cities of the region and of the world.

### 2. Poverty alleviation

The continued relatively high poverty incidence in the country is a direct result of the lack of propoor economic growth. As concentrations of economic activity, cities serve as agents of poverty reduction.

### 3. Housing affordability and delivery

A significant part of the problem plaguing the housing sector in the country is the lack of affordability. The fundamental solution to this problem is again rooted in economic growth, which provides employment and income to households, which can then increase affordability levels. In the short to medium term, increasing the availability of housing credit and financial resources and lowering the cost of land and housing production can make a significant difference.

### 4. Sustainable communities

Communities need a combination of function and amenity based on acceptable environmental standards. Ultimately, they need to be sustainable by providing minimum service standards as well as from the point of view of global climate change.

### 5. Performance-oriented governance

Governance cuts across all modules. It is key to improving urban competitiveness and poverty reduction, in providing shelter, and in the development of sustainable communities. Improving efficiency, reducing wastage and corruption, and improving coordination across all layers of bureaucracy are needed while taking into account the decentralized structure of government.

## D. USING THE FRAMEWORK

The Framework is intended to be used primarily to guide the formulation and implementation of plans, programs and activities (PPAs) of both local and national governments through its strategic recommendations.

The recommendations (in Section E) are organized according to the themes and modules described earlier. These are described in more detail in the full text version of the Framework.

The PPAs vary accordingly in terms of specific implementation requirements. Some are more policy-oriented that require further translation before an explicit course of action and implementing agency can be identified while, on the other side of spectrum, others are already specific projects ready for execution. They span, therefore, a broad implementation horizon even though they can all be initiated in the short term.

The strategy recommendations form the crux of the framework. Ultimately, they are realized through the implementation of PPAs but the PPAs (because they are specific to implementing agencies, management, and governments) can vary or change accordingly. What is more important, however, is that the underlying strategy is carried out. For this reason, it is further recommended that the following actions be taken towards the implementation of this framework:



- Formal adoption of the framework by HUDCC.
- Formal adoption of the framework's strategic recommendations and policies in the MTPDP.  
Note that this does not require a separate chapter on urban/regional development in the MTPDP (and this is why this is not included among the recommended PPAs).
- Formal adoption of specific strategic recommendations and policies, along with corresponding actions or PPAs, of the Framework in corresponding national government agency sectoral plans, and cascaded into the regional and local agency offices (e.g., recommended road infrastructure policies and projects are integrated into the policy and implementation plans of the national and regional DPWH offices).
- For HUDCC, its overall role would be to champion the strategic recommendations across national and local government agencies and organizations. This requires close coordination with NEDA. As a "sectoral" agency, HUDCC can also directly initiate and implement policies that fall under its jurisdiction, including the formation of a Department of Housing and Urban Development that can go beyond its existing coordinative functions. (These strategies and recommendations are italicized in the summary matrix.)

The recommendations are not exhaustive. Some of them are new while others are existing project proposals and/or are part of other public plan or policy documents. These plan or policy documents tend to be comprehensive in nature, typically with an extensive list of projects that covers a medium- to long term implementation horizon. Projects included in this framework, however, are intended to be strategic; they were selected because they lead to the attainment of objectives that drive the vision of the urban system, given existing resource and institutional constraints. Those that form part of existing plan or policy documents should not be viewed as re-listed or existing projects but, rather, as projects that should be accorded priority and therefore should be implemented or at least initiated as soon as possible.

## E. STRATEGIC RECOMMENDATIONS

### 1. Urban competitiveness

- Improve national competitiveness by increasing productivity and efficiency of urban industrial regions. Build on existing strengths in manufacturing and producer services. Focus export-oriented activities in core export areas (e.g., CALABARZON, Cebu, Central Luzon) which are potentially globally competitive.
- Support development of strategic clusters; enhance value added of existing clusters, support local promise, orient development planning, research, and data collection to clusters.
- Increase Metro Manila's attractiveness as a global service center and visitors destination by improving basic functions, addressing traffic congestion, mobility, pollution, etc.,—essentially taking steps to demonstrate that the city works.
- Support IT enabled services to further enhance the country's competitive advantage in the sector.
- Support tourism sector and its regional/urban-rural linkages.

## 2. Poverty alleviation

- Urban-rural linkages
  - Recognize and enhance rural-urban linkages of poverty alleviation to improve labor mobility and increase the sharing of market information among rural producers and urban consumers.
- Population management
  - Encourage smaller size families.
- HR and livelihood
  - Support human resource and livelihood programs aimed at poverty alleviation.
  - Increase entrepreneurial opportunities for the poor.

## 3. Housing affordability and delivery

- Local and regional planning
  - Link local land use/ physical and community development plans with industry/local employment generating investment programs.
- Land access and management
  - Provide incentives to unlock land for affordable housing.
  - Provide and encourage access to land for affordable housing.
- Explore promising financing sources and schemes
  - Increase funding and other resources for proven and key housing programs and institutions.
  - Streamline housing development transaction processes; reduce transactions and protect housing consumers.

## 4. Sustainable communities

- Use market-based incentives and disincentives to provide public amenities to support urban land use objectives.
- Sustainable planning/green building
  - Review and revise traditional zoning and encourage sustainable and private sector initiatives through performance and service standards.
  - Anticipate and encourage sustainable development and building practices in local and metropolitan development plans and other ordinances.
  - Continue to build capacities of LGUs in development and land use planning.
- Integrate climate change adaptation and disaster risks management into community and regional development.

## 5. Performance-oriented governance

- IRA-based incentives

- Provide incentives for LGUs to be less IRA-dependent and to mobilize own source revenues; encourage LGUs to tap innovative financing schemes.
- Horizontal linkages (plan-implementation)
  - Strengthen LGU capacity building in strategic planning: planning, investment programming, budgeting, and implementation linkages.
- Interagency coordination
  - Improve vertical coordination among levels of administration (national, regional, provincial, and city/municipal).
- Transparency and accountability
  - Increase accountability of LGUs and private sector; increase process transparency to minimize opportunities for corruption; support private-public partnerships in project implementation.
  - Encourage and create performance-based local governance.
- Interlocal coordination
  - Support metro (interlocal) jurisdictional cooperation; provide real incentives to interlocal co-operation; harmonize legal and service management mechanisms among metropolitan LGUs.

## CHAPTER I

# Introduction

### A. BACKGROUND AND OBJECTIVES

This National Urban Development and Housing Framework (NUDHF 2009–2016) is an update of the previous framework (NUDHF 1999–2004) as mandated by the Urban Development and Housing Act of 1992 (RA 7279). It is designed to provide a macro framework for urban development and housing and consists of policy statements and strategies intended to guide the Philippine government's efforts towards improving the performance and efficiency of the country's urban system.

In the context of developments and policy changes that may have transpired in recent years, NUDHF 2009–2016 is designed to achieve the following specific objectives:

- review the policy frameworks proposed by the previous NUDHFs with a view towards determining their effectiveness and limitations given current socioeconomic and political realities;
- assess the institutional environment and the role of Local Government Units (LGUs) and concerned agencies at various levels in housing and urban development, taking stock of institutional changes that have taken place;
- identify current and prospective issues and problems that may be encountered in the implementation of programs and policies formulated in NUDHF 2009–2016;
- formulate strategies that will contribute towards the achievement of the Millennium Development Goals (MDG), enhance the participation of women in the development process, and cooperation among LGUs and other institutions; and
- recommend effective strategies/mechanisms for advocacy, capacity building, feedback and monitoring, as well as for financing urban development programs.

### B. MAIN FEATURES OF NUDHF 2009–2016

While the strategies and policies presented in NUDHF 2009–2016 are intended to complement existing policies as defined in current policy and plan documents (such as the previous NUDHFs, the MTPDP and

the NUPA), a number of features that distinguish NUDHF 2009–2016 from previous policy frameworks may be noted.

First, unlike previous policy documents which tend to be comprehensive as far as sectoral coverage is concerned (and thus assume the availability of a large amount of resources), NUDHF 2009–2016 is more strategic in character. It is premised on the assumption that resources for urban development are limited. For this reason, key urban development issues have to be identified and specific courses of actions have to be prioritized.

Second, in the analysis of the performance of the current urban system, the focus is on “drivers” (rather than “symptoms”) of key issues and problems. In many local plan documents and frameworks, the factors that underlie existing conditions are not sufficiently identified and explained. The identification of these underlying factors is key to the formulation of effective urban development and housing policies and programs.

Third, while previous policy frameworks tend to gloss over implementation issues and institutional parameters, NUDHF 2009–2016 assesses the capacity of current institutional arrangements to carry out the recommended strategies.

Fourth, although NUDHF 2009–2016 focuses on strategies and actions that can be pursued in the short term, as a framework, it extends its perspective and analysis beyond this period. This is necessary, particularly because we are dealing with urban developments that take place over a protracted period of time.

## C. THE BASIC APPROACH

The basic approach used in the formulation of NUDHF 2009–2016 built on the strategic considerations of an earlier study as illustrated in Figure 1.1. As elaborated in the sections that follow, the preparation of the policy framework was guided by a number of steps.

### 1. Defining and describing the current urban system

Characterization of the current urban system largely entailed the documentation of trends in urbanization and urban growth, the development issues and concerns associated with such trends as well as of the current state of physical development and social infrastructure with particular focus on housing and urban expansion.

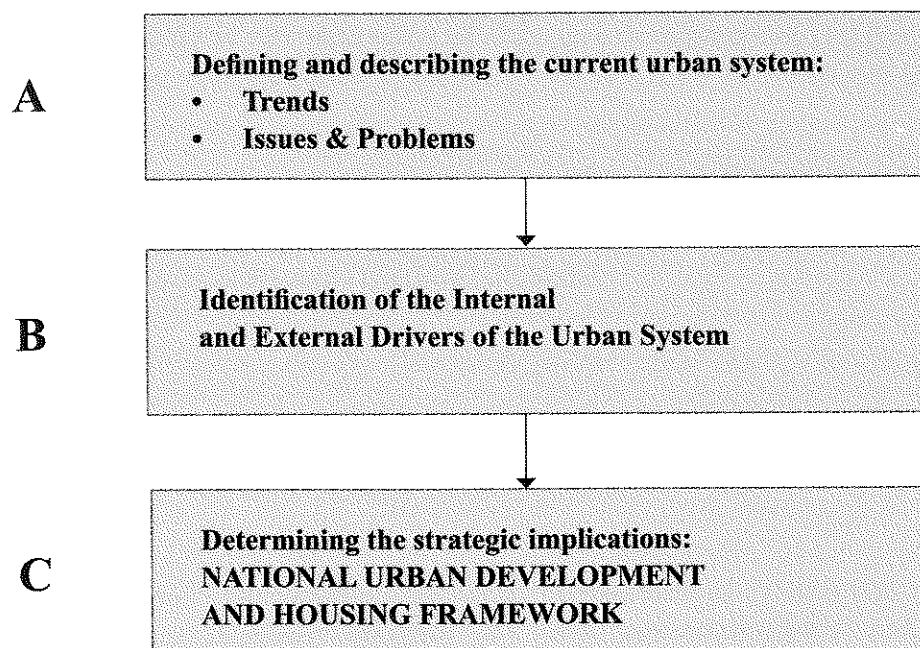
The performance of the urban system in terms of its contribution to the country’s economic growth and of such concerns as poverty alleviation, employment generation, transportation efficiency, shelter provision and delivery of other basic services (e.g., health, education, water, waste collection, information and communications technology, etc.) was likewise evaluated. In part, this assessment served as a basis for the formulation/validation of a guiding vision for the urban sector.

The description of the urban system also included a discussion of the current institutional setup and environment. This entailed identification of fundamental issues related to urban policy formulation and implementation, vertical and horizontal linkages among institutions performing functions relevant to housing and urban development, as well as the need to synchronize area-based plans and programs with sectoral priorities.

Attention was also given to housing policies and programs that must form an integral component of urban development. Such policies pertain to (a) direct housing provision (e.g., socialized housing, slum upgrading, sites and services, resettlement, etc.); (b) indirect housing provision (housing and development guarantees, licenses, etc.); and housing finance (loans, subsidies, other innovative schemes).



Figure 1.1. Basic approach on the NUDHF 2009–2016.



## 2. Identification of the drivers of the urban system

In documenting the current state of the urban system in terms of issues, problems and performance, key “drivers” of the system—the “causes” (rather than the “symptoms”) of urban problems, concerns, and performance—were identified. Such drivers are both external and internal. External drivers are those originating in the international environment. They include globalization factors, increased competition from international markets, the magnitude of foreign direct investments, etc. Although there is not much that the Philippines can do to influence these factors, anticipation may be important to mitigate their possible adverse impacts on the urban system.

Internal drivers include such phenomena as rapid national and urban population growth, skill levels of existing supply of labor, the state of physical infrastructure, fiscal and institutional constraints, internal access and linkages, etc. All of these factors could critically affect the performance and efficiency of the country’s urban system.

## 3. Determining strategic implications

The strategic implications of all these—the current state of the Philippine urban system, issues pertaining to institutional setup and environment, its external and internal drivers, explicit and implicit policies for urban development—were then assessed. These were translated into policy recommendations grouped according to modules that define the structure of the framework:

- urban competitiveness;
- poverty reduction;
- housing delivery and affordability;
- sustainable communities; and
- performance-oriented governance.

The recommendations include policies, programs, and specific actions or projects. They are not intended to be exhaustive; some are new but many of them are part of existing plans and policies. In any case, they are consistent with the recommended strategic policies and are likewise recommended for implementation in the short- and medium-term even if they are not completed during the same period.

## D. ACTIVITIES AND METHODOLOGY

The following activities were undertaken in the preparation of NUDHF 2009–2016:

### 1. Documents review

The preparation of the new policy framework built on the previous two NUDHFs (1993–1998 and 1999–2004). It was also based on policy and program directions set by the Philippine government as contained, in part, in several plan documents and pronouncements. Of particular significance are: (a) the development action agenda outlined in the President's State of the Nation Address of 2006 and 2008; (b) the Medium-Term Philippine Development Plan (MTPDP) 2004–2010; (c) the President's priority programs and projects; (d) the National Urban Policy Agenda (NUPA) of 2000; (e) National Framework for Physical Planning 2001–2030; (f) Asian Development Bank/GHK Infrastructure Planning Framework; (g) Asian Development Bank Urban Infrastructure Sector Road Map; (h) FACES-MDG; (i) various Comprehensive Land Use Plans (CLUPs); and (j) initiatives on urban development by national agencies like the Department of Interior and Local Government (DILG), and with respect to the formulation of a National Land Use Code, the creation of a proposed Department for Housing and Urban Development (DHUD). Also, in view of the Housing and Urban Development Coordinating Council's (HUDCC) collaboration with international organizations such as the Cities Alliance, the NUDHF 2009–2016 considered the key initiatives of these entities (e.g., the Cities Development Strategies and Cities Without Slums).

### 2. Design of draft framework and strategic plan

Partly based on the documents review, a draft design and strategic plan for NUDHF 2009–2016 was formulated. This draft design served as a working document for subsequent focus group discussions and consultation workshops.

### 3. Conduct of focus group discussions and consultation workshop

Draft reports of the NUDHF were presented in HUDCC forum to allow participation and generate ideas on urban development and housing from various stakeholders. A draft of the document was presented for comments to the Forum on the Millennium Development Goals – Family-Based Actions for Children and their Environs in the Slums (MDG-FACES) on December 15, 2008. Subsequently, the same draft report was presented during the Focus Group Discussion on the National Urban Development and Housing Framework conducted on December 16, 2008 attended by members of the National Steering Committee (NSC) for the NUDHF. A revised NUDHF was presented for the last time on March 31, 2009 to the members of the NSC for final appraisal.

### 4. Crafting of the NUDHF

Results of the focus group discussion and the consultation workshop, the comments received from members of the Executive Council, as well as the review of documents were important inputs for the crafting of the NUDHF. As previously indicated, the NUDHF includes a policy framework and an action agenda as well as recommendations for advocacy, capacity building, and financing strategies.

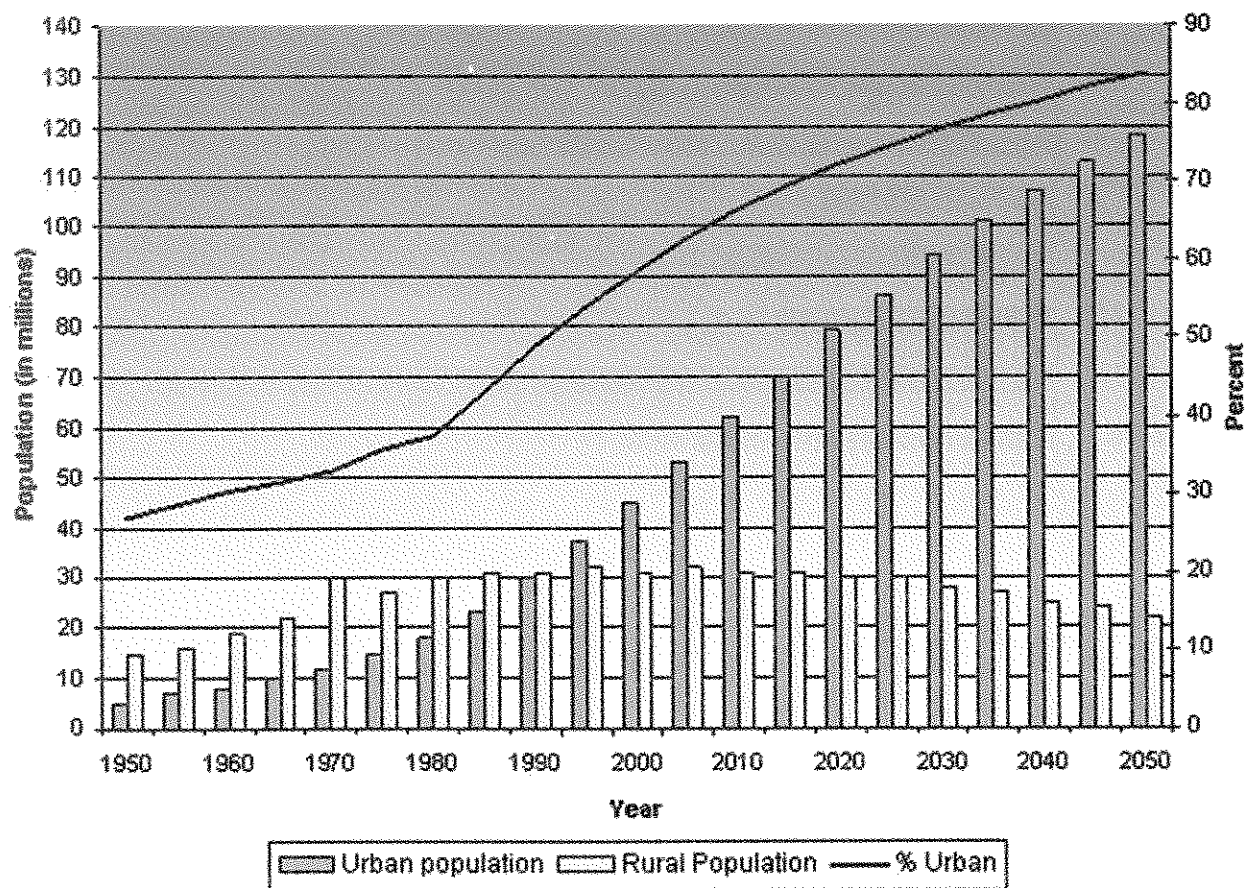
## CHAPTER II

# The Performance of the Urban System

### A. TRENDS IN URBANIZATION AND URBAN GROWTH

One of the significant phenomena that has characterized the development process in the Philippines has been the explosive and unabated growth of urban areas. In the early part of the post-war period in 1950, just a little more than 5 million or about one-fourth (27.1%) of Filipinos were residing in urban areas. Four decades later, the country's urban population surged to well over 29 million or almost one-half (48.%) of the country's total population. By 2005, the urban population totalled more than 53 million or over 60 percent of the country's population. Further into the future, it has been projected that about 117 million or 84 percent of Filipinos will be residing in urban areas by 2050 (Figure 2.1).

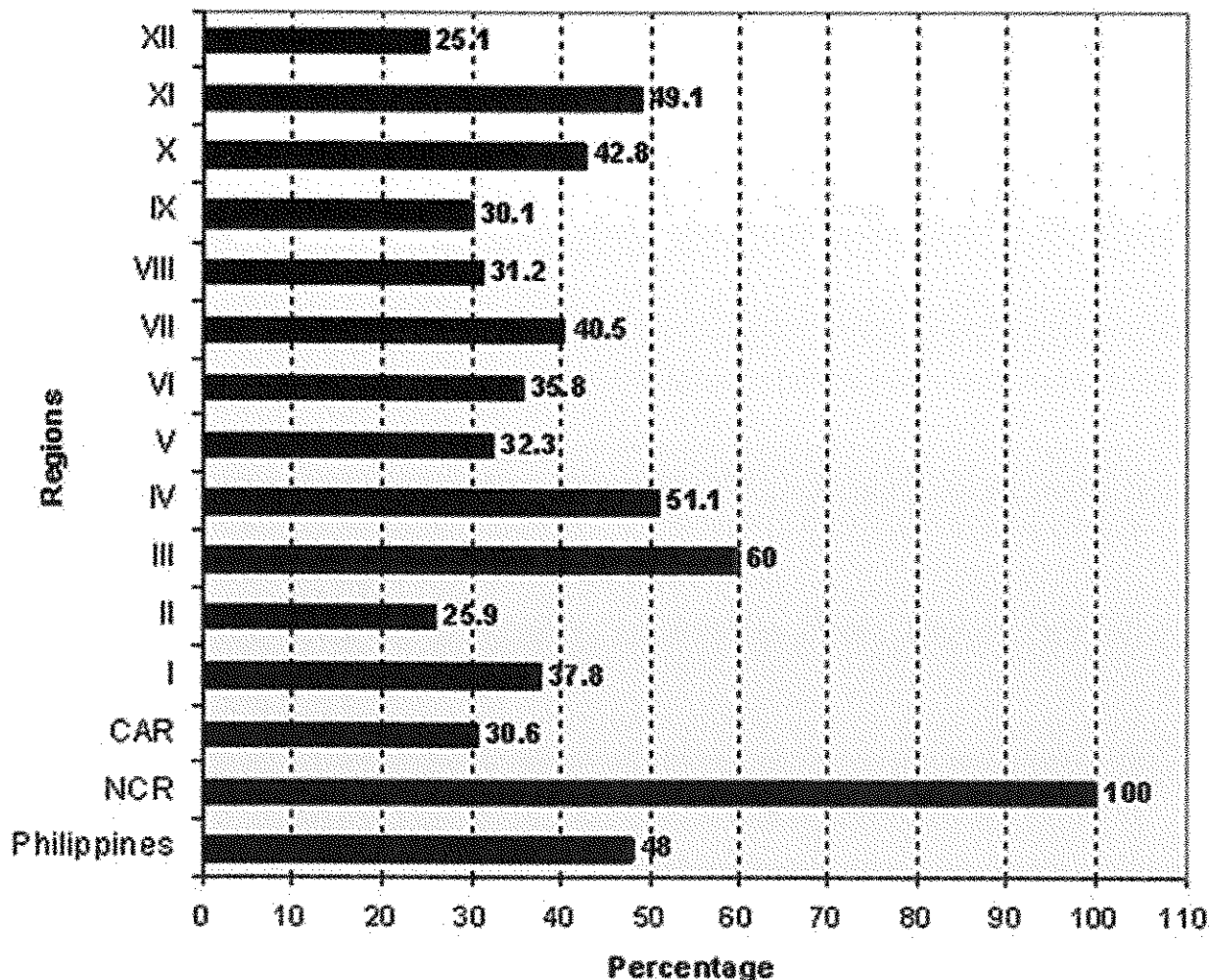
Figure 2.1. Urban and rural population growth.



Source: UN World Urbanization Prospects: The 2007 Revision.

Figure 2.2 presents data on urbanization levels of the country by region. As shown, Metro Manila (National Capital Region or NCR) is already 100 percent urban. The other regions that have high levels of urban populations are those adjacent to Metro Manila (Regions III and IV), which reflects a process of suburbanization and expansion of economic activities from the metropolis. Relatively high levels of urbanization can also be seen in Regions XI, X and VII where growing metropolitan areas (Davao, Cagayan de Oro, and Cebu, respectively) are located.

Figure 2.2. Urbanization levels by region, 2000.



Note: The 2000 Census is the latest available data on urbanization levels by region in the country.

Source: National Framework for Physical Planning 2001–2030, 2002.

These trends strongly support the idea that the future well-being of Filipinos will depend largely on the performance and efficiency of urban areas. In the words of a related study, urban areas in the Philippines are “beacons of opportunity” (Webster, Corpuz and Pablo 2003). For instance, incomes in urban areas have been estimated to be 2.3 times that of rural areas. Available data also suggest that urban areas are the engines of the country’s growth, accounting for a large proportion of the country’s economic output (about 75%) and household expenditure (about 67%) (Webster, Corpuz, and Pablo 2003). In 2007, Metro Manila

alone accounted for 33 percent of gross domestic product (GDP). The massive and continuing rural-urban migration flows can obviously be attributed to the fact that urban areas offer opportunities for the rural poor.

It is largely in urban areas where job opportunities are sought, socioeconomic mobility is achieved, and where most innovations are introduced. The Philippines has been transformed into an urban economy where most economic activity now emanates from the service and industry sectors. At the same time, agricultural employment (including the forestry and fisheries sectors) is in absolute decline and, in recent years, employment has largely been generated by the nonagricultural sector. Thus, the prospects for overall economic growth and employment creation would seem to rest, increasingly, on the productivity, efficiency, and performance of the urban areas.

And yet, the performance and efficiency of the Philippine urban system in the past several decades have not been very encouraging especially when compared with other countries in the region. There appear to be critical issues and problems that hamper the performance and competitiveness of urban areas in the Philippines. These problems relate to inadequate infrastructure, overcrowding and congestion, strained basic urban services such as health and sanitation, water and air pollution, slums and squatter settlements, poor urban land management, etc. Such problems have been compounded by weak governance and financial capacities that undermine efforts at coping with the problems associated with urban growth. At the same time, previous initiatives to enhance private sector participation and sustainability in financing urban infrastructure and services have generally produced less than satisfactory results.

The challenge for the future is to squarely address these issues and problems in order to develop an urban system that enhances economic production, strengthens overall local competitiveness, develops an urban governance and financial capacity that can effectively address the wide range of urban issues and concerns, and promotes improved quality of life for all urban residents. In the section that follows, a more detailed documentation of the status and performance of the Philippine urban system will be presented. It will be organized according to the following major themes: (a) economic performance; (b) efficiency in addressing social concerns; (c) adequacy of physical and infrastructure facilities, and (d) urban environmental problems. These will be followed by a section that describes the current institutional environment of urban areas.

## B. PERFORMANCE AND EFFICIENCY OF URBAN AREAS

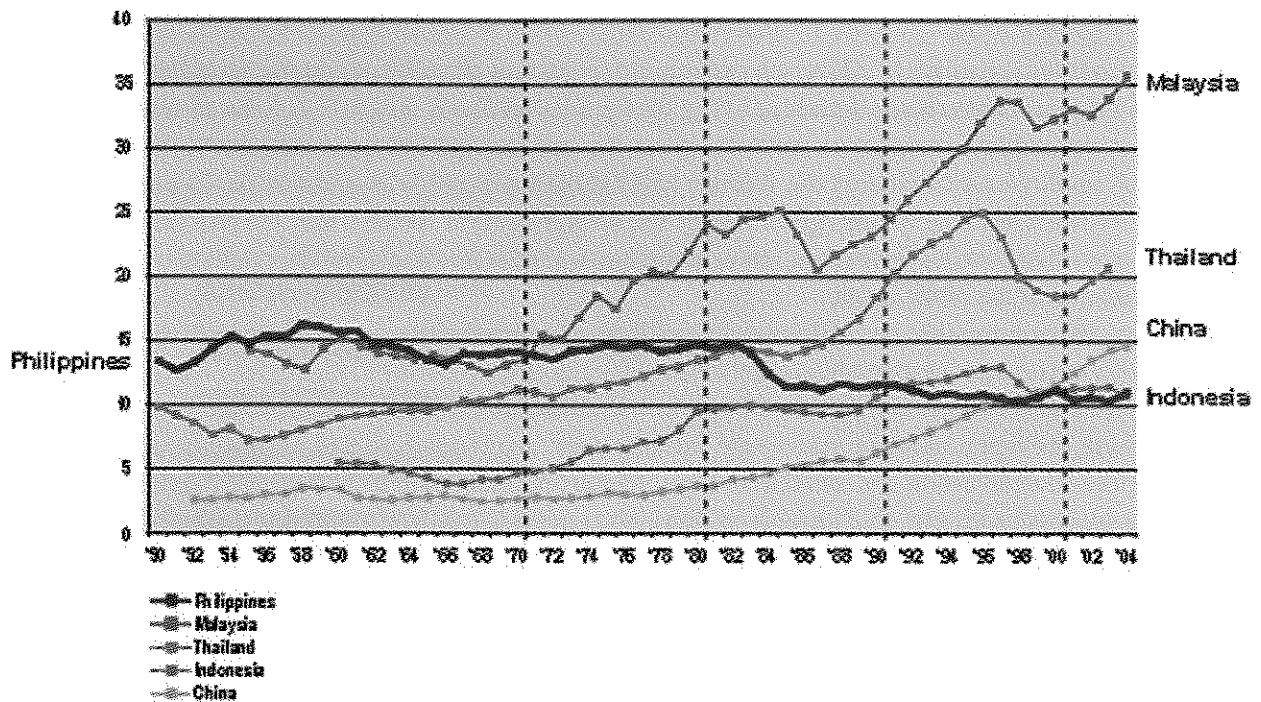
### 1. Economic indicators

Overall, the Philippine economy has fared poorly compared to its Asian neighbors. This is reflected in GDP per capita numbers since the 1970s, where the Philippines has been regularly overtaken almost every decade, by Malaysia, Thailand, Indonesia, and China (Figure 2.3).

Notwithstanding, and within approximately the same period, the Philippine economy transformed from a predominantly agricultural to an urban economy. This is evident in the increasing GDP shares of the service and industry sectors, which are primarily urban-based, expanding from 28 percent in the 1980s to 77 percent in the 1990s, and to well over 80 percent in 2000. By 2007, these sectors already accounted for 85.9 percent of GDP. Further, the contribution of the service sector significantly exceeded that of the industry sector, accounting for about 55 percent in the same year (Table 2.1). This deviates from the experience of many industrialized and industrializing countries of the world, where the share of the service sector dominated only after substantial industrialization took place.



Figure 2.3. Comparative real per capita GDP, 1950–2003.



Source: Pernia, 2008.

Table 2.1. Gross domestic product by industrial origin at current prices (in million pesos).

Year	Agri., Fishery, Forestry		Industry Sector		Service Sector		GDP
	Amount	% Share to GDP	Amount	% Share to GDP	Amount	% Share to GDP	
1997	457,983	18.9	779,786	32.1	1,188,974	49.0	2,426,743
1998	451,645	16.9	838,367	31.5	1,375,048	51.6	2,665,060
1999	510,494	17.1	911,074	30.6	1,555,337	52.2	2,976,905
2000	528,868	15.8	1,082,431	32.3	1,743,428	52.0	3,354,727
2001	549,113	15.1	1,149,120	31.6	1,933,241	53.2	3,631,474
2002	598,849	15.1	1,261,635	31.8	2,103,388	53.1	3,963,873
2003	631,970	14.6	1,378,870	31.9	2,305,562	53.4	4,316,402
2004	734,171	15.1	1,544,351	31.7	2,593,032	53.2	4,871,555
2005	780,072	14.3	1,735,148	31.9	2,922,685	53.7	5,437,905
2006	855,452	14.2	1,907,980	31.6	3,269,192	54.2	6,032,624
2007	937,342	14.1	2,082,735	31.3	3,631,243	54.6	6,651,320

Data Source: National Statistical Coordination Board, Economic and Social Statistics Office.

It is also important to note that the manufacturing and service sectors in the country continue to be dominated by small- and medium-size enterprises (SMEs) in contrast to the economic experience of more advanced countries where relatively large industries dominate. In fact, the SME sector is considered to be the backbone of the Philippine economy since SMEs account for 99.6 percent of all registered firms nationwide and employ about 70 percent of the country's labor force (DTI 2008). A major constraint with respect to SMEs is the small volume of credit financing available. Moreover, although a number of credit facilities for SMEs exist, there appear to be problems associated with the disbursement of funds. Credit utilization is relatively low and so innovative mechanisms must be considered by the government (including disbursement through nongovernment organizations) to facilitate and encourage access to credit.

The most promising and rapidly growing economic activities in the country are associated with the Information (and Communications) Technology (IT) sector. Mostly located in large urban centers, the rapid growth of IT services can in part be attributed to the active response of the private sector to global opportunities and the Philippine government's active promotion of IT. There are now 129 IT parks/buildings in the country. Earnings from selected IT sectors grew from \$249 million in 2001 to more than \$2.1 billion in 2005 with customer contact centers accounting for more than three-fourths of these earnings (Table 2.2). As of 2005, there were 223,500 persons employed in the IT sector with customer contact centers accounting for the overwhelming majority (Table 2.3).

Table 2.2. Earnings from selected IT sectors, 2001, 2004 and 2005 (million dollars).

ICT Sector	2001	2004	2005
Customer Contact Center	173	864	1,600
Medical Transcription	40	483	70
Software Development	115	268	204
Animation	21	40	54
BPO			180
Total	249	1,655	2,108

Source: Philippine Strategic Roadmap for the Information & Communications Sector, 2006.

Table 2.3. Number of firms and employees per IT sector.

ICT Sector	No. of Firms	No. of Employees
Animation*	40	4,500
BPO	60	22,500
Customer Contact Center	112	179,000
Medical Transcription	50	5,500
Software Development	300	12,000
Total	562	223,500

\*Note: 1st quarter of 2006 data, all else are as of 2005.

Source: Philippine Strategic Roadmap for the ICT Sector, 2006.

Growth in the contact center industry has been almost exponential with earnings in the sector surging from \$173 million in 2001 to \$1.6 billion in 2005, or close to a nine-fold increase within a four-year period. One reason IT investors are attracted to the Philippines is the relatively cheap cost of skilled labor. It has been estimated that IT investors can save more than 60 percent on skilled software developers in the Philippines, and up to 80 percent of college-educated, English-proficient Filipino workers in contact centers.

## 2. Social indicators

### a. Poverty

Poverty reduction in the Philippines has been modest at best with the proportion of poor families declining from 44.2 percent in 1985 to 33.7 percent in 2000 (Table 2.4). From an absolute point of view, however, the number of poor families increased from 4.6 million in 1985 to 5.1 million in 2000. Also noteworthy is the fact that following the 1997 Asian economic crisis, poverty incidence in the country rose slightly to 33.7 percent in 2000.

Table 2.4. Poverty incidence in the Philippines.

Year	Philippines	Urban	Rural
1985	44.2	33.6	50.7
1988	40.2	30.1	46.3
1991	39.9	31.1	48.6
1994	35.5	24.0	47.0
1997	31.8	17.9	44.4
2000	33.7	19.9	46.9

Source: ADB, Poverty in the Philippines: Income, Assets, and Access, 2005.

The evidence presented in Table 2.5 likewise documents the clear disparities in poverty reduction between urban and rural areas. In 2000, for instance, poverty incidence in urban areas was only 19.9 percent as compared to a much higher 46.9 percent in rural areas. Apparently, poverty reduction is occurring mainly in urban areas. As noted by other scholars, poverty seems to be largely a rural phenomenon (Balisacan 2001).

The data reveal that poverty incidence was lowest for the most urbanized National Capital Region (8.7%) and, to some extent, in Central Luzon (29.5%) and Southern Tagalog (18.6%) or the regions surrounding Metro Manila. They also show that poverty levels have decelerated much faster for Metro Manila over the 15-year period. On the other hand, poverty incidence is much higher in the predominantly rural regions such as the Autonomous Region of Muslim Mindanao (ARMM) where poverty incidence rose from 50.7 percent in 1991 to a high 66 percent in 2000.

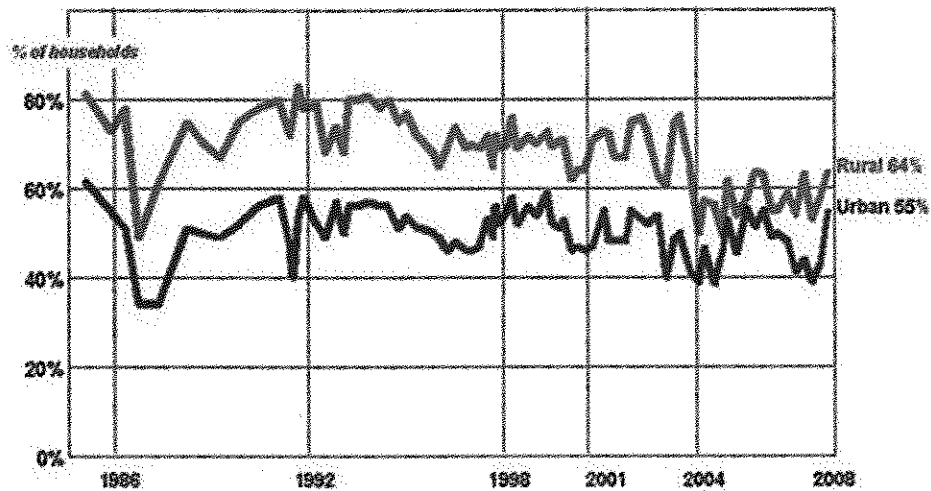
Table 2.5. Philippine poverty incidence by region.

Region	1985	1988	1991	1994	1997	2000
Philippines	44.2	40.2	39.9	35.5	31.8	33.7
NCR	23.0	21.6	13.2	8.0	6.4	8.7
I Ilocos	37.5	44.9	48.4	47.9	37.8	37.1
II Cagayan Valley	37.8	40.4	43.3	35.5	32.1	29.5
III Central Luzon	27.7	29.3	31.1	25.2	15.4	18.6
IV Southern Tagalog	40.3	41.1	37.9	29.7	25.7	25.3
V Bicol	60.5	54.5	55.0	55.1	50.1	55.4
VI Western Visayas	59.9	49.4	45.3	43.0	39.9	43.1
VII Central Visayas	57.4	46.8	41.7	32.7	34.4	38.8
VIII Eastern Visayas	59.0	48.9	40.1	37.9	40.8	43.6
IX Western Mindanao	54.3	38.7	49.7	44.7	40.1	46.6
X Northern Mindanao	53.1	46.1	53.0	49.2	47.0	45.7
XI Southern Mindanao	43.9	43.1	46.2	40.3	38.2	40.0
XII Central Mindanao	51.7	36.1	57.0	54.7	50.0	51.1
CAR		41.9	48.8	51.0	42.5	36.6
ARMM			50.7	60.0	57.3	66.0

Note: There is no official poverty threshold in Caraga; Caraga provinces are grouped with Regions 10 or 11.  
Source of Data: FIES (1985–2000).

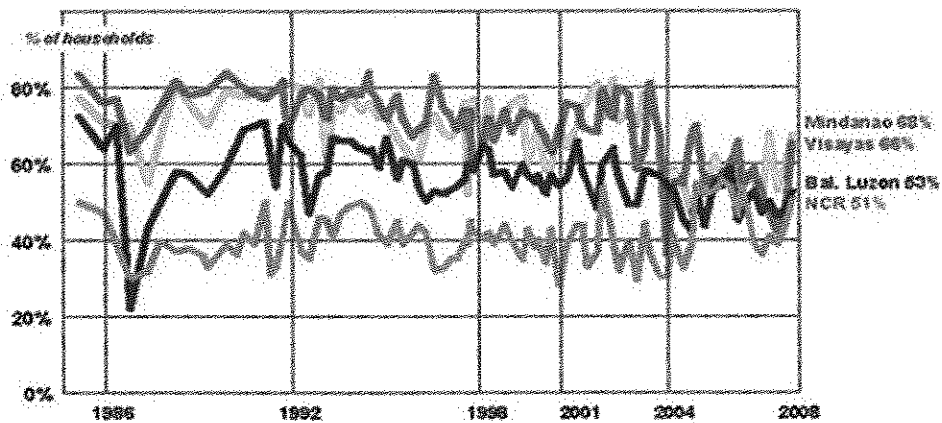
The urban-rural differential in poverty incidence is paralleled by the results of a survey on self-rated poverty. As shown in Figure 2.4, a greater proportion of respondents in rural areas consider themselves poor when compared with urban respondents. Across the regions of the country, a higher percentage of respondents in predominantly rural Mindanao consider themselves poor when compared with their counterparts in Luzon, Visayas, and the NCR (Figure 2.5).

Figure 2.4. Self-rated Poverty, urban vs. rural.



Source: Social Weather Stations, Second Quarter 2008 Social Weather Report, 2008.

Figure 2.5. Self-rated poverty by location.



Source: Social Weather Stations, Second Quarter 2008 Social Weather Report, 2008.

On the whole, the Philippines does not compare favorably with neighboring countries in so far as poverty reduction is concerned. Using the \$1 a day threshold, the data presented in Table 2.6 reveal that the number and proportion of people in poverty declined rather slowly for the Philippines from 1975 to 1995. During the same period, other countries in Asia (China, Thailand, Malaysia, and Vietnam) reduced the magnitude and percentage of people in poverty at a much faster rate.

Table 2.6. Poverty in selected Asian countries, summary statistics, 1975–1995.

	People in poverty (million)			Head-count Index (percent)			Poverty Gap (percent)		
	75	85	95	75	85	95	75	85	95
China	568.9 <sup>a</sup>	398.3	269.3	59.5 <sup>a</sup>	37.9	22.2	n.a.	10.9	7.0
Indonesia	87.2	52.8	21.9	64.3	32.2	11.4	23.7	8.5	1.7
Malaysia	2.1	1.7	0.9	17.4	10.8	4.3	5.4	2.5	<1.0
Philippines	15.4	17.7	17.6	35.7	32.4	25.5	10.6	9.2	6.5
Thailand	3.4	5.4	<0.5	8.1	10.0	<1.0	1.2	1.5	<1.0
Vietnam	n.a.	44.3 <sup>b</sup>	31.3	n.a.	74.0 <sup>b</sup>	42.2	n.a.	28.0 <sup>b</sup>	11.9

Notes: All numbers are based on the international poverty line of \$1/person/day at 1985 prices.

<sup>a</sup>Data relates to 1978 and applies to rural China only.

<sup>b</sup>The figures refer to 1984. “Vietnam Household Welfare in Vietnam’s Transition” in *Macroeconomic Reform and Poverty Reduction*, edited by D. Dollar, J. Litback, and P. Glewwe. World Bank Regional and Sectoral Study, 1988.

Source: World Bank, *Everyone’s Miracle?*, 1997; Orbeta, 2002.

## b. Unemployment

Unemployment rates for the country as a whole reflect trends in poverty incidence. Overall rates of unemployment in the Philippines declined during the period 1994–1996 but started to rise following the economic crisis in 1997 (Table 2.7). However, reflecting the slow labor absorptive role of the country’s urban system relative to consistent large flows of rural-urban migrants, levels of unemployment are consistently higher in urban areas than in rural areas.

In 2002, the latest year when urban and rural classifications were applied for recording unemployment data, the unemployment rate for urban areas was 13.2 percent compared to 7.3 percent for rural areas. In some years, especially the period following the 1997 economic crisis, unemployment levels were even higher in Metro Manila.

Although the rural-urban differentials in levels of unemployment seem to have persisted through the years, other studies have noted that underemployment is higher for rural areas than for urban areas. As shown in Figure 2.6, the annual underemployment rate for the period 1994–2006 has consistently been higher for the Philippines as a whole than for Metro Manila. For instance, the underemployment rate was only 13.2 percent in the NCR in 2006 compared to a much higher 20.4 national percentage in the same year.

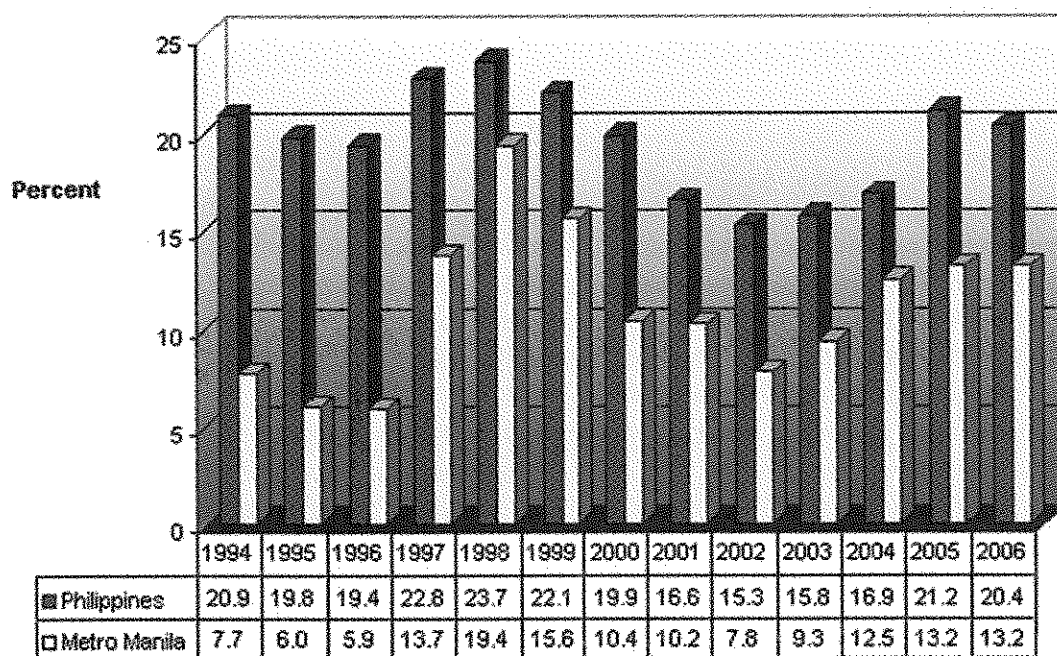


Table 2.7. Philippine unemployment rate: rural vs. urban.

Year	Philippines		Urban		Rural	
	Number	Percent	Number	Percent	Number	Percent
1994	2,317	8.4	1,546	11.6	771	5.4
1995	2,342	8.4	1,497	11.1	845	5.8
1996	2,195	7.4	1,321	9.6	874	5.5
1997	2,377	7.9	1,492	10.5	884	5.5
1998	3,016	9.6	1,786	12.1	1,230	7.4
1999	2,997	9.4	1,821	12.1	1,177	6.9
2000	3,133	10.1	2,017	13.3	1,116	7.1
2001	3,271	9.8	2,090	12.8	1,181	6.9
2002	3,423	10.2	2,163	13.2	1,261	7.3

Note: Urban-rural classification was no longer applied starting July 2003 round of the Labor Force Survey.  
Source: Philippine Statistical Yearbook, 2007.

Figure 2.6. Underemployment rate: Philippines and Metro Manila.



Source: Philippine Statistical Yearbook, 2007.

### c. Education

Available data on educational status are not very encouraging. Although generally higher for Metro Manila, net participation rate in public and private elementary and secondary schools declined drastically starting in 2002–2003 (Table 2.8). In the period 2005–2006, net participation rate in the country as a whole was 74 for elementary and 45 for secondary. The comparative figures for Metro Manila during the same period were 73 and 55, respectively. Even more alarming are the reported backlogs in classrooms. In 2000, there was a national shortage of more than 30,000 classrooms (NLUC 2000). Just as discouraging is the evidence on teacher-pupil ratios which stood at well over the 1:40 standard for all elementary schools in the country in 2001.

Table 2.8. Net participation rate in public and private schools.

Year	Philippines		Metro Manila	
	Elementary	Secondary	Elementary	Secondary
1997-98	95	64	100	80
1998-99	96	65	93	82
1999-00	97	65	99	75
2000-01	97	66	100	79
2001-02	97	73	98	86
2002-03	90	58	97	74
2003-04*	82	47	77	56
2004-05*	76	43	75	52
2005-06*	74	45	73	55

\* Data for public school only

Source: Philippine Statistical Yearbook, 2007.

### d. Health

The data presented in Table 2.9 reveal that infant mortality rates are high for the country as a whole. They are, however, much lower for Metro Manila. Curiously, and especially for the 1995–2003 period, infant mortality rates have declined faster for the country as a whole than for Metro Manila. Also, NEDA's report on the Philippines' status in attaining the MDG targets by 2015 especially in reducing child mortality is quite optimistic (Table 2.10).

What is worrisome though is the maternal health status of the country. Although maternal mortality ratio has declined from 209 in 1990 to 162 in 2006, the probability of attaining the target of 52 by 2015 is reportedly low.



Table 2.9. Infant mortality rate by region.

Region	1990	1995	2003
PHILIPPINES	57	49	30
Metro Manila	46	32	24
CAR	63	55	14
I Ilocos Region	56	46	29
II Cagayan Valley	62	54	28
III Central Luzon	45	40	25
IVa CALABARZON			25
IVb MIMAROPA			44
V Bicol Region	64	58	28
VI Western Visayas	61	55	39
VII Central Visayas	55	47	28
VIII Eastern Visayas	76	64	36
IX Western Mindanao	64	59	27
X Northern Mindanao	57	54	38
XI Southern Mindanao	56	52	38
XII Central Mindanao	56	54	27
XIII Caraga			35
ARMM	74	63	41

Source: Philippine Statistical Yearbook, 2007.

Table 2.10. MDG progress report on health.

MDGs & Indicators	Baseline (1990 or year closest to 1990)	Current Level 2006	Target by 2015	Probability of Attaining the Targets
Improve Maternal Health				
Maternal mortality ratio	209	162	52.2	Low
Reduce Child Mortality				
Under-5 mortality rate (per 1,000 live births)	80	32	26.7	High
Infant mortality rate (per 1,000 live births)	57	24	19.0	High

Culled from NEDA, Philippines Midterm Progress Report on the Millennium Development Goals, 2007.

### e. Housing and Informal Settlements

In the Philippines, the housing problem is very serious and is largely an urban phenomenon. The magnitude of the housing need (defined as backlog plus new households) is staggering and has been estimated to reach more than 3.7 million in 2010 (Table 2.11). In Metro Manila alone, the total backlog (to include new households) has been projected to reach close to 500,000 units. Addressing this backlog will roughly require about 3,000 hectares of land if designed to accommodate detached housing units, a prospect that suggests the need for a higher density housing strategy if the housing deficit is to be effectively addressed. Beyond the provision of housing by the public sector, new approaches are needed especially since rural-urban migration is expected to continue and will exacerbate the housing problem.

Table 2.11. Housing need per region, 2005–2010.

Region	Annual Backlog	Backlog + New Households						
		2005	2006	2007	2008	2009	2010	Total
NCR	58,412	82,182	82,434	82,689	82,946	83,206	83,469	496,928
CAR	1,309	6,494	6,589	6,685	6,783	6,882	6,984	40,416
I	5,556	25,027	25,446	25,874	26,310	26,757	27,212	156,626
II	4,078	17,725	18,032	18,346	18,667	18,995	19,330	111,094
III	12,569	71,938	73,837	75,798	77,821	79,909	82,064	461,368
IV	23,827	127,872	131,742	135,757	139,920	144,239	148,718	828,248
V	12,267	28,288	28,557	28,830	29,109	29,392	29,679	173,855
VI	16,816	36,941	37,255	37,574	37,898	38,227	38,561	226,455
VII	10,578	45,880	46,865	47,877	48,918	49,988	51,087	290,616
VIII	7,281	18,766	18,940	19,116	19,294	19,476	19,660	115,252
IX	7,642	21,824	22,133	22,449	22,772	23,101	23,438	135,717
X	5,912	18,880	19,164	19,455	19,751	20,054	20,364	117,668
XI	11,158	41,922	42,722	43,542	44,384	45,248	46,134	263,952
XII	6,661	18,033	18,270	18,511	18,758	19,009	19,266	111,847
ARMM	5,126	22,800	23,482	24,190	24,926	25,691	26,484	147,574
Caraga	5,942	12,791	12,902	13,016	13,131	13,248	13,367	78,456
Total	195,133	597,362	608,370	619,708	631,389	643,422	655,821	3,756,072

Source: HUDCC.

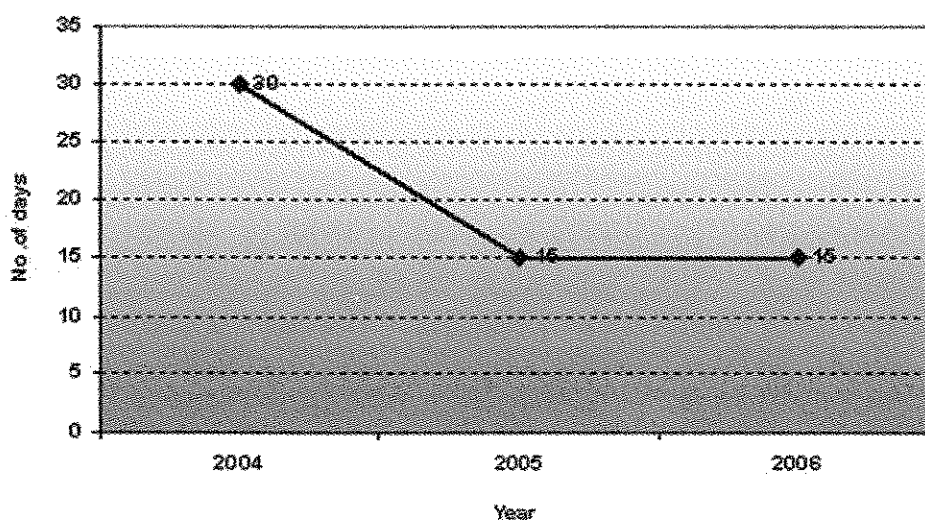
It is also useful to note that except for the HDMF, other shelter and finance agencies were unable to reach their accomplishment targets (Table 2.12). There appears to be significant progress in reducing the processing time for housing loan applications by HDMF (Figure 2.7) although the total amount of housing loans extended appears to remain at relatively low levels when measured against total housing need. In 2006, for instance, the total amount of loans extended was over P15 billion (Table 2.13), well short of addressing the housing backlog which was estimated to be more than 608,000 housing units in the same year.

Table 2.12. Number of shelter security units constructed, financed and/or administered by the government.

Year	NHA	NHMFC	HDMF	HGC	Total
1996	27,828	14,668	69,265	71,898	183,679
1997	45,793	14,591	88,148	84,134	232,666
1998	32,875	11,102	52,670	48,962	145,609
1999	40,201	6,286	33,273	11,000	90,760
2000	42,807	6,088	23,944	75,282	148,121
2001	27,350	9,457	25,947	33,241	95,995
2002	22,683	12,331	19,125	28,651	82,790
2003	16,132	14,026	48,636	35,012	113,806
2004	11,443	14,137	56,550	17,167	99,297
2005	43,229	12,710	53,421	5,496	114,856
<b>2005 Target*</b>	<b>55,000</b>	<b>15,360</b>	<b>44,716</b>	<b>24,822</b>	<b>139,898</b>
<b>Accomplishment Rate (%)</b>	<b>78.60</b>	<b>82.75</b>	<b>119.47</b>	<b>22.14</b>	<b>82.10</b>

Source: HUDCC; Philippine Statistical Yearbook, 2007; \* MTPDP Chapter on Housing Construction.

Figure 2.7. Processing time for loan applications.



Source: HDMF as cited in the Philippine Statistical Yearbook, 2007.

Table 2.13. Housing loan granted under the PAG-IBIG Expanded Housing Loan Program by region (amount in thousand pesos).

Region	1998	1999	2000	2001	2002	2003	2004	2005	2006
NCR	7,040,110	4,202,762	3,544,312	2,130,213	2,859,400	5,291,064	8,809,659	8,531,129	9,093,025
CAR							166,317	150,133	98,771
I Ilocos	159,070	116,861	53,707	92,838	190,863	264,281	112,059	187,006	236,552
II Cagayan Valley	92,235	121,916	51,691	78,439	102,569	182,219	416,136	512,435	382,947
III Central Luzon	339,148	957,779	219,428	223,130	351,956	901,642	1,823,353	1,811,869	1,573,631
IV Southern Tagalog	246,645	206,132	161,245	114,716	198,970	316,621	596,387	727,157	63,132
V Bicol	248,158	146,540	82,332	147,763	199,196	257,163	336,205	295,158	261,399
VI Western Visayas	381,181	308,326	242,101	240,767	394,433	479,440	536,059	614,865	752,203
VII Central Visayas	344,161	296,322	151,599	173,204	340,516	481,630	606,571	843,701	1,027,238
VIII Eastern Visayas	233,957	200,753	98,495	103,047	122,528	144,784	166,530	152,797	229,472
IX Western Mindanao	180,873	122,370	59,752	55,089	84,039	85,717	155,801	198,982	324,633
X Northern Mindanao	369,001	325,740	146,020	140,625	199,036	362,638	352,191	299,744	459,502
XI Southern Mindanao	562,118	500,699	224,816	288,314	326,212	527,439	552,423	716,091	645,327
XII Central Mindanao	153,851	185,872	53,522	43,109	30,315	29,631	60,597	126,766	109,569
XIII Caraga							96,499	123,413	270,236
ARMM									
Total	10,350,510	6,994,072	5,089,020	3,831,254	5,402,033	9,324,269	14,786,787	15,291,246	15,527,637

Source: Philippine Statistical Yearbook, 2007.

Nowhere is the housing problem more evident than in the phenomenon of slums and squatter settlements. Recent estimates show that more than a third of urban populations reside in slum areas and squatter settlements. In Metro Manila, a little less than four out of every 10 residents are living in slums and squatter settlements in 2002 (Ragrario 2004). These communities are characterized by unsanitary conditions and health hazards, extreme overcrowding and congestion, and limited or no access to basic urban services. Although resettlement and relocation programs have been implemented especially in the 1990s, many of these programs have had limited success in providing livelihood opportunities. In the meantime, the number of housing construction projects fell drastically during the same period.

### 3. Physical development and transportation

#### a. Urban Expansion and Density

An immediate consequence of the explosive rate of urbanization and rural-urban migration has been the conversion of land to urban uses. There are no recent and firm estimates of urban land expansion. However, the little evidence that exists seems to suggest that, overall, urban land expansion in the country is rapid. In 1982, the total urban land area in the country was estimated to be less than 860,000 hectares. By 1986, the urban land area increased to more than one million hectares (Cariño and Cariño 2007). In more recent years, the encroachment of urban areas into thousands of hectares of agricultural lands is quite obvious especially in the CALABARZON area. The data presented in Table 2.14 indicate that as of 2006, more than 46,000 hectares of agricultural land have been approved for conversion into nonagricultural uses.

Table 2.14. Agricultural land conversion into nonagricultural purposes as of December 2006 (in hectares).

Region	Total Agricultural Area	Total Approved Conversions	Percent
Philippines	4,217,868	46,648	1.11
CAR	133,176	257	0.19
I Ilocos	351,355	1,344	0.38
II Cagayan Valley	478,711	500	0.10
III Central Luzon	553,081	10,208	1.85
IV Southern Tagalog	119,033	18,923	15.90
V Bicol	101,953	2,140	2.10
VI Western Visayas	289,845	3,067	1.06
VII Central Visayas	101,653	1,142	1.12
VIII Eastern Visayas	172,301	694	0.40
IX Western Mindanao	83,440	313	0.38
X Northern Mindanao	194,145	1,823	0.94
XI Southern Mindanao	338,982	4,372	1.29
XII Central Mindanao	163,882	1,387	0.85
XIII Caraga	517,446	283	0.05
ARMM	565,219	107	0.02
NCR	53,646	88	0.16

Sources: Cariño, B. and Cariño, L., *Urbanization, Industrialization, and Land Conversion in the Philippines: Policy Issues and Problems*, 2007; CARP Briefer and Statistical Handbook, 2006; and Philippine Statistical Yearbook, 2007.

Population density in large urban centers is likewise extremely high. As of 2007, Metro Manila had an average population density of 18,650 persons per square kilometer, up from its population density of around 16,032 per square kilometer in 2000. The comparable figures for the country as a whole are much lower at 225 per square kilometer in 2000 and 260 in 2007.

#### b. Urban Transportation and Infrastructure

One of the most critical problems of large urban areas has to do with traffic congestion and the high cost of moving people and commodities. In Metro Manila, for instance, there were more than 1.5 million registered vehicles in 2006, representing close to 30 percent of the total number of registered vehicles in the country as a whole (Table 2.15). In the meantime, in Metro Manila as well as in the other metropolitan centers of Cebu, Davao, Cagayan de Oro, Iloilo, Bacolod, etc., no new high capacity transit facilities (e.g., LRT, MRT, BRT) have been added to the system since the 1990s and road construction has been limited and, generally, has not kept pace with the number of vehicles. For this reason, traffic congestion has become chronic in these cities. As observed in another study (Webster, Corpuz, and Pablo 2003), for example, traffic in Metro Manila moves at an average of 12 kph at peak hours, much slower when compared to such cities as Jakarta (26 kph), Shanghai (25 kph), and Bangkok (21 kph). Overall, efforts to improve public transportation service in the country's largest urban centers have been insufficient and sporadic.

Table 2.15. Number of registered vehicles.

	2005	2006
<b>Philippines</b>	5,059,753	5,331,574
New	760,580	781,741
Renewal	4,299,173	4,549,833
<b>Metro Manila</b>	1,580,753	1,555,174
New	217,890	209,923
Renewal	1,362,863	1,345,251
% to National Total	31	29

Culled from Philippine Statistical Yearbook, 2007.

#### c. Water Supply and Sewerage

The supply of potable water in urban areas is likewise lamentable. In 2004, only about 58 percent of households in urban areas had access to drinking water (World Health Organization 2006). Nationally, just over 20 percent of urban households have piped water. The situation in urban areas, however, has improved in recent years. Piped water system coverage has increased from 44 percent in 1993 to 51 percent in 2003 (World Health Organization and UNICEF 2006).

The percentage of urban households with connections to wastewater facilities is even smaller. In 2004, only about 7 percent of urban households were linked to a central sewerage collection system (World Health Organization 2006). The overwhelming majority of the urban population rely on septic tanks which are often improperly constructed, or otherwise poorly maintained. In many cases as well, industrial establishments in urban areas have no wastewater treatment resulting in water pollution problems in many parts of the country.

#### 4. Urban environmental problems

##### a. Air and Water Pollution

Partly because of the high number of vehicles, air pollution has become a problem, at least in some parts of Metro Manila. Data from the Ambient Air Monitoring of the Environmental Management Bureau reveal that as of June 2008, NCR, on the average, registered a total suspended particulates (TSP) level of 170ug/Ncm (Table 2.16). It is important to note that while NCR's average as well as each of the city's average seem to be within the standard of 230ug/Ncm, certain parts (monitoring stations) of Pasay, Valenzuela, Manila, and Makati show TSP levels that are above the acceptable standards.



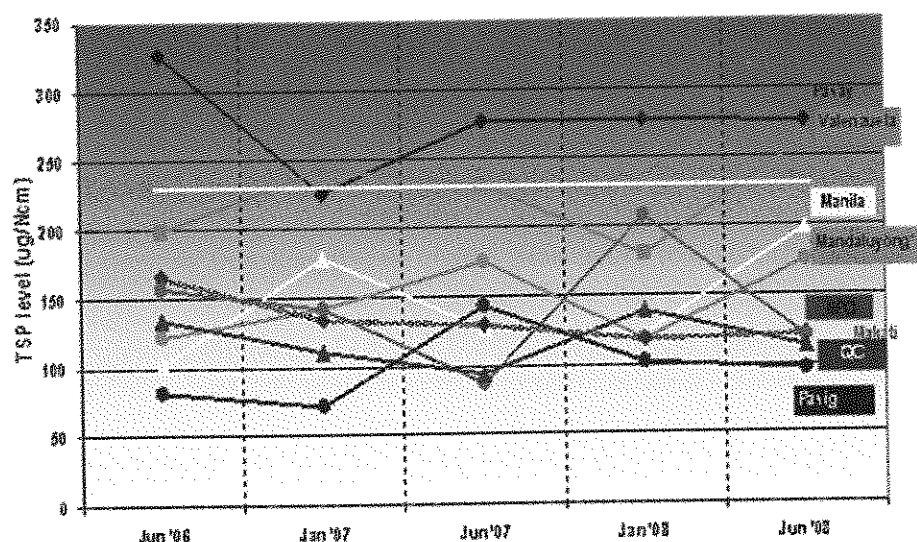
Table 2.16. Pollution levels in Metro Manila cities.

Cities	Jun '06	Jan '07	Jun '07	Jan '08	Jun '08
Pasay	326	226	277	277	276
Valenzuela	198	243	231	179	263
Manila	102	178	127	122	198
Mandaluyong	122	142	175	119	175
NPO	166	135	130	119	122
Makati	157	143	87	207	120
Quezon City	135	111	94	139	113
Pasig	82	72	144	102	96
Average	161	156	158	158	170

Data Source: Environmental Management Bureau, Ambient Air Monitoring.

Air quality has generally deteriorated, particularly from the period June 2006 to January 2008 (Figure 2.8), despite some initiatives to counter it like the implementation of the Biofuels Act of 2007 (RA 9367), which mandated a 1 percent blending of coco-biodiesel. Although the Asian Institute of Petroleum Studies Inc. (Aipsi) noted that, as DENR records show, there has been a 17 percent reduction in TSP and PM10 levels during the second quarter of 2007, and a 24.2 percent drop during the third quarter, more recent data from the EMB reveal that NCR's average pollution level increased by 7 percent between January 2008 and June 2008. This emphasizes that the use of biofuels is not the only aspect to consider in addressing air pollution and that other measures are necessary.

Figure 2.8. Pollution levels in Metro Manila (June 2006–June 2008).



Data Source: Environmental Management Bureau, Ambient Air Monitoring.

A related study (Krupnick et. al 2003) observed that the location of the Philippines makes it impervious from emissions from the western countries as well as emissions from the so-called yellow sands (loess) that affect other East Asian countries like Japan and Korea (2003). Air quality problems in the country, they deduced, are generated domestically, either from stationary (industrial plants) or mobile (vehicles) sources.

Water pollution likewise is very evident in Metro Manila. It has been reported as early as the 1990s that all four water bodies in the metropolis (Pasig-Marikina, Navotas-Malabon-Tullaban-Tenejeros, Manila Bay, and Laguna Lake) are polluted and considered biologically dead except for the upstream portion of Marikina River. All pollutants generated in Metro Manila eventually drain into Manila Bay which has shown signs of ecological distress. Similar problems have been noted in other urban centers of the country.

#### **b. Solid Waste Disposal**

Solid waste management is a pervasive problem in most urban areas. While solid waste collection is generally more efficient in urban areas than in rural areas, waste generation also tends to be higher in cities (0.5–0.7 kg per capita versus 0.3 kg in rural areas). An extremely inadequate solid waste management program contributes to a very serious environmental problem in Metro Manila. On a daily basis in 2008, about 7,000 tons of solid wastes are generated in the capital region (National Solid Waste Management Commission). Of these, only about 700 tons per day are recycled or composted. The balance of around 6,000 tons are either (a) hauled to the city's dump sites, (b) dumped into creeks, canals and rivers, (c) burned thereby contributing to air pollution, or (d) otherwise left on streets, creating considerable health hazards.

Proper disposal of medical wastes is another challenge. ADB reported that of the estimated 47 tons of medical wastes being generated each day by health care facilities (about 3,700) in Metro Manila, more than half of it or 26 tons, are considered potentially infectious (ADB 2004). The danger lies in the fact that a considerable portion of these wastes (e.g., used syringes, infected bandages) form part of the heap of garbage one sees in open dump sites, hence posing danger to those who may come in contact.

### **C. INSTITUTIONAL ENVIRONMENT: ISSUES AND PROBLEMS**

There are a number of fundamental issues and problems that characterize the institutional environment of urban development and housing that hamper the implementation of critical programs and projects. These issues may be classified into: (1) the incongruence of sectoral and area-based orientation; (2) weak governance capacity of LGUs; (3) weak coordinative mechanism for urban development and housing services; (4) weak participatory mechanisms and difficulty of doing business; and (5) political interference.

#### **1. Sectoral vs. area-based orientation**

Although area-based planning at the national level gained some prominence in the 1970s (mainly through the Integrated Area Development approach and the Human Settlements concept), it remains largely a special case and an exception to the traditional sectoral plans formulated by the national government. Indeed, the Philippine government bureaucracy is largely structured along sectoral concerns, clearly evident in the Medium-Term Philippine Development Plan which is the official national plan document for the country. In the MTPDP, the chapters are organized along the traditional sectors (e.g., agriculture, health, education, tourism, natural resources, etc.) and define clearly the functional jurisdictions of various national government agencies. In principle, the direct correspondence between the sectors and the national agencies responsible for them allows for a smooth transition from planning to implementation. However, although



a long-term National Framework for Physical Planning (NFPP) is now likewise formulated by the NEDA, the linkage between the NFPP and the MTPDP is not clearly established.

A critical issue is the need to synchronize area-based programs and projects at the local level, on one hand, with national sectoral priorities, on the other. Even in the absence of budget constraints, the MTPDP does not deal squarely with intersectoral prioritization which is the essence of local and subnational area-based planning. The Comprehensive Land Use Plans (CLUPs) and the Comprehensive Development Plans (CDPs) of LGUs and plans formulated at the metropolitan level (e.g., the Metro Manila Development Agency or MMDA plan) are area-based and geographic in orientation. At the same time, they have to reckon with a budgeting and implementation system that is heavily sectoral in character. This problem has, to some extent, been resolved by the devolution of some sectoral functions to LGUs under the 1991 Local Government Code. However, substantial service delivery functions and programs remain with, and controlled by, national government agencies (NGAs). For this reason, it is not surprising that sectoral programs and projects respond more to the imperatives of NGAs which, in many cases, are not viewed by LGUs as being consistent with local development priorities.

There is little accountability to local governments if NGAs place a higher premium on development activities and programs that are typically articulated by their central offices. Also, investment priorities identified by LGUs often have no concrete and reliable connections to national sectoral policy concerns and priorities. Since national funds get allocated through the sectors and cascaded down to regional and local sectoral offices, large strategic investment proposals identified by the LGUs have little chance of being implemented.

It is probably even more difficult to set priorities and implement programs and projects that cut across LGU boundaries (e.g., metropolitan or subregional). These programs and projects have to reckon with a "fractionated" implementation structure composed of politically independent LGUs. For this reason, these areas have no inherent political champions especially in the absence of a metrowide authority that has substantial resource allocation and budgeting functions. Even though a number of metropolitan areas have already been identified, and development plans have been prepared for quite a few (e.g., Metro Manila, Metro Cebu, Metro Davao, CALABARZON, etc.), implementation has been spotty. In metropolitan areas, most projects that are implemented are those that are initiated by the private sector, foreign-funded, or otherwise those that coincide with an approved sectoral budget.

## 2. Weak LGU governance and planning capacity

As previously noted, the 1991 Local Government Code is a dramatic and far-reaching piece of legislation that has thrust the LGUs into the limelight of carrying out programs in urban development and housing. This is an advantage that must be utilized in dealing with sectoral biases. The LGU is not sector bound and has an area and geographic orientation. Indeed, the institutional responsibilities for plan formulation, financing and implementation are clearly prescribed by the LGC:

- the Local Development Plan (LDP) shall be prepared by the Local Development Council (LDC);
- the LDP will be approved by the Sanggunian;
- funds for the LDP shall be allocated by the Local Finance Committee (LFC); and
- the Local Chief Executive, together with the executive departments, will implement the development plan.

Although the legal mandates are clear and straightforward, there is, in reality, a wide gap between mandate and actual practice. First of all, many LDCs are inactive and largely ineffective. As noted elsewhere,

it is a huge and unwieldy body that is moribund for long periods during the fiscal year (Cariño, Corpuz, and Manasan 2004). It meets infrequently, in many cases only twice a year; once to launch the plan preparation process, and a second time to approve the plan document (Cariño 1999). It is for this reason that many LGUs have no plan documents despite the requirements set out in the 1991 Local Government Code. Data from the Regional Field Offices Report show that 228 cities and municipalities are without approved CLUPs and another 368 have outdated CLUPs (Table 2.17).

Table 2.17. Status of CLUP preparation (as of December 2007).

	Cities	Municipalities	Subtotal	Total
LGUs with Approved CLUPs				1381
New Plan*	3	171	174	
Updated CLUPs**	99	723	822	
CLUPs for Updating***	17	368	385	
LGUs without approved CLUPs (but with ongoing planning activities)	1	228		229
Total number of LGUs	120	1490	1381	1610

Notes \* First Plan

\*\* Updated CLUPs with old plan

\*\*\* CLUPs for updating with old plan

Source: HLURB-DILG Regional Field Offices Report.

There are other reasons that have been cited for the failure of LGUs to comply with the requirements of the Local Government Code on the preparation of plan documents. A major constraint is that the overwhelming majority of the personnel of the City/Municipal Planning and Development Office lack formal planning education and have poor appreciation of the planning logic. Consequently, the quality of most plan documents is poor, i.e., they are not internally consistent and lack sufficient consideration of external demands and conditions and other critical factors that make an impact on local development. In particular, they could be significantly improved by targeting specific gaps in plan content and format, projecting future conditions, and building up basic planning logic by linking analysis of existing situations, to planning goals and targets, and finally to specific strategies, programs, and projects (Cariño, Corpuz and Manasan 2004; Cariño 2008).

Also generally ignored in local planning is the important role that the private sector and entrepreneurship can play in the local development process. This comes as a surprise given the universal recognition of the critical role that the private sector, including the business sector and civil society, as necessary partners of the public sector in the development process especially in the implementation of specific programs and projects. And yet, such a partnership is obscure in many plan documents, explaining the lack of prominence given to such schemes as joint venture, other forms of public-private partnerships, and to Build-Operate-Transfer (BOT) modalities and its variants (Cariño 2008).

Perhaps even more critical is a recurrent theme emphasized in the local finance literature—the mismatch between revenue means and expenditure needs of LGUs. As noted elsewhere, the fiscal gap between the cost of devolved functions and the additional revenues generated from new revenue sources provided for in the LGC is huge. Although the situation across LGUs varies, some of the major reasons for this fiscal

gap include the limitations on the taxing powers of LGUs under the 1991 Local Government Code and the retention of many types of taxes by the national government (Manasan 1992; Bird 1999).

LGUs still have a lot of room to improve their own-source revenues. In many LGUs, the internal revenue code is outdated and nontraditional fund sources (e.g., borrowing, bond flotation, BOT schemes, etc.) are hardly tapped (ADB 2004; Manasan 1992). Consequently, many LGUs remain heavily dependent on the Internal Revenue Allotment (IRA), which is the allocations of the national government to LGUs, and on the Local Development Fund (20% of the IRA) as the main sources of funding for urban development and housing programs and projects (Table 2.18). Given that the Local Development Fund (LDF) is relatively meager, only small and often nonstrategic projects are implemented by the LGUs. The large strategic projects have no clear connections to national and external sources of funds.

Table 2.18. IRA as percentage of total LGU revenue.

	All LGUs	Provinces	Municipalities	Cities
1991	39.8	42.3	43.4	37.5
1995	61.9	74.5	68.5	43.7
2000	64.5	80.2	77.2	44.6
2002	66.2	81.5	86.0	50.1
Average				
1985–1991	36.4	38.3	40.3	35.6
1992–2002	62.5	77.7	73.7	44.7

Source: Cariño, Corpuz, and Manasan. Preparatory Work for the Proposed Technical Assistance on Strengthening Provincial Planning and Expenditure Management. July 2004.

The fiscal gap and the continuing dependence on the IRA have combined to produce a lack of real fiscal economy among LGUs, weak accountability and political economy issues in the formulation of the budget (Loehr and Manasan 1999). Unless LGUs are able to significantly upgrade their own-source revenues as well as tap nontraditional sources of revenues, they will remain dependent on the small LDF for implementing local projects. In turn, reliance on the LDF could significantly affect their ability to finance more strategic projects that are critical to the achievement of local and urban development goals and objectives.

### 3. Weak national coordinative mechanisms

The coordinative mechanisms for the housing and urban development services are generally weak. At the national level, this is particularly critical for housing services given the huge backlog in housing and the proliferation of colonies of informal settlers in urban areas. As clearly evident in large urban areas in the country, even danger zones (like areas along railroad tracks, banks of rivers, etc.) are transformed into areas of settlement for the poorer segments of Philippine society.

There are currently numerous shelter agencies of the government that are tasked to address different aspects of the housing sector. These include, among others, the following:

- Home Guaranty Corporation
- Housing and Land Use Regulatory Board
- National Housing Authority

- National Home Mortgage Finance Corporation
- PAG-IBIG (Home Development Mutual Fund)
- Social Housing Finance Corporation

However, the activities of these agencies are not always coordinated or have a clear strategic focus. Even more critical is that “housing” is often seen simply as a shelter phenomenon unrelated to urban development. Such a simplistic concept of housing is not appropriate in responding to the need for other services attached to housing (e.g., infrastructure, transportation, etc.) Strong sectoral biases of various agencies similarly aggravate the problem of coordination.

Recognition of this issue has, in the past, led to the creation of several councils/committees, although most of them have been largely ineffective in achieving coordination and synchronization of various housing and urban services. There is obviously a need to institute a stronger mechanism for the harmonization of all shelter and urban development policies, guidelines, and standards at the national level. Such a mechanism should also provide for the extension of technical and other forms of assistance to LGUs to ensure that land use plans and zoning ordinances conform with prescribed national standards and policies and other legal issuances.

#### 4. Weak participatory mechanisms and difficulty of doing business

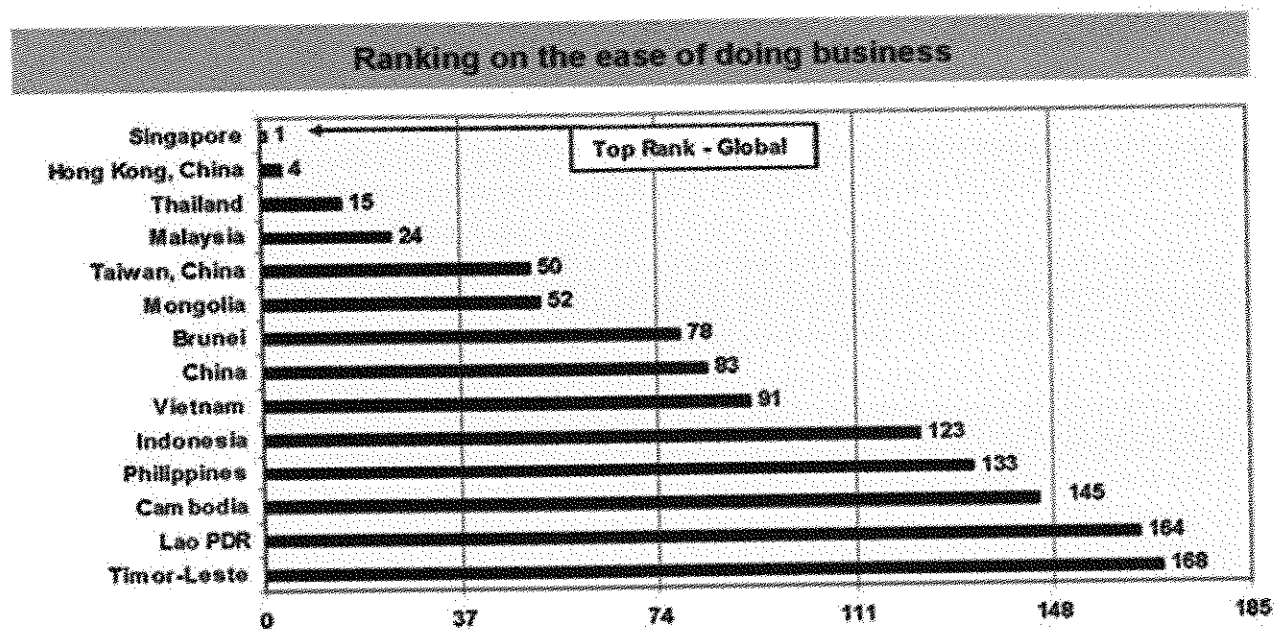
The Philippines is known for its popular democracy, clearly manifest in the large number of nongovernment organizations (NGOs), peoples’ organizations, and other community-based organizations that are active. However, the main channels for participatory governance, although formally in place, do not seem to function well. As previously noted, the Local Development Council (LDC), a multisectoral group intended to be the central planning body of the LGU, is moribund for much of the year.

Some sectors view the large representation of NGOs in the LDC as a welcome innovation that increases community awareness of the council’s activities. However, the performance record of NGO representatives has been less than satisfactory. In many occasions, NGO representatives seem to contribute little to the formulation of local development plans and are more preoccupied with seeking support (a share of the LDF) for specific projects of their own organizations. In summary, participation of the private and business sectors, while mandated, is often perfunctory or confined to specific vested interests in local planning and development activities.

Private sector participation has long been recognized as a vital ingredient of development, particularly in generating investments in industry and infrastructure. But private sector participation should also be tapped to improve the efficiency of local business, and some other regulatory processes—such as the issuance of business permits, licenses and the imposition and collection of business taxes—which currently serve as disincentives to many businesses. Typically, these processes involve numerous procedures that are not only inefficient but also create opportunities for corruption (Doing Business in the Philippines 2008).

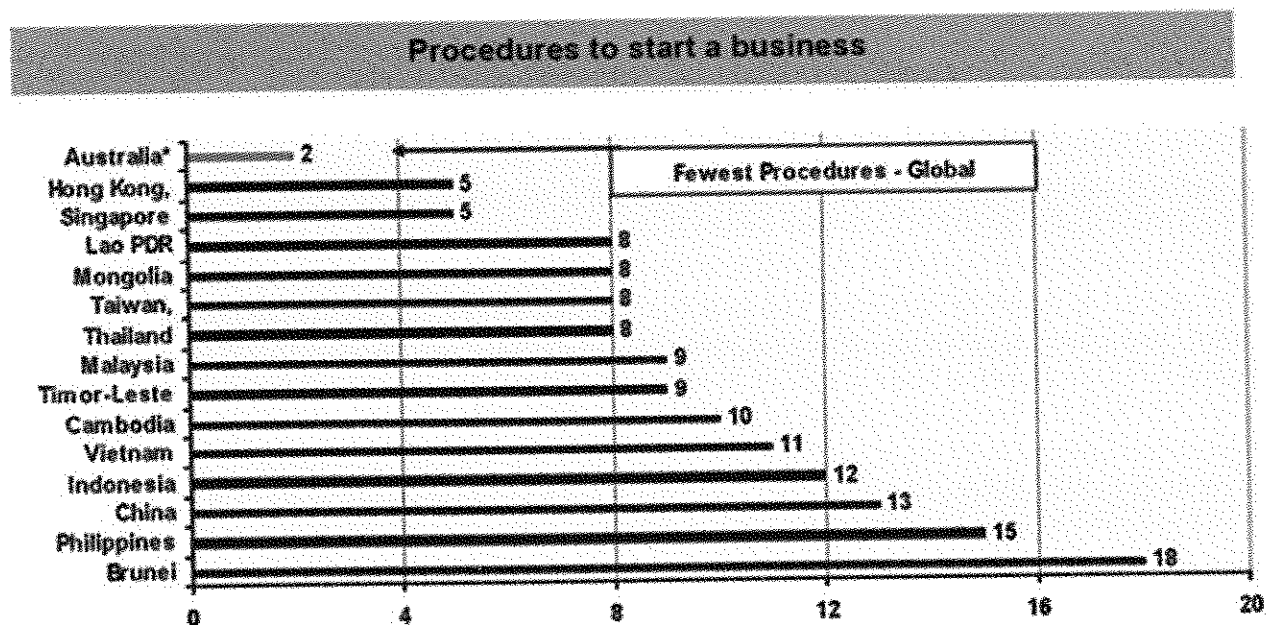
Notably, the Philippines ranks very low among East Asian countries in terms of ease of doing business; it only ranked higher compared to Cambodia, Lao PDR, and Timor-Leste. Singapore, followed by Hong Kong, Thailand, Malaysia, Taiwan, Mongolia, Brunei, Vietnam, and Indonesia ranked higher. The Philippines also requires a much larger number of entry procedures (15) to start a business compared to other East Asia countries and consequently entails higher transaction costs (Figures 2.9; 2.10; 2.11).

Figure 2.9. Ranking on the ease of doing business among Asian countries.



Source: Doing Business. 2008.

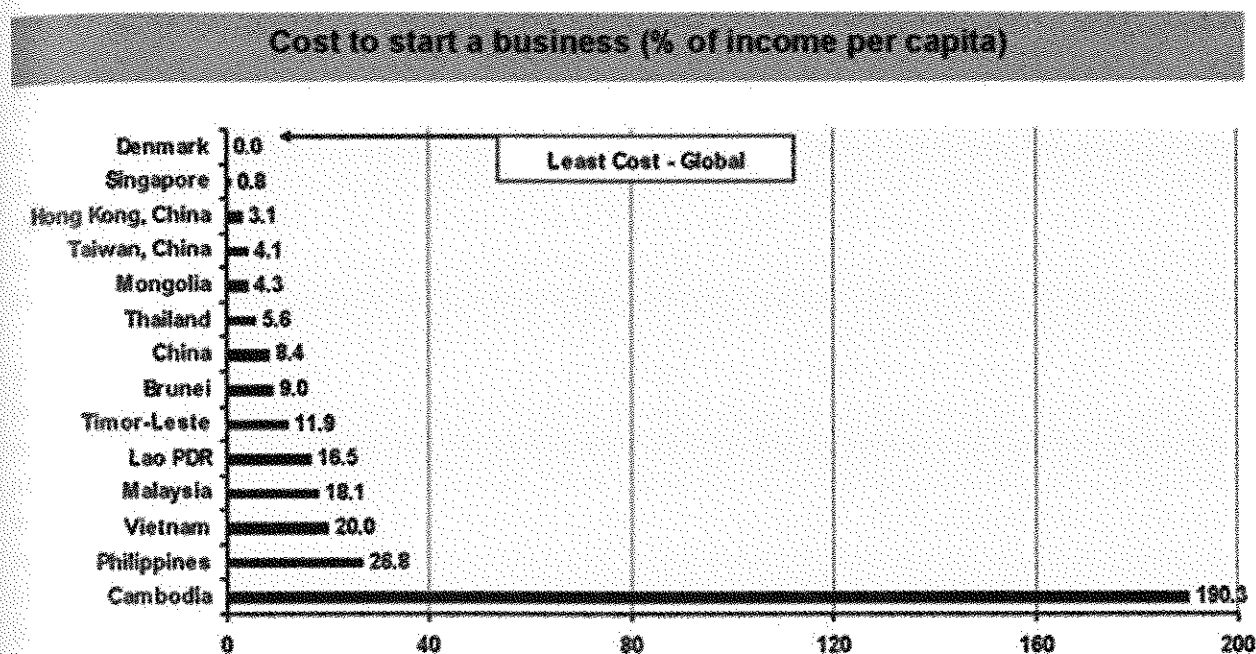
Figure 2.10. Ranking on the number of procedures to start a business among Asian countries.



Source: Doing Business database.



Figure 2.11. Ranking on the cost to start a business among Asian countries.



Source: Doing Business database.

In a 2008 survey among Japanese firms engaged in international operations, to cite another example, the Philippines placed last or second to the last in the list of countries or regions where the firms had expansion plans with respect to sales operations, production, and research and development. Further, among firms engaged in manufacturing and trade (wholesale and retail), the Philippines was also among the least preferred for expansion. Together with inadequate infrastructure and lack of clustering of related industries, the surveyed firms identified the underdeveloped legal system or problems with legal operation as the most serious business risks of the country (JETRO 2009).

## 5. Political interference

Finally, planning and investment prioritization are difficult to achieve because budgets are often driven by political motives. Political pressures influence project lists and prioritization. The total cost of projects listed in the MTPDP is often beyond the capacity of the national government to finance. Consequently, the MTPDP serves less as a plan of action and more as a wish list of projects, subject to further refinement (Webster, Corpuz and Pablo 2004). Indeed, political pressure often manifests itself in terms of the incongruence between plans and budgets, and in terms of resources being spread too thinly across many concerns to satisfy many patrons and interests.

Political interference at the national level is mimicked at the LGU levels. In an earlier study, political interference in the formulation of the Annual Investment Program (AIP) which serves as the basis for annual budgetary allocations for capital expenditures is well documented (Cariño, Corpuz, and Manasan 2004). It is noteworthy that the AIPs in most LGUs are put together to comply with the requirement of the Department of Budget and Management that no appropriation chargeable against the Local Development Fund can be made if the project is not listed in the local plan. In other words, the AIP inappropriately serves

as the local plan to comply with the legal budgetary requirement. In many LGUs as well, there is a limited view of the AIP with the list of projects being confined to those that can be funded out of the LDF.

In the same manner that national legislators are given countryside development fund (CDF) allocations from the national government, the local development fund (LDF) is a source of CDF-like allocations to key political actors at the LGU level: the chief executive officers, the vice governors/mayors, and members of the Sanggunian. Recipients of allocations from the LDF are the main contributors to the project listings of the AIP. Since the allocations are relatively small, and most local leaders are likewise politically motivated, the project listings in the AIP are often a "mixed-bag" of small, unrelated projects that have no clear connections to the longer term plan and development strategy for the locality. In short, the AIP is at the core of local politics which effectively shortens the planning horizon to one year, and transforms the local development plan into a mere compliance document.

Briefly, then, whether measured in terms of economic competitiveness, social indicators such as poverty and unemployment, physical development and transportation efficiency, the seriousness of environmental problems, as well as issues associated with the institutional environment, the performance of urban areas in the last two decades or so, has not been very encouraging, especially when compared with other urban centers in the Asian region. In the context of the expected continuing growth of urban areas at least in the next 20 years, a critical development challenge for the future is to improve the efficiency of urban areas as catalyst for growth and innovation, and as primary agents for poverty reduction, job creation, and upward mobility. What are the factors that contribute to this state of affairs? In the sections that follow, drivers of the urban system issues and problems in the country will be examined.

## CHAPTER III

# Drivers of the Urban System

### A. EXTERNAL DRIVERS

There is not much that the Philippines can do to directly alter external drivers of the urban system. However, the way these external drivers are responded to can significantly affect how the urban-based economy performs and ultimately how the welfare of Filipinos, not just in the cities but throughout the country, is affected. Monitoring and anticipating the events surrounding these drivers are, therefore, important in order to manage constraints, minimize negative impacts, or maximize opportunities arising from them.

Some of the key external factors that drive Philippine urban and economic conditions include the global financial crisis, continued competition for foreign direct investments (FDIs) from other developing countries, international migration and overseas Filipino workers (OFW) remittances, the rise of sustainability and climate change in the international development agenda, and the continuing promise of the IT and tourism sectors.

#### 1. The global financial crisis

The global financial crisis that emerged in 2007–2008 illustrates the increasing integration of the world's economies and the significant influence of international events, both positive and negative, on the Philippines. This crisis has led to tighter access to credit, foreign exchange volatility, and a depressed equity. It has also led to reduced exports, foreign direct investments, tourism receipts and remittance flows; and worsening terms of trade (Habito 2008). By mid-December 2008, the world's financial system had already written off more than one trillion dollars. Meanwhile, the domestic stock market already lost 55 percent of its market value since the start of the year (Wallace Business Forum 2008).

The tenure and the extent of impact of the crisis are not clear. It has been argued, for example, that Asia, which accounts for only 3 percent of the financial writeoff as of December 2008, is in a better position to weather the crisis. And history provides varying expectations. Affected economies were able to recover from the 1997 Asian financial crisis after 5–7 years, but it took about 25 years to return to the previous peak after the Great Depression of 1929. What is certain, however, is that there will be lower incomes and expenditures and therefore fewer resources for urban and overall growth in the country (as well as for most of the world) as the Philippines move into the second decade of the 21st century.



Table 3.1. Foreign direct investments inflows, selected countries, 2007.

FDI Inflows, 2007 (&Mil)		
Country	FDI	FDI as Multiple of Phil. FDI
Singapore	24,137	8.24
Thailand	9,575	3.27
Malaysia	8,403	2.87
Indonesia	6,928	2.37
Vietnam	6,739	2.30
Philippines	2,928	1.00
China	83,521	28.52
India	22,950	7.84

Source: UNCTAD 2008.

## 2. Competition for FDIs from and the faster growth of other countries

The Philippines continues to rank much lower than the rest of the Asian countries in terms of FDI inflows. In 2007, it received \$2,928 million in FDI inflows, the lowest among the major economies of South-east Asia (Indonesia, Malaysia, Singapore, Thailand, and Vietnam). Vietnam, which had the second lowest amount of inflows, received more than 230 percent compared to Philippine inflows. China's and India's FDI inflows, meanwhile, were a staggering 28.5 and 7.8 times, respectively, more than the amount received by the Philippines (United Nations Conference on Trade and Development [UNCTAD] 2008) (Table 3.1). The consistent underperformance of the country is indicative of its lack of competitiveness and, therefore, lower investment generation compared to other countries resulting in slower growth and job creation. This is a fundamental concern particularly with respect to manufacturing given that the overwhelming majority of our export revenues remains to be based on manufacturing (electronics account for 67% of total export value). It is reflected in Philippine GDP per capita numbers relative to other Asian countries where, as mentioned earlier, the Philippines has performed poorly since the 1970s.

There is a lot that can be done to improve competitiveness but these will have to be done in an environment where other countries in the region have become more efficient or have surpassed the Philippines in terms of infrastructure or service support or governance and thus are more attractive to foreign investments.

## 3. International migration and remittances

With its 8.2 million OFWs, the Philippines is the third largest source of migrant workers in the world, behind China (40 million) and India (20 million). As a proportion of total population, OFWs comprise 10 percent—the highest—besting China's 2.9 percent and India's 1.9 percent. As of 2008, remittances accounted for about 10 percent of GDP, with 24.1 percent of Filipino households receiving some form of contribution from abroad. On the average, 28 percent of these households' income was derived from such contributions.

International migration and OFW remittances continue to be significant drivers of the local economy. These may decline in the short to medium term due to the global financial crisis that has slowed demand for overseas workers. In the long term, however, OFW deployment is expected to be driven by higher demand,

especially from developed economies where population is projected to decline by 23 percent, from 741 million to 571 million, by 2050. Consequently, demand for OFW labor is likely to remain high (Torres 2008).

OFW remittances have increasingly contributed to the Philippine economy and poverty reduction. A 10 percent increase in the share of remittances in household income is associated with a 2.6 percent rise in the proportion of those lifted out of poverty. There is evidence, however, that unlike domestic remittances, which contribute to a reduction of inequality, international remittances contribute to increased inequality both from income distribution and regional-geographical points of view. Overall, while OFW remittances have helped Filipino families survive during the past three decades, such labor export policy should be viewed as a stop-gap measure because it cannot be relied upon to significantly contribute to poverty reduction, reduce income inequality, and lead to long-term economic growth (Pernia 2008).

#### 4. Competitive advantage in information technology-business process outsourcing

Information technology and business process outsourcing (IT-BPO) continue to be a bright spot for the Philippines given its competitive advantage in this sector anchored on its skilled labor force, English language proficiency, competitive costs, among other factors. In 2007, the Philippine IT-BPO industry earned close to \$5 billion in export revenues, representing a world market share of about 8 percent (a distant second to India's 51%), and employing about 430,000. By 2010, revenues are expected to grow by 40 percent to about \$13 billion, increasing market share to 10 percent, and employing 900,000. And while 80 percent of IT-BPO activities take place in Metro Manila (with Makati absorbing much of the available talent), Cebu and Angeles also have sizable IT-BPO workforces and, together with other "next wave" cities, are well-poised to absorb a larger share of future growth of the industry (Virata 2008).

Even though the latest global financial crisis threatens to dampen demand for IT-BPO services, this may be addressed by shifting from, for example, sales support to collection services or to health care, engineering, gaming and nonvoice BPO in general. Therefore, improving marketing and continued development of human resources will be key objectives (Business World 2008; PDI 2008).

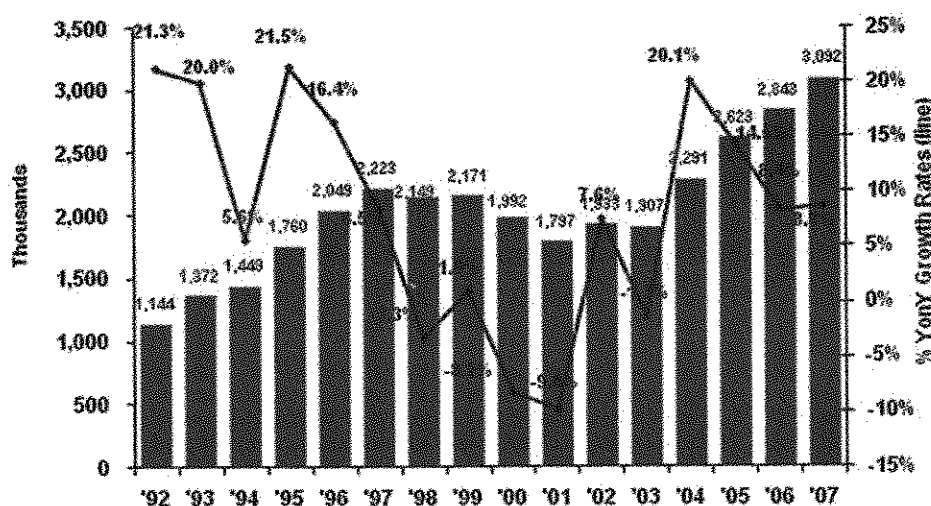
The IT sector is particularly significant to the Philippine economy because of its combination of relatively (1) high wage structure and (2) large labor force requirements. This contrasts with the low wage, labor intensive jobs that have characterized the job market primarily in the rural and low-skilled service sectors. The potential contribution of the IT sector to poverty reduction is, therefore, very promising. It is also useful to point out that IT-BPO activities are primarily urban-based activities and therefore reinforce the key role of cities in economic growth and poverty reduction.

#### 5. Tourism industry growth

Tourism is the world's largest industry. In 2008, the direct and indirect impacts of the industry accounted for of 8.8 percent of GDP. It also provided 3.5 million jobs (10.3% of total employment) and generated about 9.9 percent of total export earnings (World Travel and Tourism Council 2008).

International tourist arrivals grew by an average of 7 percent per year during the past four years with international tourism receipts exceeding \$900 million in 2007 (People and Planet 2008). By end 2007, a new peak was reached with over three million tourist arrivals (Figure 3.1). Inter-Asian travel is expected to remain strong despite the downturn brought about by the global financial crisis. While tourist arrivals in the Philippines have failed to keep pace with its neighbors, the potentials of the industry to drive the local economy remains strong given the leisure demands of the rapidly growing middle classes of Asia's emerging countries and the high propensity to travel by Europe's and North America's baby boomers. In 2007, 70 million Japanese, 40 million Chinese, and 6 million Koreans travelled across Asia (China Daily 2008).

Figure 3.1. Tourist arrivals in the Philippines, 1992–2007.



Source: NSCB. Economic Indicators.

The Philippine government originally targeted to increase annual foreign tourist arrivals from two to five million by 2010 with an annual growth of 8–10 percent but has since scaled this back to a more modest 5–6 percent, targeting 3.4 to 3.6 million arrivals for 2009 (TTG Asia 2009). Whether this can be achieved remains to be seen. By end-2008, tourist arrivals from Japan, Korea, and US balikbayans—the country’s top tourism markets—had already declined sharply (Philippine Star 2008). In the longer term, however, as the global crisis recedes, tourism growth will be fueled by increasing global affluence, especially in China, India, and most of East Asia. Major policy initiatives and investments will be required to support such growth and to address existing constraints including limited airport and hotel/accommodation capacities, land and sea travel infrastructure and services, destination upgrades, and lingering security concerns.

## 6. The rise of sustainability and climate change in the development agenda

Sustainability and global climate change are increasingly becoming visible components of the mainstream development agenda. To the extent that many development policies, investment portfolios, and strategies of public and private sector agencies, organizations, and companies recognize and support the triple bottom line—simultaneously targeting economic, environmental, and social objectives—and give priority to investments in sustainable initiatives. The ADB, for example, in its latest strategy document (Strategy 2020) has decided to refocus its operations on five core areas, one of which is “environment, including climate change” (ADB 2008). Green buildings and communities now topbill many urban and regional planning discussions and real estate fora. And various markets, especially in the developed economies, now place a premium on green products and technologies.

Sustainability and climate change are no less significant for the urban areas of developing countries such as the Philippines. There is no question that sustainable urban development makes sense, especially from a longer term, life-cycle perspective. Further, sustainability is directly relevant to the poor environmental conditions of many urban areas in the Philippines, particularly the large metropolitan areas, low-lying cities threatened by global warming and rising sea levels, and other disaster-prone regions. The increasing deterioration of urban air quality, depletion of energy and water resources, inadequate waste management,

worsening traffic congestion in Philippine cities demand urgent attention and action not only for personal well-being but also in support of the country's global competitiveness.

As shown in Table 3.2, the Philippines already has a deficit ecological footprint of about 27 million global hectares (gha). The average Filipino is consuming 61 percent more than its present biocapacity (measured relative to average land carrying capacity), which is higher than the worldwide per capita consumption of 31 percent.

Table 3.2. Ecological footprint, selected countries, 2005.

Country/Region	Population (million)	Biocapacity (gha/person)	Ecological deficit-reserve (gha/person)	Ecological deficit-reserve (million gha)
World	6,475.63	2.06	-0.63	-4,082.67
High income countries	971.82	3.67	-2.71	
Mid income countries	3,097.93	2.16	-0.03	
Low income countries	2,370.63	0.88	-0.12	
China	1,323.35	0.86	-1.25	-1,654.13
United States	298.21	5.02	-4.40	-1,313.32
Japan	128.09	0.60	-4.29	-549.39
India	1,103.37	0.41	-0.48	-534.24
South Korea	47.82	0.70	-3.04	-145.51
Thailand	64.23	0.98	-1.15	-73.97
Philippines	83.05	0.54	-0.33	-27.00
Singapore	4.33	0.03	-0.14	-17.86
Malaysia	25.35	2.67	0.25	6.45
Indonesia	222.78	1.39	0.44	98.84
Australia	20.16	15.42	7.62	153.49
Canada	32.27	20.05	12.98	418.19

Source: Global Footprint Network, 2008

## B. INTERNAL DRIVERS

Internal drivers likewise directly affect the urban system but unlike external drivers, they can be substantially influenced thereby changing the system. Effecting these changes is not necessarily easy but they are well within the direct sphere of influence.

### 1. Rapid population growth

Philippine urbanization trends described earlier are partly fuelled by rapid population growth. The Philippines has a total population of 89 million based on the 2007 census. The average annual growth rate declined to 2.04 percent in 2000–2007 from 2.34 percent in 1990–2000. Given the later rate, however, total population will still double in about 33 years. Table 3.3 below shows comparable population data for other countries in the region.

Table 3.3. Comparative population data.

Country/ Region	2005 Pop (Mil)	2000-05 AGR	2005 Urban Pop (Mil)	2005% Urban	2000-05 Urban AGR	2000-05 Rural AGR
World	6,500	1.24	3,200	48.6	2.07	0.48
Dev Regs	1,200	0.36	900	74.0	0.61	-0.34
SE Asia	560	1.40	245	44.1	3.47	-0.10
Philippines	85	2.07	53	62.7	3.45	-0.04
Thailand	63	0.76	20	32.3	1.49	-0.42
China	1,300	0.67	530	40.4	3.10	-0.83
India	1,100	1.62	325	28.7	2.35	1.33
Indonesia	226	1.31	109	48.1	4.04	-0.92
Vietnam	85	1.45	22	26.4	3.13	0.88
Malaysia	26	1.95	17	67.6	3.69	-1.26

As shown, the Philippines has the highest annual total population growth rate (2.07%), which is well above the world's growth rate, and more than double those of developed countries as well as several countries in Asia namely, China and Thailand. The Philippines is also one of the most urbanized (62.7% urban). Its urban growth rate is also very high (3.45%), exceeded only by Indonesia (Table 3.3).

The high population growth rate of the Philippines is worrisome because it means that the number of jobs and amount of services needed annually are much greater compared to other countries. To illustrate, if the Philippines had the growth rate of Thailand, then the number of classrooms, hospital beds, length of roads, and other services and infrastructure needed to address the annual increase in demand would be less than half required by its current growth rate. In other words, an increase from 1 percent to 2 percent in the growth rate translates to a 100 percent increase in demand for goods and services.

Together with economic growth rates, population growth is a major determinant of poverty reduction. With population growth rates in the order of 2–3 percent, economic growth will have to be in the range of 7 percent if substantial poverty reduction is to take place. The latter is unlikely to happen in the short-medium term given the global financial crisis as well as the lack of various reform components (fiscal, governance, planning, etc.) required to sustain significant economic growth. In any case, significant improvements in

the overall quality of life in both the urban and rural areas are unlikely to take place in the absence of a continued reduction in the rate of population growth (Webster, Corpuz, Pablo 2003).

## 2. Rural-Urban Migration

The high urban growth rate of the Philippines is similar to other countries of East Asia, which reflects both a strong natural growth pattern and rural-urban migration. It also supports the idea that while poverty is largely a rural phenomenon, cities serve to improve overall welfare and act as agents of poverty reduction. Unfortunately, the country's poor economic performance over the past decades suggests that the cities are also strained to provide job opportunities and relief to migrants notwithstanding the welfare improvements enjoyed by the latter.

As a whole, the Philippines continues to experience substantial rural-urban migration. As noted in NEDA (2002), in-migration is expected to accelerate especially in Metro Manila and its surrounding regions (Region III and Region IV), at least to the year 2020. Large urban areas in these regions have reached population and density levels that reflect significant scale and agglomeration economies. Consequently, they are expected to attract an increasing number of rural-urban migrants in the years to come.

Clearly, rural-urban migration is a major contributor to the explosive growth of urban areas. This is readily apparent in the fact that while natural increase has, over the years, been generally higher for rural areas, urban populations as a whole have increased much faster than rural populations, a trend that seems to characterize most countries in East Asia. From 1950 to 2000, urban populations in the Philippines grew at an average of about 3 percent compared to a much lower 1 percent for rural populations.

## 3. The primacy of an expanded Metro Manila

A related phenomenon is the continuing primacy of Metro Manila. In 1980, the population of Metro Manila was recorded at 5.9 million. Growing rapidly into a primate metropolis, the capital region's population reached 7.9 million in 1990, about 9.9 million in 2000, and more than 11.5 million in 2007, or easily over 13 percent of the Philippines' total population (Table 3.4). Latest figures in 2007 show that the population density of Metro Manila is more than 18,000 people per square kilometer, three times that of the city-state of Singapore and more than 60 times the Philippine national average.

Table 3.4. Comparative population growth and density, Philippines and Metro Manila.

Year	Philippines		Metro Manila		
	Total Pop	Density	Population	% Share to Total Pop	Density
1980	48,098,460	141	5,926,000	12	9,565
1985	54,668,332	161	6,942,204	13	11,206
1990	60,703,206	178	7,948,392	13	12,830
1995	68,616,536	201	9,454,040	14	15,260
2000	76,504,077	225	9,932,560	13	16,032
2007	88,574,614	260	11,553,427	13	18,650

Source: NSO. Philippine Yearbook. Various years.



It is, in part, for this reason that Metro Manila continues to dominate the urban hierarchy and domestic economy. It already represents the largest concentration of consumers in Southeast Asia (although purchasing power is below other cities in the region). By 2015, it is expected to become the 15th largest "city" in the world (Webster, Corpuz, Pablo 2003; UN 2002).

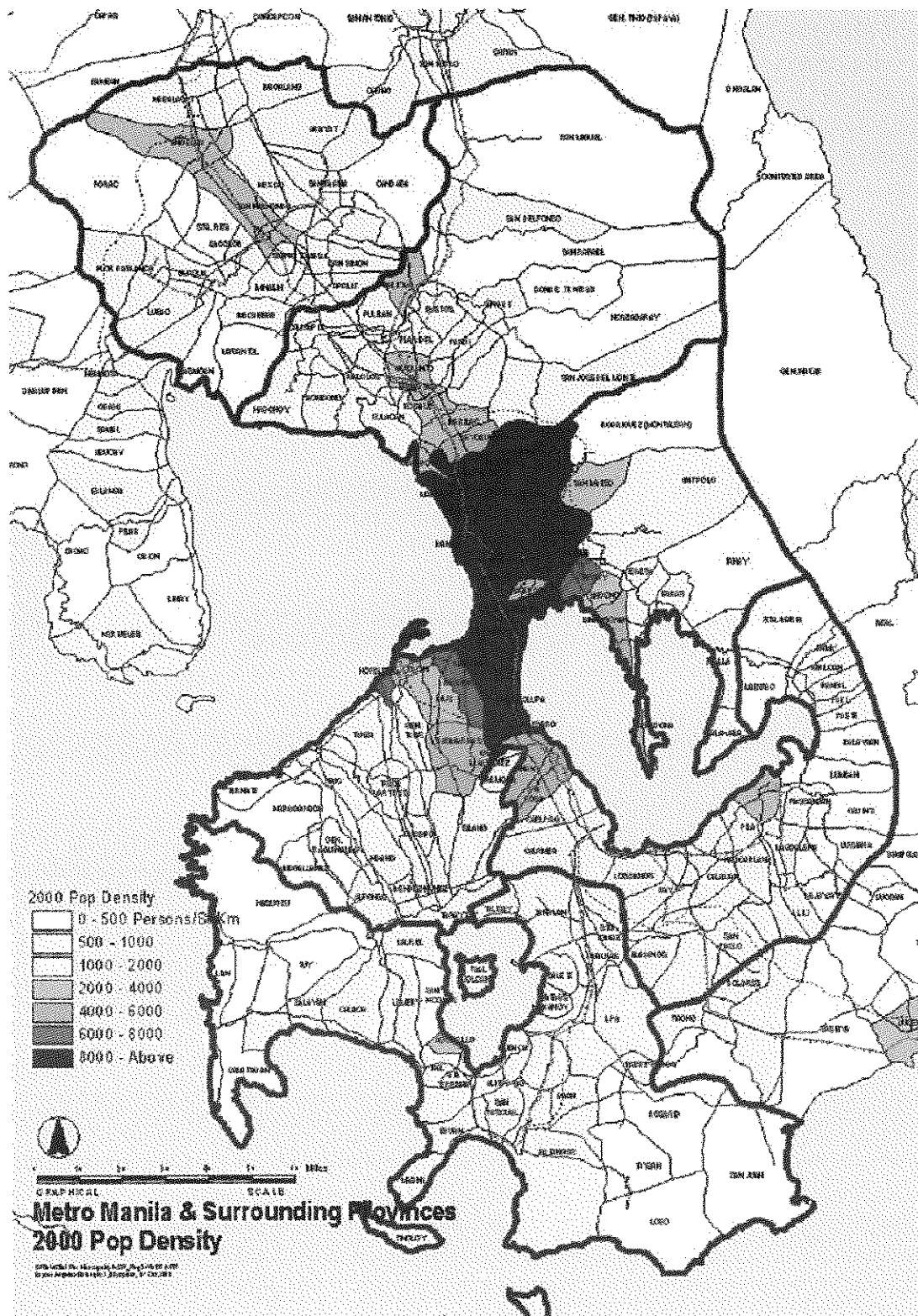
Even more noteworthy is the fact that despite programs and policies aimed at reducing the economic primacy of Metro Manila (e.g., industrial dispersal, regional growth centers, ECOZONES in other parts of the country), the capital region continues to dominate the national economy. The contribution of Metro Manila to the GDP was 33 percent in 2007. Such a contribution was even higher in 2000, when the National Capital Region accounted for 43.5 percent of GDP growth. Beyond handling the largest volumes of international trade and transactions, available evidence (NSCB 2005) reveals that Metro Manila also accounts for the largest regional shares in financial services (78%), transportation, communication and storage sector (over 50.0 %), services (45%), and the industrial sector (38%).

The real impact of Metro Manila, however, is underappreciated because the extent of its influence goes well beyond its administrative boundaries. Already, the major urban centers of its neighboring provinces have become part of the day-to-day functional orbit of Metro Manila. While Metro Manila's growth continues to be oriented towards its periphery, the growth directions of its neighboring provinces (measured by the historical movements of population centroids as well as transport patterns) are increasingly biased towards the capital region. Indeed, the effective and functional coverage of Metro Manila now includes much of Bulacan, Pampanga, Rizal, Laguna, Cavite, and Batangas, melded into what may be termed as a Mega Manila by the limited road and highway network that extends into the provinces (Corpuz 2006) (Figure 3.2).

The aforementioned Mega Manila overshadows the rest of the urban hierarchy, accounting for 30 percent (26 million) of the country's population, 50 percent of economic output, while occupying less than 4 percent of the national territory. The population of this predominantly urban region is growing at annual rate of 2.88 percent, faster than the country's overall rate of 2.04 percent and Metro Manila's 2.11 percent. It is also almost seven times larger than the province of Cebu, where the second largest urban center of the country is located, in terms of population. At its present growth rate, it will double its population in less than 24 years, adding, on the average, more than one million people every year to the region.

The size and growth rate of Mega Manila means that this region will continue to be the primary market and the main attraction for investments in the country for the coming decades and, desirable or not, what happens to Mega Manila in the short-medium term will determine much of what happens to the rest of the urban system and the country. The extent to which it can succeed in anchoring the country's growth depends largely on how this region is managed and functions to serve the requirements of its residents and investors. It is useful to note, however, that at this point in time, there is no single institution that is mandated or even oriented towards this purpose.

Figure 3.2. Mega Manila, 2000.

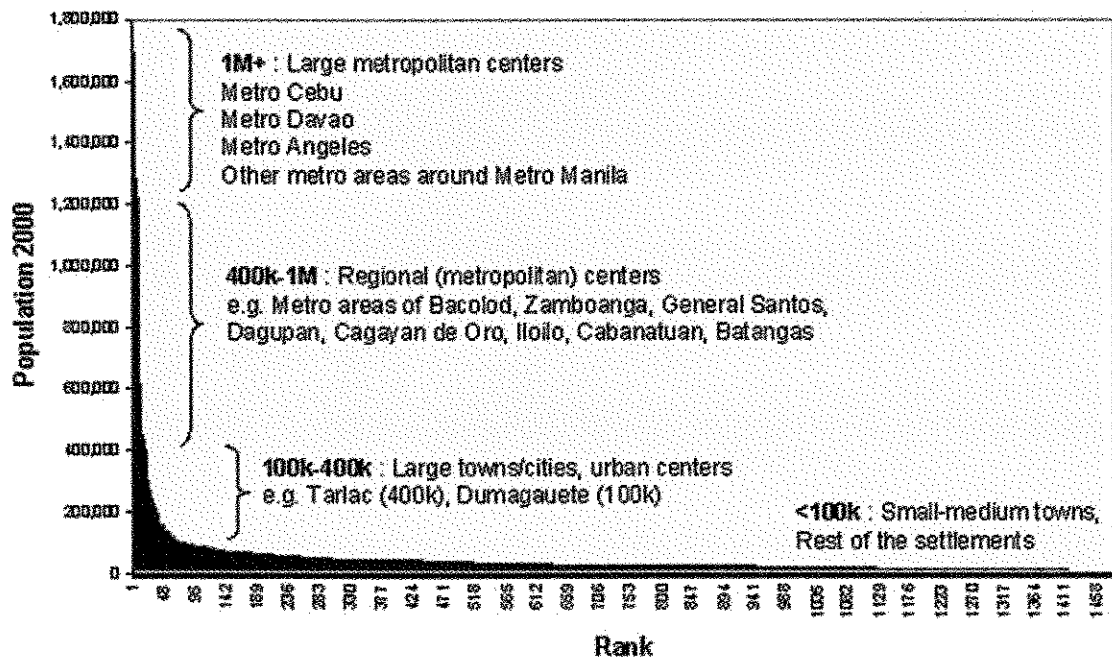




#### 4. Development of other metropolitan and large urban markets

The primacy of Metro Manila is consistent with the hierarchical distribution of settlements in the country. This distribution is typical throughout the world, and although the “steepness” of the hierarchy may vary, its basic characteristic—that there will be one or a few dominant metropolitan centers, several large urban centers, and many small cities and municipalities—will not change for decades to come (Figure 3.3). This is a fundamental characteristic of the urban system which should be recognized and accepted and should dispel any notion that spatial equity (meaning equal distribution of population and other resources in space) can be achieved or should even be an objective (Corpuz 2003). For as it has been previously demonstrated, and as concurred recently by mainstream economic analysis, there is no congruence between social equity and spatial equity, i.e., growth is likely to take place more efficiently if it is unbalanced spatially but it can, at the same time, be socially inclusive (World Bank 2009).

Figure 3.3. Hierarchy of settlements in the Philippines, 2000.

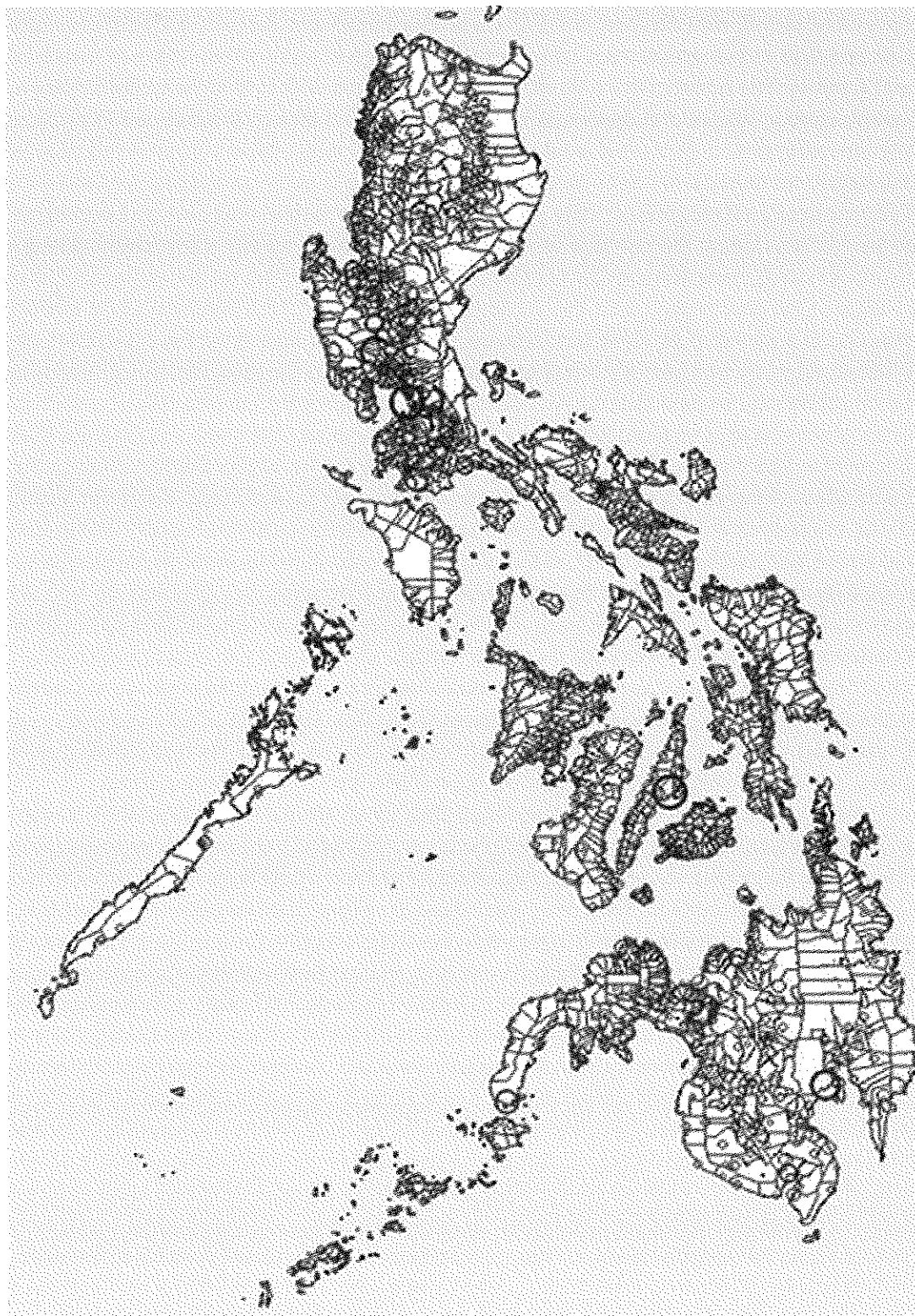


Source: Corpuz 2006a.

The development of the urban hierarchy has been paralleled by the formation of an unprecedented number of large metropolitan and urban centers. Out of 72 major urban centers and clusters in 1990, only four have population larger than one million (Metro Manila, Metro Cebu, Metro Angeles, and the Malolos-Meycauayan corridor). By 2007, this number had doubled (including Davao City, the Baco-Dasmariñas corridor, the Calamba-San Pedro corridor, and the greater Antipolo area) (Figure 3.4).

During the same period, the number of urban centers with population between 500,000 and one million had increased from six to ten, and those between 100,000 and 500,000 from 41 to 54. (Figure 3.4) This is consistent with the findings of an earlier study that current growth trends will lead to a larger number of urban centers even as the population share of Metro Manila and the top quintile cities will tend to decline in the future (Corpuz 2000).

Figure 3.4. Urban centers in the Philippines, 2007.



The emergence of additional large urban centers means that there is now a larger number of areas that can support services and markets which were previously feasible only in the larger cities. Individually and as regional or subregional clusters, these cities offer greater economies of scale that can attract new investments and lead to the introduction of various transportation, medical, educational, retail, and other commercial services. The extent of these investments will also be determined by household incomes and affordability but, clearly, new market opportunities will be there. (Likewise, however, the larger cities imply larger scale environmental impacts that need to be managed and suggest the urgency of sustainability and disaster mitigation measures.)

To a large extent, and despite periodic policy rhetoric about urban dispersal and decongestion, the growth of large urban centers did not involve explicit or purposeful planning intervention. Along with the rest of the urban system, these were products of demographic and economic trends, physical characteristics and constraints of the archipelago, and the decentralized institutional environment. As a whole, growth patterns may be characterized as rapid but incremental, largely influenced by the availability or lack of infrastructure, and by key catalytic investments of the private sector—in transportation projects, industrial zones, regional shopping centers, and business districts to name several.

It is also important to note that there are close to 1,700 municipalities and cities in the Philippines. The total number of cities in the Philippines has reached 120 (as of November 2008)<sup>2</sup>. Though the official population threshold to become a city is 150,000, “urban” continues to be defined, in part, as localities having populations of only over 50,000. In this regard, studies have shown that there could be as many as 600 urban areas by the year 2020 (ADB 1999). All in all, however, the current spatial distribution of the urban system is unlikely to be altered, especially in the short and medium term.

## 5. Private sector-led housing market

The housing problem of the country can be appreciated by considering the total annual housing need (2005–2010 backlog plus new requirement) of approximately 625,000 units.

First, about two-thirds of the housing need comes from new requirements (natural increase plus net immigration). This means that the high population growth rate is a key contributing factor.

Second, there is a severe shortage in government funding to adequately address the housing requirement. At PhP200,000 per unit (as per the MTPDP), a total of PhP125 billion per year, for six years, is needed. This is a conservative amount given that about 50 percent of the housing requirement is in urban Metro Manila, Calabarzon, and Central Luzon where the cost of land and labor is much higher than the rest of the country. This annual amount already represents about 10 percent of the total national government appropriations for 2008. (In contrast, NHA, the government agency tasked with housing production, was only allocated PhP3.5 billion or only 2.8% of the PhP125 billion requirement. In fact, the combined 2008 GAA of all the housing agencies—HUDCC, HLURB, NHA, HGC, NHMFC—amounted to only PhP4.9 billion. Notably, the budgeted debt service payment for interest alone can cover more than twice the annual hous-

<sup>2</sup> On November 18, 2008, the Supreme Court of the Philippines ruled unconstitutional the Cityhood Laws (which has explicitly exempted them from the increased income requirement from PhP20 million to PhP 100 million in Sec. 450 of the Local Government Code, as amended by RA 9009) converting the following 16 municipalities into cities: Baybay City in Leyte, Bogu City in Cebu, Catbalogan City in Samar, Tandag City in Surigao del Sur, Lamitan City in Basilan, Borongan City in Samar, Tayabas City in Quezon, Tabuk City in Kalinga, Bayugan City in Agusan del Sur, Batac City in Ilocos Norte, Mati City in Davao Oriental, Guihulngan City in Negros Oriental, Cabadbaran City in Agusan del Norte, El Salvador City in Misamis Oriental, Carcar City in Cebu, and Naga City in Cebu. The Court held that the Cityhood Laws are unconstitutional since Section 10, Article X of the Constitution requires that such exemption must be written into the LGC and not into any other laws (Supreme Court of the Philippines website).

ing requirement.) The severe funding limitation of government for housing along with the rapid population growth explains, in part, why the housing need gets bigger and bigger every year.

Third, the lack of government resources for housing also explains why the private sector dominates housing production in the country. Government housing accomplishment targets are only about 30 percent of the housing need; actual accomplishment, however, is only about 69 percent of target or 23 percent of total need (Senate Economic Planning Office 2006). Given continued limitations in government housing funds, increasing private sector participation in the housing sector is necessary if any headway is going to be made in reducing the country's housing need. And in this case, effective demand, not supply, is critical because without substantial government subsidies, the private sector will be responding primarily to housing market affordability.

## 6. Education and quality of labor supply

The global benefits of remittances and the rapid growth of the IT-BPO industry in the Philippines are largely affected by the skill levels and thus the quality of education of the labor force. In the BPO sector, one of the biggest constraints to further growth is the availability of skilled personnel and this is why "next wave" cities are typically those with universities and colleges and thus have high potentials for supplying the manpower requirements of the industry. And while short term measures to improve labor skills have been initiated—English language competency training, for example—longer term prospects require major intervention in the broader structure of education in the country. This concern runs across all fields and courses of education, given that only 45 percent of children of schooling age finish high school and that 55 percent of those entering the labor force will have at most only one year of college education (Corpuz 2004).

The amount and quality of education has a major impact on the quality of the urban labor force and on poverty reduction. Skills training programs need to be complemented by programs to upgrade school facilities, improve physical access to school, and to keep students in school through food aid, scholarships, and other forms of direct support.

## 7. Continued dissipation of national and local resources

Capital resources are not only limited but are also dissipated by inefficiencies in the planning-investment programming-budgeting-implementation process. Described as a "Divide by N" syndrome (Cariño, Corpuz, and Manasan 2004), where resources are scattered throughout various political initiatives and geographical areas, this results in a dearth of catalytic investments that have sufficient scale to provide strategic focus and meaningful development impacts.

A case in point is the formation of state universities and colleges (SUCs). There were 111 SUCs all over the country as of 2002. This number represents an increase of more than 150 percent since 1990 (from 138 to 348) considering main and satellite campuses (Webster, Corpuz, Pablo 2003). Created by legislation, SUCs are typically justified based on the argument that they increase accessibility to education and allow a larger number of students to be served in a wider geographical area. SUCs can also have positive multiplier impacts on host communities. What is not mentioned, however, is that given budget limitations and current deficiencies in school facilities, faculty and other personnel, it is more efficient to build up existing educational institutions—construct more classrooms, increase library facilities, hire and train more teachers and provide more scholarships—than to disperse resources to more locations that result in the creation of more inadequately supported universities and colleges. In other words, having several good quality educational institutions that can also serve a large number of students through scholarships is better than many mediocre institutions (Webster, Corpuz, and Pablo 2003; Canlas and Fujisaki).

#### 8. Shortcomings in urban and regional transportation systems

The inadequacy of urban and regional transportation in the Philippines remains a major constraint in the movement of people and commodities between production and consumption centers as well as between urban centers. This has led to high domestic transport costs relative to some international routes and, as a whole, penalized the productivity, efficiency, and competitiveness of the country relative to other countries in East Asia. Further, it has limited opportunities for urban growth and regional development, sometimes at the expense of environmentally-constrained areas, because of the lack of access to other areas better suited to absorb additional or new developments. The effective urban-industrial heartland of Luzon, for example, has remained essentially unchanged since the late 1970s, confined to the Angeles-Metro Manila-Batangas corridor. Recent road extensions to Subic and improvements in the port of Batangas have extended commercial traffic but these have been exceptions rather than the rule during this extended period of time. Expansion of transport capacity along the northern and southern corridors to northern Luzon and towards the Bicol region, respectively, has been minimal or has actually declined with respect to rail transport.

In addition to causing higher transport costs (effectively imposing a tax on producers) and thus penalizing competitiveness, shortcomings in the regional transportation system have also caused urban growth to sprawl from Metro Manila, incrementally filling up land regardless of suitability and thus compromising environmental integrity. Opportunities to disperse development efficiently to the north and the south, similar to what has taken place along Thailand's eastern seaboard, have not been realized.

Similar development patterns have been taking place in many other areas of the country's urban system in the Visayas and Mindanao, although lesser in scale and thus attracting less attention.



## CHAPTER IV

# Vision and Elements of the Framework

### A. VISION

The NUDHF 1999–2004 vision for urban development in the Philippines remains valid and is retained for this framework: an urban system that (i) facilitates economic production; (ii) develops and strengthens local comparative advantages; and (iii) provides all urban residents with an improving quality of life (HUDCC 2000).

Based on this vision, and considering the current state of the urban system and the housing sector, this framework (2009–2016) focuses on the following themes:

- strengthening the competitiveness and poverty reduction role of the urban system,
- improving the sustainability of communities and the provision of housing, and
- intensifying efforts to improve governance.

These themes form the structure of the recommendations of this framework. Consider, first, however, strategic implications of the performance and drivers of the urban system and the current institutional environment.

### B. STRATEGIC IMPLICATIONS<sup>3</sup>

#### 1. Recognize the arena of urban competition and build on strengths

Much of the future of the country depends on the performance of its urban system which, in turn, depends substantially on its overall competitiveness relative to other urban areas of the world. At least in the short to medium term, capital flows to the Philippines will be influenced increasingly by the management and performance of the business, social, and physical environment of Mega Manila and other urban regions of the country—i.e., not just by the cost of doing business but also by the variety of cultural experiences,

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<sup>3</sup> The following strategic implications are based on Webster, Corpuz, and Pablo 2003.

the air quality, and the efficiency of the public transportation system, to cite several benchmark examples—vis-à-vis the metropolitan region of Bangkok or Jakarta or Ho Chi Minh or other cities of East Asia.

It is important, therefore, to build up the competitiveness of Philippine cities by maximizing its strengths—its language and service proficiency in the IT-BPO sector; natural, cultural, and human resources that cater to a growing tourism industry; the emergence of several large urban markets; active private sector participation in several sectors; and its decentralized government structure—while minimizing the impacts of its weaknesses.

It should also be noted that while national welfare depends largely on the performance of the urban system, this is invariably linked to the rural sector. The success of the urban system, therefore, cannot be separated from a commensurate improvement in the living conditions of the rural population.

## 2. Identify strategic priorities

Given limited resources, capital and other investments need to have strategic focus and priority in order to avoid their dissipation into many initiatives that will have minimal collective impact. Identified priority actions, if they are to have meaningful and sustainable results, should address causes rather than symptoms of development issues even as they realistically take into account resource limitations. For example, onsite or near onsite relocation should be given priority over offsite relocation given that livelihood activities and opportunities close to current places of residence are critical to the success of relocation activities. The high cost of urban land, however, mandates the use of medium-high density housing designs.

Ideally, top priority should be given to activities that will lead to the largest positive impacts to as many people as possible, using the least amount of resources, in the shortest possible time.

However, it is important to accept that tradeoffs will have to be made particularly in terms of investments across sectors and locations. By definition, investment priorities should not be comprehensive, meaning they should not cover all activities and regions of the country. It is very convenient politically, for example, to allocate infrastructure projects to all the regions. But limited resources means that not all of these projects will be implemented at the same time or that such resources will have to be spread out to cover many but smaller projects. Clearly, if the objective is to spur regional-scale growth, many small individual and unrelated projects are not acceptable because these will have minimal impact on their host regions compared to a few major regional-scale initiatives.

## 3. Emphasize short-term actions without losing sight of strategic objectives

The short to medium term horizon of this framework requires actions which demonstrate immediate impacts. This is consistent with the political objectives of many local leaders. However, many issues cannot be resolved in the short term. In these cases, the objective would be to avoid quick-fix cosmetic projects and instead implement projects that yield visible results within the political tenure of political incumbents. More importantly, efforts should be exerted to initiate more sustainable solutions in the future.

Experiences in other countries show that concerted and strategic action can yield meaningful results within a decade as far as economic growth and even environmental rehabilitation is concerned.

## 4. Continue to work with the decentralized bureaucracy and local autonomy

The decentralized bureaucracy and relative autonomy of local governments in the Philippines emphasizes the need to work with local initiatives. This also means that unlike a government with a strong centrist orientation, there will be a greater variation in opportunities for introducing and implementing urban development projects and programs across LGUs. Obviously, local governments will be in a better position to attract and manage urban development by, for example, creating better planning and investment environments.



In this connection, there is a need to strengthen LGU capacities, i.e., ensure that governance capabilities and logistical requirements are available at local levels. An institution or a consortium of institutions should be designated to undertake the capability building programs. Beyond collaborative arrangements, there is a need to institutionalize training in terms of consolidating gains made in previous capacity building programs, sustaining efforts at constantly identifying and targeting trainees, and developing more specialized modules. At the same time, however, national-local as well as interlocal coordination cannot be assumed and if the system for such coordination is not yet in place. This will have to be established to ensure consistency in planning and implementation.

Improving local revenues to provide more resources for project implementation should form part of this objective. In the short-term, performance-based incentives for determining the allocation of the IRA (to include national counterpart funds), along with the tapping of nontraditional sources of revenues (e.g., borrowing, bond flotation, BOT schemes, etc.) as well as the streamlining of maintenance and other operating expense (MOOE) allocations should be explored. In the medium and long term, efforts must be exerted in increasing the tax autonomy of LGUs (by realigning the existing tax assignment and giving LGUs more taxing powers commensurate with their expenditure responsibilities) and enhancing the accountability of LGU officials to local communities. LGUs should not only have their own-source revenues but also the power to control the amount of revenues they receive at the margin to enable them to finance the level of services and programs that would make an impact on local development.

## 5. Enhance coordinative mechanisms at various levels

In the context of decentralization, urban development initiatives should be driven locally. However, such urban development initiatives will have to be facilitated at the national level since a large amount of government funds continues to be sourced from the national government and also because major capital investments require the approval of national government agencies.

Clearly, there is much room for improving national-local-relations. National-local interfaces, which could influence the form and substance of local development plans and investment programs must be encouraged. As revealed elsewhere, interfaces between local government officials with representatives of regional and national government agencies have been found to be infrequent and have little impact on local project priorities. It is partly for this reason that national sectoral concerns hardly form part of local investments decisions and, vice versa, local development priorities are hardly taken into account in national sectoral planning. Also not apparent in local plans and programmes is the integration of national planning initiatives and frameworks (e.g., gender concerns, plan for children, poverty alleviation).

A possible venue for interface is the Local Development Council (LDC), a multisectoral body created precisely to ensure representation of various sectors of the local community. Representatives of national government agencies should probably be allowed to participate in the deliberations of the LDC to ensure synchronization of national sectoral concerns, on one hand, and local development priorities, on the other. Although patterned after the Regional Development Council (RDC), the LDC is in theory a more powerful body since, unlike the RDC, it represents an actual unit of government and its decisions are directly actionable by the LGU concerned. In reality, however, the LDC is moribund for long periods of time during the fiscal year, a fact that may suggest a reassessment of its structure for planning and decisionmaking. Measures to improve the efficiency of the LDC and to enhance its function as a possible venue for local-national interface must be explored.

At the same time, coordinative mechanisms at the national level must likewise be strengthened. There are numerous agencies that are involved in the provision of services relative to housing and urban development. It has been observed, in this connection, that the provision of these services lack synchronization

and harmonization. "Council" or "committee" type of mechanisms (e.g., the HUDCC and the NLUC) have largely been relied upon to coordinate urban development, housing, and land use activities. In the absence of budget control and resource allocation powers, experience has shown that these coordinative mechanisms seem to be inherently weak. Resource allocation powers seem to be a requirement to ensure effective coordination of the activities of various agencies.

After careful assessment and evaluation of various alternative proposals, support should be seriously considered for the creation of a strong Department for Housing and Urban Development (DHUD). The DHUD should be given budget control over relevant activities in housing and urban development. Also, its relationship with various agencies performing functions relevant to urban development must be clearly delineated. Its main mandate is to rationalize the structure and functions of the different housing and urban development agencies and harmonize all housing and urban development plans, policies, programs, and projects of various government corporations and agencies.

## 6. Enhance participatory governance

The structure and composition and role of the LDC in planning, decisionmaking, and as a forum for local-national coordination need reassessment. Despite numerous planning, programming, and resource allocation functions assigned to it by the LGC, it plays a relatively limited role in planning and investment decisions. It is a large, unwieldy body that rarely meets and it is the Executive Committee that absorbs most of its functions for the greater part of the fiscal year. This pattern is probably efficient and politically convenient. Whether this should be allowed to persist given the envisioned function of the LDC as a venue for participatory governance is a policy question that needs to be revisited.

Much reform is also needed at the national and local levels to enhance the participation of the business sector in various development activities. In particular, there is a need to reduce the high number of procedures that are required to start a business, to deal with construction-related activities and to transfer property ownership title across Philippine cities. When compared with other cities in the world, Philippine cities are not doing all that well in dealing with the business sector.

Private sector participation and partnerships have increasingly been recognized as vital ingredients to development planning and implementation. In the case of housing and urban development in the Philippines, the need to rely on private sector participation is unavoidable given the dominant role of the private sector in housing and other urban development projects, especially when compared to other countries. Further, government always has had limited capital investment capability. National budget appropriations for infrastructure, for example, has been less than 3 percent of GDP, which is less than the 5 percent of target (Diokno 2008; Bonoan 2007). Enhancing private sector participation and partnerships, however, will require more transparent participation and evaluation processes, consistency in enforcement and interpretation of rules, realistic valuations, and reduced corruption.

## 7. Reorient political leaders

In the final analysis, the success of programs and projects in housing and urban development rests with local political leaders. Ideally, local political leaders should submerge political interests in favor of the overall welfare of their respective communities. However, this is easier said than done in the context of the local political culture in the country.

But one important intervention has to do with educating/reorienting local political leaders on the importance of and the benefits to be derived from medium-term, strategic planning. The experience of the Governance and Local Democracy (GOLD) project of the United States Agency for International Development and the Local Governance Support Program (LGSP) of the Canadian International Development Agency

in the strengthening of the local planning and governance processes suggests that the key to the success of these interventions are (a) the early engagement of local officials in the local planning process so as to promote their commitment to the local development plans that are formulated and (b) the participation of broad-based multisectoral groups in the exercise.

For this reason, advocacy among LGU officials on the importance of medium-term strategic planning must be sustained. The lessons that can be learned from experiences in "term-based planning" of some areas in Mindanao should also be examined. Advocacy and reorientation may likewise enhance the linkage of the local plan with the local budget in that local officials would be easier to persuade to refer to the strategic local plan and investment program when they identify projects that will be funded out of their LDF allocations.

### C. ELEMENTS OF A FRAMEWORK

What has been previously discussed may be grouped into three basic themes that form the structure of the framework; (a) the urban system, (b) housing and communities, and (c) governance.

The first can be divided into two modules, each corresponding to the fundamental objectives of improving urban competitiveness and poverty reduction. The second theme can similarly be divided into housing delivery and sustainable communities—micro and macro elements of the urban system. The third serves as the fifth module and cuts across the previous modules. To illustrate:

<b>The urban system</b>	1 Urban competitiveness
	2 Poverty reduction
<b>Housing and communities</b>	3 Housing affordability and delivery
	4 Sustainable communities
<b>Governance</b>	5 Performance-oriented governance

#### 1. Urban competitiveness

The urban system plays a major role in the economic development of the country. Given increasing global integration, the extent to which the cities that comprise the urban system can play this role depends on their competitiveness relative to other cities of the region and of the world.

#### 2. Poverty reduction

The continued relatively high poverty incidence in the country is a direct result of the lack of propoor economic growth. As concentrations of economic activity, cities serve as agents of poverty reduction.

#### 3. Housing affordability and delivery

A significant part of the problem plaguing the housing sector in the country is the lack of affordability. The fundamental solution to this problem is again rooted in economic growth, which provides employment and income to households, which can then increase affordability levels. In the short-medium term, increasing the availability of housing credit and financial resources as well as lowering the cost of land and housing production can make a significant difference.

#### 4. Sustainable communities

Communities—whether a single neighborhood or an entire city—need a combination of function and amenity based on acceptable environmental standards. Ultimately, they need to be sustainable by providing minimum service standards from the point of view of global climate change.

#### 5. Performance-oriented governance

Governance cuts across all modules. It is key to improving urban competitiveness and poverty reduction, in providing shelter, and in the development of sustainable communities. Improving efficiency, reducing wastage and corruption, and improving coordination across all layers of bureaucracy are needed while taking into account the decentralized structure of government.

## CHAPTER V

# Strategic Recommendations

The following recommendations cover a range of plans, projects, and activities that vary accordingly in terms of specific implementation requirements. Some are more policy-oriented that require further translation before an explicit course of action and implementing agency can be identified while, on the other side of spectrum, others are already specific projects ready for execution. They span, therefore, a broad implementation horizon even though they can all be initiated in the short term. They are organized according to the themes and modules described in the previous chapter.

The recommendations are not exhaustive; some of them are new while others are existing project proposals and/or are part of other public plan or policy documents. These plan or policy documents tend to be comprehensive in nature, typically with an extensive list of projects that covers a medium to long-term implementation horizon. Projects included in this framework, however, are intended to be strategic; they were selected because they lead to the attainment of objectives that drive the vision of the urban system, given existing resource and institutional constraints. Those that form part of existing plan or policy documents should not be viewed as relisted or existing projects but, rather, as projects that are prioritized and therefore should be implemented or at least initiated as soon as possible.

### A. URBAN COMPETITIVENESS

#### Context

Philippine cities provide the highest levels of service and living standards in the country and account for the majority of national economic growth. Much of what happens to the country in terms of production and employment, income and consumption, and access to basic services and amenities will continue to be determined by the performance of its urban system. This will be influenced significantly by its competitiveness with other cities in East Asia and the rest of the world—by its efficiency and the extent to which it can attract investments (for example, in the BPO, electronics, and medical tourism sectors) vis-à-vis the cities of India, Vietnam, and Thailand, respectively.

Metropolitan regions form the largest concentrations of economic activity, the reason they are at the forefront of the country's global competition. But urban competitiveness is important to the entire hierarchy of settlements within the country's urban system.

First, investments cascade throughout the hierarchy. For example, while IT developments are attracted primarily to the large labor forces and amenities of the metropolitan regions of Manila, Cebu, and Davao, other regional cities with similar manpower resources and services, even if smaller in scale, are increasingly attracting the same type of investments. It is important to point out that the investments attracted to this type of producer services in any city of the urban system are influenced by the competitiveness of the largest city—that the attraction of provincial or regional cities is affected by how Metro Manila can compete globally.

Second, the primacy of Metro Manila does not prevent an individual city from competing directly with other cities in the hierarchy. This is particularly true for products and services that are based on natural resources, culture, educational facilities, or any other attraction that is unique to a specific locality and which therefore is not dependent primarily on the competitiveness of large metropolitan areas. In this case, however, domestic and international access is important. Given that international and even regional gateways are limited to metropolitan centers, transportation and communication linkages with these centers are critical for other cities of the urban system.

Third, large metropolitan centers, by their very nature, interact substantially with their adjacent areas. This can be a positive sum relationship, forming a regional cluster of urban areas anchored by a core metropolitan center. Peripheral areas of this cluster can benefit from the economies of agglomeration catalyzed by the metropolitan center, integrating into a network of markets and production that would have been otherwise inaccessible.

Overall, however, as manifested by its inability to undergo consistent, breakthrough economic growth, the Philippines is characterized by its lack of urban competitiveness. Although its urban areas account for an overwhelming majority of national economic growth, they have also been underperforming relative to their potentials and other cities in East Asia.

In particular, the urban system in the Philippines is plagued by:

- high transaction costs and production inefficiencies;
- lack of infrastructure and service facilities;
- inability to attract significant amounts of investments;
- outmigration of talent,
- diminishing competitiveness of its primary international gateway and service center (Metro Manila); and
- lack of financial resources.

Addressing these problems is not easy or simple. Invariably, however, it is rooted in improving the competitiveness of the urban system.

### Primary strategy

- 1. Improve national competitiveness by increasing productivity and efficiency of urban regions. Build on existing strengths in services and manufacturing. Focus export oriented services and manufacturing activities in core export areas (e.g., CALABARZON, Cebu, Central Luzon, Davao) which are potentially globally competitive.**

The idea is to focus initially on a few urban clusters or corridors (e.g., Calabarzon, Central Luzon, Cebu, Davao) that have the best chance of competing globally for investments in services and manufacturing. These investments can (a) create relatively higher paying jobs (compared to the rural sector)



for the steadily increasing number of people in the labor force and (b) anchor and eventually catalyze developments in nearby regions and eventually in the rest of the country. Some of the specific initiatives or activities are the following:

- **Provide strategic infrastructure and services in support of urban-industrial regions.**
  - **Extension of NLEX to La Union; full width of STAR tollway to Batangas City; extension of SLEX to Quezon; rehabilitation and maintenance of Maharlika Highway.**  
This supports the Mega Manila (Central Luzon-Metro Manila-Calabarzon) corridor, the primary urban service and industrial area of the country. It enhances the links of Metro Manila with the Batangas port area, complementing the existing link with Subic-Clark. It also serves to extend economic integration with the northern and southern edges of the corridor. Integration among the core regions of the country should also be supported by improving and maintaining appropriate sections of the Maharlika Highway and other strategic intrainland linkages (e.g., BUDA Highway).
  - **Assure the long-term supply of clean power.**  
This is particularly relevant to high-technology industries which require a reliable supply of power at reasonable rates. The need for new power sources is especially important in Visayas and Mindanao, which are threatened with rolling blackouts.
  - **Protect infrastructure rights-of-ways.**  
Providing rights-of-way to transportation and other infrastructure projects is a major constraint, particularly when delays are incurred in implementation. Identifying and then preventing the unauthorized and inappropriate use of these rights-of-ways are important tasks to ensure future implementation.
  - **Continue/complete the Nautical Highway including necessary linkage (land-based) requirements.**
  - **Improve efficiency and reduce cost of nautical transport (e.g., address regulatory vs. operational conflicts, prevent imposition of cargo handling, and other unnecessary fees for RORO and CHARO operations).**
  - **Establish RORO operations with other archipelagic Asian countries.**  
Given the archipelagic nature of the country, the completion of the Nautical Highway, linking Mega Manila with the urban-industrial and service centers of Cebu and Davao, is a major step towards full economic integration. To maximize the benefits from the Highway, management and operational reforms that reduce the cost of nautical transport are also needed. RORO and other linkages with other countries in Southeast Asia should also be explored to enhance specialization and efficiency and expand the network of markets served (Basilio 2008).
  - **Improve transport/traffic improvement between airport/port and service/industrial zones.**



- **Ensure security (e.g., prevent hijacking) to and from service/industrial zones.**

Learning from the experiences of locators, security remains a concern for investors and improving and ensuring the safety of access to and from service centers and industrial zones (e.g., IT-BPO complexes) are important factors that promote competitiveness.

- **Support national competitiveness at the local government level through local development planning, investment in catalytic infrastructure, promotion and investment support programs.**

- **Integrate local economic development (e.g., City Development Strategy) and other means by which competitiveness can be enhanced into local planning.**

Local economic development is a critical part of national development, more so with the decentralized structure of government in the Philippines. And yet little is understood about what it requires and how it can take place at the local level. The City Development Strategies Program has been involved in this initiative for more than a decade already in the Philippines; the experiences and lessons learned by its participating cities, including planning and utilizing infrastructure for local development, provide realistic lessons for other cities of the urban system.

- **Encourage integration of urban peripheries into metro regions through local planning and interlocal transportation.**

Economic integration is made possible by transportation and other physical linkages; interlocal cooperation in providing for such projects, by integrating them in local land use and infrastructure plans, are needed to complement national and regional initiatives. The proposed C-6 road project that connects the provinces of Laguna, Rizal, and Bulacan around Metro Manila is one example of how urban peripheries are better integrated into a metropolitan region.

### Other Strategies

2. **Support the development of strategic clusters to diversify the economic base; enhance value-added of existing clusters, orient developmental planning, research, and data collection to clusters.**

Education, Garments, Furniture, Jewelry, Leathergoods, and Medical clusters are some of the activities that have existing and/or promising operations. These are based on local skills, gender considerations, resources and initiatives, and can benefit from localization economies (similar industries clustering in one location) in urban areas outside metropolitan centers. The development of these clusters also serves to diversify the economic base. This is important for the export sector, which is especially vulnerable to global economic downturns because of the overwhelming domination of the electronics sector.

3. **Increase Metro Manila's attractiveness as a global service center and visitors' destination by improving basic urban functions, addressing traffic congestion, mobility, pollution, etc.—essentially taking immediate steps to demonstrate that the city works.**

- **Establish a scientific traffic and transport planning system; formulate and disseminate a medium to long-term transport development plan based on international standards.**

- **Assure the completion of LRT1 Extension along EDSA to complete the EDSA loop with MRT3 and to support the growth of a central business district at North Triangle in Quezon City.**
- **Build more cost-efficient BRT (Bus Rapid Transit) lines along major transport corridors to replace proposed LRT lines (i.e., LRT6 and MRT7). Support local initiatives (e.g., by helping provide right-of-way, integration with traffic operations, and aligning infrastructure) to build BRT and other dedicated transit lines, with priority given to the integration and connection of central business districts.**

Metro Manila is one of the few metropolitan areas of the world that lacks a well-organized transit system. It cannot compete globally without one. Current transport and traffic management practice is short-term oriented, rely on disruptive ground experiments, penalize pedestrians, and use up more precious urban land than necessary (i.e., U-turns severely penalize pedestrians by not allowing them to cross or forcing them to use grade separated walkways and require unnecessary road widening), and lack a technically-sound plan to build up an international standard transit system.

Closing the MRT3/LRT1 gap along EDSA should be a priority. This will allow transit service along the entire EDSA-Taft/JPRizal loop to run at both directions thus enhancing capacity and providing maximum flexibility for commuters. The integrated LRT1/MRT3 line should also be designed to support the growth of the proposed Quezon City central business district (CBD) at North Triangle. This CBD has regional significance because it will improve jobs-housing distribution in Metro Manila, provide an opportunity for a showcase urban renewal project, complement existing developments in the area, and serve as a new recurring revenue source for the local and national governments.

To maximize resources, proposed LRT/MRT lines (LRT6 and MRT7) should be replaced with BRT lines (with dedicated rights-of-ways and operated like rail transit lines), which can have similar capacities but require capital expenditures that are 10 to 50 times less than rail-based systems. These transit projects are long overdue and are needed to increase transit capacity in Metro Manila and to improve integration with peripheral areas. As a whole, they are vital elements towards the sustainability of the largest urban center of the country. The development of new BRT lines can benefit from the recent experiences of other metropolitan centers in developing countries (e.g., Bogota, Jakarta). These offer more affordable transit solutions that can involve the private sector.

- **Assure the supply of water; jumpstart Laiban Dam project.**

Water supply in the extended Metro Manila region is expected to fall short of demand by about 2015 if no additional sources are developed. This is unacceptable. The proposed Laiban dam project, which continues to be stalled, should be given immediate priority. Appropriate land use planning and zoning of the area surrounding the project should also be implemented to manage complementary development consistent with sustainable urbanism principles.

- **Improve and provide amenities.**

Highly visible and utilized amenities are critical elements of competitive cities. These help improve the quality of life of residents and serve as major tourist destinations. Pedestrian-oriented public amenities such as parks, promenades and other civic and recreational spaces which can be immediately implemented should be identified and supported (e.g., Metro Manila tourism-entertainment-historical clusters in Makati, Intramuros, Ermita, Quezon City).

- **Support the development of Mega Manila in terms of planning, investment programming, budgeting and implementation of key projects by creating effective metropolitan-regional-scale management.**

This recommendation is premised on the fact that the RDC role of MMDA has not been fulfilled and that MMDA is not capacitated to plan and implement necessary projects and initiatives for Metro Manila and, much less, for a Mega Manila jurisdiction.

Metro Manila and its neighboring regions require a new institutional entity that provides a system (not ad hoc) where planning and implementation of key projects can be integrated. The structure and organization of this entity need to be studied carefully but one of the key features should be an ability to get the cooperation of the LGUs concerned while providing interlocal or regional guidance. This suggests, among others, a structure and leadership that do not pose a political threat to LGUs while maintaining strong political support from the President. In any case, it is clear, that none of the existing agencies are equipped or oriented towards this task.

Creating a new metropolitan-regional institution is not likely to be accomplished in the short term, particularly since it will probably require legislative action. One possible interim approach is to use a sector-based super-regional structure, e.g. a water management body for the Luzon Urban Beltway Super Region. By focusing on a single sector, the institution becomes less politically threatening and can be more focused on its tasks. (Other sectors that are suitable for a regional structure include transportation, air quality, and solid waste management, among others.) And by adopting the super-region format, it builds on an existing structure, albeit conceptual at this stage, and minimizes the tendency to dissipate resources by replicating projects among all existing administrative regions. (See also Chapter 5, E-7.)

#### **4. Support IT-enabled services to further enhance the country's competitive advantage in the sector.**

- **Further align educational system to support IT requirements, e.g., shift to nonvoice applications.**
- **Encourage and support application of IT in LGU management and service systems.**
- **Support private sector initiatives in IT.**

As mentioned earlier, the IT sector is one of the few areas where the Philippines enjoys a competitive edge over most other countries. At the moment, and as expected, IT investments are focused on the metropolitan centers of the country, although it is also expected that secondary and other regional cities will be attracting their own share of IT locators. It is important to maintain, if not increase, competitive edge in this sector by ensuring a properly-trained labor force and infrastructure required by future demand. This can be done by supporting and complementing private sector initiatives, particularly those of the Business Processing Association of the Philippines (BPAP).

The development of IT can also be enhanced by its application to LGU management and service systems, which can improve LGU service quality and performance. (See Chapter V-E-6.)

### 5. Support tourism sector and its regional/urban-rural linkages.

- **Implement an effective open skies policy.**
- **Integrate international-domestic airport operations, particularly for the benefit of the customer/passenger.**
- **Complete ongoing regional airport developments.**
- **Support the responsible development of selected tourism zones, including the protection of existing tourism areas from the threat of overdevelopment.**

Tourism is another sector with the potential of being a major economic driver for the country. The major ingredients of further growth are increased international and domestic access, the development of physical and social infrastructure support (accommodations, travel agencies, tour operators, etc.) and an integrated network of tourism destinations led by a few tourism zones (e.g., Mactan-Bohol, and potentially the Northern Palawan and Camarines Sur- Albay - Sorsogon/Don-sol areas) that have the required critical mass and aforementioned support structures to attract a high volume of tourists. It is important that these elements are in place as prematurely promoting tourism traffic without the required support can damage future growth potentials. Key initiatives include: an effective open skies policy that allows greater tourism access to the country; and the necessary land side infrastructure and services including linkages between airports and other domestic transportation facilities.

It is likewise important to note that, globally, the Philippines cannot substantially deviate from its competitive advantage as a tropical island destination. While other areas of the country, including the major cities, comprise part of the tourism network, the islands' beaches and coastal environment headline the country's tourism attraction. This means that linkages between international gateways/urban centers and these destinations are critical and that these should be included in planning and developing the national transportation network. It also means that notwithstanding the rural environments of the tourist destinations, urban centers are necessary and integral components of the tourist experience, whether as part of their travel itinerary or as a secondary destination.

It is essential that the environmental integrity of these tourist destinations is maintained. Towards this objective, overdevelopment should be prevented with density and carry capacity guidelines and other institutional safeguards including appropriate land use planning, zoning and private sector-based watchdog organizations. This is especially important for emerging international destinations such as those in Northern Palawan, Camarines Sur, and Sorsogon. Further, existing attractions that are currently being threatened (e.g., Boracay, Mindoro) should be given priority to address environmental concerns and to arrest and reverse degradation.

## B. POVERTY ALLEVIATION

### Context

Poverty incidence has risen after the declining trend in the previous decades. This reflects slowing economic growth, the high population growth rate, and the lack of safety nets for those adversely affected.

Studies have shown that poverty reduction can be addressed through broad-based labor-intensive and inclusive growth, good governance and accountability, human and social development (strategies that target basic social services for the poor), social protection, and special poverty alleviation policies or direct antipoverty interventions (Deolalikar 2002). Economic growth that benefits the poor is a necessary prerequisite. And this is why urban competitiveness is important—because it is the primary urban-based strategy towards economic growth.

Comprehensive approaches to poverty reduction need to deal with the urban and rural dimensions of poverty. Some activities are more rural-oriented such as agrarian reform, land productivity investments (e.g., irrigation), and improvement of agricultural terms of trade, while others are common to both urban and rural sectors (e.g., enhanced credit access for SMEs, reduced corruption, increased and sustained access to education and health services). But urban areas are especially suited to serve as agents of poverty reduction because of the concentration of employment and economic activities in cities. Poverty incidence in cities has been consistently lower than in rural areas and this has continuously attracted and led to the absorption of rural migrants into the urban labor force.

Setting aside governance policies (which will be covered in a subsequent module) and keeping in mind that propoor economic growth is the primary strategy against poverty, specific poverty alleviation policies oriented towards urban areas include the following.

### Primary Strategies

#### 1. Support human resource and livelihood programs aimed at poverty alleviation.

- **Support vocational education and training programs including those that complement IT-BPO and tourism objectives and initiatives.**
- **Encourage labor-intensive cluster development (see Chapter V-A: Urban Competitiveness module).**

Employment and livelihood strategies for poverty alleviation are most effective if they respond to sectors or industries that have a high demand for labor-intensive work as this is likely to lead to the employment of more people. Typically, however, labor-intensive work is also low-wage (as demonstrated by most agricultural jobs). Recent IT-BPO demand for labor, however, is relatively high in numbers as well as in terms of wage level, which makes this an ideal industry as far as income growth is concerned, at least in the short-medium terms, as the industry continues to grow. Tourism is another industry that has been recognized to have major growth potentials and which involves a high labor component because of its high service (in accommodation, hospitality, travel and tours, etc.) component.

Cluster development refers to industries that revolve around a core industry or activity and therefore benefit from proximity to each other as they fuel each other's growth. Clusters provide efficiencies that lead to the development of major employment centers such as the automotive-based

cluster in Santa Rosa, Laguna and the BPO cluster in Makati. Clusters can be based on existing local specialization and thus provide opportunities for local labor employment.

- **Implement/expand stay-in-school programs for the poor.**
- **Provide loans and scholarships for post-secondary education.**

Improving the low school participation rate is an important step towards poverty reduction because education allows much greater opportunities for livelihood and employment. These opportunities are enhanced as education progresses towards secondary and tertiary education.

An example of a program that could be implemented is a Conditional Cash Transfer (CCT) program where families are provided with money with the primary condition that the children attend school. This program has been quite successful in Latin America and recent experience in the Philippines has confirmed its positive impact provided that beneficiaries are properly targeted and that conditionality is maintained; complementation with other social programs (e.g., transportation and school access and quality of teaching) also enhances the impact of the program. As in other programs, good governance, especially operational transparency with private sector participation, has to be in place in order to ensure that resources are properly utilized (Son and Florentino 2008).

## **2. Encourage smaller size families.**

- **Population management; family planning**

High population growth rates can hamper poverty reduction efforts. Large families tend to have lower incomes per family member, e.g., average income per family member of a 4-person family can be 40–80 percent higher than a 7-member family (FIES 2000). In particular, women may be burdened by successive childbirths. Reducing family size, by encouraging the increased use by or just ensuring the availability of contraceptives to both women and men, for example, can have a dramatic positive impact on family income and thus on poverty reduction (NEDA-NCFRW 2004).

## **Other Strategies**

### **3. Recognize and enhance rural-urban linkages of poverty alleviation to improve labor mobility and increase the sharing of market information among rural producers and urban consumers.**

- **Increase physical, telecommunication, and business linkages with rural areas.**
- **Expand and intensify internet connections with rural areas.**
- **Encourage and give incentives to programs that assist in-migrants in terms of employment, education, and service delivery opportunities.**

Establishing and maintaining urban-rural transportation and communication linkages are important because many of the poor population reside in the rural areas while the urban areas contain a much greater number of opportunities for employment and other poverty-reducing activities. Providing affordable internet access to rural areas is a key strategy because it opens the rural popu-



lation to information about new market prospects, more efficient technologies as well as opportunities that could influence labor mobility.

Even as basic services and facilities should be made available in rural areas, voluntary migration to the cities should not be discouraged; migrants typically have the greatest incentive to look for work with the least expectations. These are traits that are not easy to find in many job markets. (Unfortunately, they are welcomed to cities for the wrong reasons—primarily viewed as voters by local politicians.)

Instead of policies and programs that seek to keep rural population in rural areas or return migrants to rural areas, which have been common in the past, ways to make migrants productive—through community-based livelihood training, jobs placement and referral systems should be initiated.

#### **4. Increase entrepreneurial opportunities for the poor.**

- **Establish a private sector-led nationwide microcredit system.**

Allowing access to a microcredit system is a critical income-generating strategy to move families out of poverty. This involves providing necessary capital to start and expand small businesses and generate further investments.

Previous experience with the provision of microcredit shows that it can lead to increased entrepreneurship among the poor and improvement in income, savings, children's education, health and nutrition, and empowerment of women. Successful microcredit programs require substantial funding, appropriate training for participants, and an effective system of repayment (NEDA-NCRFW 2004).

Experience also suggests that the private sector take the lead in providing and managing microcredit to avoid government constraints, inefficiencies and corruption.

### **C. HOUSING AFFORDABILITY AND DELIVERY**

#### **Context**

The country's housing backlog (195,000 per year between 2005 and 2010) and total requirement (backlog plus new requirement about 655,000 by 2010) (Republic of the Philippines 2004) remain large and are increasing. Distinguishing the basic characteristics of the demand for housing is helpful in identifying appropriate policy responses.

#### **Informal sector**

The fundamental problem here is affordability and it can be addressed only through the creation of jobs and subsequent increases in household income. In short, the problem with low-income housing is not of housing but of low income. As with the issue of poverty, economic growth that lifts households out of their impoverished situation is key. Notably, financial schemes to aid the provision of housing for this sector cannot succeed if full recovery is required.

#### **Commercial housing**

This segment is being served through the financial system, fueled by OFW remittances in recent years. Increasing access to credit through a secondary mortgage market is one of the most important mea-



asures that can be done to improve the performance of this housing segment, along with other measures that can broaden and deepen the capital market. Ensuring the delivery of properly designed and built products by developers and monitoring sales processes to prevent fraudulent practices are also necessary.

### **Socialized and low-cost housing**

A large component of this segment is supported by government agencies such as Pag-Ibig, HGC, DBP and, until recently, the NHMFC. Increasing the availability of funding for this segment, along with the reduction of costs of production and transactions—e.g., by increasing land supply available for housing in order to reduce land cost or reforming the land titling and management system—can improve housing delivery (Lazaro, Bernardo, and Tiu 2006).

### **Primary Strategies**

#### **1. Increase funding and other resources for proven and key housing programs and institutions.**

- **Build on Community Mortgage Program success and strengths.**

The Community Mortgage Program is a program that has been quite successful with an established implementation mechanism. During the 2001–2006 period, it accounted for 25 percent of the total housing accomplishment of government (excluding secure tenure through presidential proclamation), making it the single largest nonfinancing contributor to the housing program. It should be continued whenever the opportunities arise and supported with necessary funding.

- **Develop an effective secondary mortgage institution.**

The Securitization Act of 2004 was meant to encourage securitization moves in order to sustain liquidity in the capital markets. However, it did not fully take off because the financial returns were too low to attract private funds. The law also intended to encourage the private sector to set up other secondary mortgage institutions (SMI). But securing funds to support the set up of SMIs may be difficult during periods of scarce financing or excess liquidity but as the credit crunch eases, soft funding should be made available for this purpose. Repealing the Securitization Act to allow tax incentives originally proposed for the legislation should be considered to enhance the viability of the SMI. The securitization of mortgages and issuance of asset-backed securities provide for alternative investment options for the saving and investing public (Lazaro, Bernardo, and Tiu 2006 and NHMFC).

#### **2. Streamline housing development transaction processes; reduce transaction costs and protect housing consumers.**

- **Establish a Land Administration Authority (integrating the LMB, LRA, NAMRIA and RODs); support passage of the LARA bill.**

The Land Administration Reform Act (LARA) bill has been pending in Congress but has yet to be passed. It is, however, an important contribution towards reducing transaction costs associated with land titling and management. A key feature of the bill is to integrate separate land administration agencies into one institution and to standardize valuation and appraisal activities, among

others. The passage of the bill is a strategic objective because it can reduce the cost of housing and other land development projects, enhance transparency and good governance, and help unlock unutilized land capital.

- **Continue to streamline permitting process for mass housing projects, e.g., simplify or do away with multiple ECC requirements for different phases of the same project.**

- **Strictly enforce and impose penalties that effectively deter violations by housing developers.**

Protecting consumers is not always given enough attention with the focus on facilitating production and housing developers. A lot of existing rules and regulations provide protection to consumers and regulatory agencies need continued support in enforcement. One approach is to improve collections of penalties which can then be utilized to support regulatory and enforcement agencies. An example is the penalty on developers for preselling; this penalty is already relatively low so that there is little incentive to follow regulations because it is more cost-effective to pay the penalty. Increasing the amount of the penalty not only improves but also reduces the cost of enforcement.

## Other Strategies

### 3. Provide incentives to unlock land for affordable housing.

- **Raise funds for socialized/low cost housing through guided private sector redevelopment of public land (e.g., redevelopment of NHA land to raise funds for relocation and construction of onsite housing facilities).**

One of the major assets of government agencies is land that they own. Because of their location, some of these properties are already of considerable value but are underutilized. Selective disposition and redevelopment of these properties, whether through sale or lease terms, can help raise much needed resources that can be channelled to affordable housing.

Selective redevelopment of these properties are also opportunities for urban renewal projects that can catalyze local economic and neighbourhood development. It is important, however, that the disposition and redevelopment of these properties are consistent with local land use plans and are carried out with full transparency, possibly with an advisory body with private sector representatives.

### 4. Provide and encourage access to land for affordable housing.

- **Adopt measures to enhance reclassification of lands of the public domain into alienable and disposable (A & D) lands.**
- **Consider alternative land access modes such as long-term leases and usufruct rights.**
- **Anticipate and put in place basic infrastructure ahead of settlements and make the accessed land in the periphery available for mass housing.**

These initiatives are intended to make more land available for affordable housing. With land comprising about thirty percent of housing costs, land availability is a major constraint, compound-

ed by the secular trend of rising land prices, the finite supply of land, and limited transportation infrastructure that curtail access to newly urbanizing areas.

Efficiency and innovative initiatives to improve land access, without compromising environmental integrity, should be considered. These may include shortening the process in reclassifying public land into A & D land, going into long-term leases and usufruct rights arrangements for public land that cannot be sold outright to affordable housing developers, and putting in place basic infrastructure (e.g., roads, utilities) in relatively inexpensive peripheral land which are anticipated to develop into urban communities.

**5. Link local land use/physical and community development plans with industry/local employment generating investment programs.**

- **Provide a framework for the delineation of areas for housing and settlements development, e.g., national land use code, unified planning guidelines.**

Housing developments should be integrated into the rest of their host urban communities and for lower income housing, affordable access to areas of employment is especially critical. Failure to provide such access can prevent housing communities from being occupied as intended or households from participating in relocation projects (e.g., as part of urban renewal developments).

Ideally, accessibility between housing and employment should be embodied in local land use plans as well as in industry investment programs. This is usually limited, however, to formal industrial/export zone projects which integrate onsite as well as offsite housing into their development designs. Otherwise, typical housing projects hardly take into account access to employment.

The link between housing and employment can be strengthened by providing incentives to developers (through fiscal incentives or by easing or reducing other regulatory requirements, e.g., an adjusted scale of socialized housing requirements based on proximity to employment areas), by anticipating places of residence and places of employment (which can be in mixed use communities) and incorporating these into local land use plans, and by including housing-employment integration in national and local planning guidelines.

**6. Explore promising financing sources and schemes.**

- **Encourage innovative financing (e.g., private sector real estate investment trusts that redevelop urban core land and which involve the development of mid- and high-rise community housing).**
- **Explore concessional loans for socialized/low cost housing programs.**

Innovative financing and development schemes can be explored to simultaneously implement housing and urban redevelopment projects. An example is the use of a private real estate investment trust as a vehicle to relocate informal settlers. This has been utilized successfully in other countries (Sri Lanka and Kenya) wherein properties occupied by informal settlers were redeveloped into medium rise housing and commercial mixed use projects.

In this scheme, informal settlers agree to vacate land they occupy for shares in the form of housing units to be developed in a part of the same property. The vacated land is then conveyed to a private trust that causes the development of a part of the land into commercial use and a part into medium-high-rise housing. Ownership of the housing units is transferred to the informal settlers as

part of the deal for them to vacate the land they occupy. Government mediates between the informal settlers and the trust (Gunesekera 2008).

An important feature of this scheme is that it does not require funding from government or amortization payments from the informal settler. It does require, however, that the property concerned be of potential high commercial value in order to fund both the housing and commercial developments. Informal settlers benefit because they acquire tenured housing in virtually the same location without substantial amortization payments. The property owner benefits because he gets part of the value of the property that is unlocked when it is developed. And government benefits because it is able to implement a housing and urban renewal project without using up substantial public resources. In any case, the application of this scheme can be explored for occupied or idle government properties in downtown urban areas (e.g., Old Bilibid in Metro Manila).

## D. SUSTAINABLE COMMUNITIES

### Context

Land use and overall management of the built environment in the country is generally ineffective. Basic services are lacking and service standards are below accepted levels.

Development trends are not sustainable in terms of current overall ecological footprint estimates for the country as well as with respect to location specific service performance standards. Zoning regulations continue to be the primary way to establish and enforce development controls but the extent to which they incorporate sustainability practices and standards are minimal based on current environment indicators, especially in large urban centers. Further, implementation and enforcement of zoning ordinances are irregular at best. There is also a conspicuous lack of public amenities. Overall, environmental conditions are deteriorating as characterized by:

- diminishing water resources
- increasing energy costs
- poor air quality
- poor, unsanitary solid waste management
- traffic congestion
- increasing threat of disasters (because of continuing population increases and environmental degradation)

The role of local governments in managing the environment and enhancing the sustainability of communities is critical because of the decentralized structure of government but close coordination with national and regional level initiatives is also necessary.

Decentralization has provided local governments with several ways to promote sustainability. They can utilize their powers to regulate (zoning), to influence the direction of growth through infrastructure and other utility projects, and to provide incentives (or disincentives) through taxation and other fiscal measures.

### Primary Strategies

1. **Review and revise traditional zoning and encourage sustainable and private sector initiatives through performance and service standards.**
2. **Use market-based incentives and disincentives to provide public amenities and to support urban land use objectives.**

- **Adopt incentive zoning (e.g., density bonuses, tax/RPT incentives).**

Incentive zoning can effectively complement traditional exclusionary zoning by providing incentives to private developers in the form of density bonuses, fiscal incentives and fast-track processing( to name a few) in return for providing public amenities such as parks, transit facilities, and civic spaces. It is important, however, that such incentives are thought out carefully so that they are not used simply to circumvent current restrictions and do not run counter to other development objectives, e.g., allowing more density in areas that are already congested and are thus constrained from absorbing further growth. Incorporating performance standards also allow flexibility that can tap private sector innovation and creativity. In any case, appropriate consultation and transparency should always be practiced in the formulation and enforcement of zoning provisions.

3. **Anticipate and encourage sustainable development and building practices in local and metropolitan development plans and zoning ordinances.**

- **Establish and support green planning and building standards and accreditation; integrate appropriate sustainable zoning and green building practices (e.g., LEED, BREEAM, Greenmark) into building code, local planning guidelines and zoning ordinances.**
- **Remove zoning and code obstacles to the application of green technology and sustainable designs.**
- **Encourage energy efficiency, renewal energy application, water conservation and reuse, biodiversity.**

International sustainable zoning and building provisions can be used as references to integrate appropriate standards into local zoning and building codes. Certification and/or accreditation by established building councils or institutions such as LEED or BREEAM should also be encouraged for the private sector with the objective of promoting market recognition of sustainability-oriented buildings and businesses.

Sometimes, existing codes or regulations prevent the application of new sustainable technologies. This requires a review and revision of such codes to remove obstacles such as height limits that prohibit wind turbines or obstruction of solar access by future adjacent developments.

It is important to keep in mind, especially in the Philippines where the private sector often takes the lead in developing the built environment, that most sustainability initiatives can only succeed if they are consistent with business objectives. It is critical, therefore, that the formulation of sustainability-oriented provisions and components of local plans and ordinances involve intensive private sector participation.

- **Improve urban air quality and address the solid waste and sewerage problems.**

This is a high priority strategy. It concerns basic environmental concerns that need to be addressed regardless of the presence or absence of formal sustainability policies or plans.

Improving air quality and ensuring proper solid waste disposal and sewerage treatment are important components of sustainability initiatives because they deal directly with the physical environment and affect virtually the entire population. They are also critical factors in promoting tourism, especially in metropolitan centers, and in improving local health and sanitation. Because they often transcend local government boundaries, they are best addressed through metropolitan or regional institutions.

One of the most important steps that can be taken to improve air quality is the introduction of environmentally sound transit systems. These can take the place of traditional smoke-belching vehicles without necessarily displacing local operators and drivers, encourage a shift from the use of low efficiency private vehicles to high capacity transit vehicles, promote pedestrianization, and public health.

- **Encourage pedestrianization and transit and mixed use community development.**

Strategies that promote sustainable communities are consistent with strategies that have been associated with “smart growth,” “new urbanism,” and other movements that have been formed in response to the sprawl-type of developments that have characterized North American cities. In general, these strategies, which focus on promoting pedestrianization, transit and mixed use communities, should be encouraged.

#### Other Strategies

#### 4. Continue to build capacities of LGUs in development and land use planning.

- **Conduct appropriate capability-building (including database management) programs that: introduce and encourage triple bottom line planning approach (environmental, social, financial/economic objectives); and recognize the confluence of market and sustainable objectives.**

Ultimately, the best way (and perhaps the only way) to ensure that sustainability is practiced is to make it profitable to be sustainable. This requires shaping the market to appreciate and thus place a premium on sustainable products and businesses.

Local governments can support market appreciation of sustainability by recognizing and providing incentives to the private sector for pioneering sustainability practices and services. One of the basic initiatives towards this objective is to assist in monitoring and publicizing current levels and trends of energy and water consumption, solid waste generation and recycling, and other sustainability indicators. Another is to include sustainability in education and training curricula, especially for primary and secondary students.

- **Prioritize updating of A&D vs. forest land and environmentally constrained land information (including maps) to match development priorities of LGUs.**

Local land use planning can go a long way in promoting sustainability. Land use plans are the basis for zoning ordinances which are legal regulatory instruments that can establish and enforce sustainability standards and practices. As mentioned earlier, increased pedestrian activity (vis-à-



vis automobile use), compact and mixed use communities and the increased use of environment friendly transit facilities are important sustainability objectives and these can be embodied in local land use plans. These plans, however, depend on relatively accurate maps to define protection areas and among the most fundamental requirement are delineations of alienable and disposable lands vis-à-vis forest lands.

- **Support and improve the training function of the University of the Philippines School of Urban and Regional Planning (UP-SURP) to integrate sustainability in its research and training programs.**

The UP-SURP is responsible for training most public sector offices in urban and regional development planning. A large number of local planners have undergone some form of training conducted by the UP-SURP and many LGUs continue to rely on UP-SURP for building up its development planning capabilities. It is critical, therefore, that UP-SURP continues to enhance its training function in terms of content and delivery. In particular, it needs to review and update its research and training programs and curricula and integrate sustainability principles, programs and practices (Gozun 2009). Notably, it needs to take greater consideration of the role of the private sector in development planning (e.g., in defining and translating triple bottom line objectives into plans and investment programs). Support is also needed in broadening LGU access to UP-SURP training programs.

#### **5. Integrate disaster risk management into community and regional development.**

- **Integrate Disaster Risk Management Guidelines into local planning guidelines.**
- **Formulate and integrate climate change adaptation policies into local and regional planning.**

Disasters are functions of risk and probability—the number of people or amount of property threatened and the likelihood of an event that will cause the threat. Thus disasters are more likely to happen as population increases. Increasingly, events that were simply natural occurrences of nature (e.g., seismic events) are becoming disasters because more and more people are affected by such events. Fortunately, technology and an increased understanding of potential disasters also allow us to anticipate and react to these risks in ways that were previously unknown. Guidelines on Disaster Risk Management prepared under the supervision of the National Economic Development Authority are already available and, at least, its key components should be integrated into local planning guidelines.

The impacts of climate change are becoming more and more apparent and while these are going to be more clearly manifested in the longer term (e.g., 10 years hence), they are also irreversible or can only be effectively mitigated after a similar protracted period. A more realistic response, therefore, is adaptation (Tan 2009). This means, for example, that scenarios of rising sea levels should be considered in long-term planning and, whenever possible, appropriate consideration is given to lifeline system redundancy (e.g., defining alternative higher elevation routes to key public facilities such as airports, hospitals, and along low lying sections of strategic roads and highways, etc.).



## E. PERFORMANCE-ORIENTED GOVERNANCE

### Context

While the performance of the urban system will determine much of what happens to the country, the performance of local governments will be a major factor in how the urban system functions. And despite significant improvements in some areas, service deliveries in cities have substantial room for improvement in terms of efficiency, coordination and quality. The Philippines still ranks low globally, even within East Asia, in terms of the ease and cost of doing business, the process of starting a business, and the strength of legal rights, to cite several examples (World Bank 2007). Addressing these issues requires, among others, more efficient revenue generation, investment and expenditure, as well as performance-oriented reforms in the processes involved.

Actual and the perception of political interference and corruption deter private sector participation and investments. Preventing or substantially controlling them will increase the amount of development resources available for housing, infrastructure and other urban developments.

Planning and implementation systems are often disconnected and inefficient; vertical (national-local, provincial-city/municipal, public-private) and horizontal linkages (inter-sectoral and planning-investment programming-budgeting-implementation) remain weak. The Joint Memorandum Circular of 2007 (involving DILG, NEDA, DBM and DOF) is a landmark agreement towards improving national-local planning and implementation and can serve as a guide to improve vertical coordination. Continued capability building, improvement of horizontal linkages, and benchmarking are also needed.

Interjurisdictional coordination among housing and other support agencies also need to be strengthened in light of their individual mandates and changing characteristics of the housing market and the requirements of intended beneficiaries.

Finally, the incongruence between sector- and area-based institutions and organizations hamper effective governance. This is particularly evident in interlocal (metropolitan) management and service systems, which are increasingly important given the continued growth of cities and the formation of de facto metropolitan areas. Very few of these systems are in place. But they are essential requisites of a competitive urban system.

### Primary Strategies

1. **Encourage and create performance-based local governance.**
2. **Provide incentives for LGUs to be less IRA-dependent and to mobilize own source revenues; encourage LGUs to tap innovative financing schemes.**
  - **Link part of IRA transfers to LGU performance in (i) governance effectiveness (mix of activities and efficiency of delivery), (ii) revenue generation and (iii) effective developmental/capital spending in order to reward high performing LGUs.**

Effective local governance may be enhanced if IRA transfers are also based on some measure of performance without necessarily reducing base transfers. Performance-based governance is also encouraged if government is directly responsible for generating its own resources. Again, without necessarily reducing its IRA, local governments can increase its other sources of revenues and thus become less IRA-dependent. Alternative funding and financing schemes for LGUs are already well known and there is substantial experience to guide such initiatives.

### 3. Strengthen LGU capacity building in strategic planning; planning, investment programming, budgeting and implementation linkages.

- **Harmonize local planning, investment programming and budgeting guidelines.**
- **Improve data systems tracking the urban system (including standardizing and simplifying common benchmarks and metrics such as the definition of urban areas) and compare performance levels across LGUs to encourage positive competition.**
- **Establish/designate consortium of institutions for training and capability building.**

Horizontal coordination of local planning, investment programming, and budgeting is weak such that few programs, projects and activities (PPAs) identified at the planning stage are actually implemented. Instead, other PPAs are somehow inserted at the investment programming and budgeting phases of the cycle. Harmonizing the way the various stages of planning, investment programming and budgeting link up can help ensure that those that are implemented directly address local issues and problems identified during the planning stage.

Local development efforts can benefit from benchmarks and indicators, especially on how other local government units are performing, can help provide similar performance targets and guide the identification of priority PPAs. Sometimes this can be as basic as having a simple and common definition of urban areas that allow the derivation of urban performance indicators which are comparable not only with other local government units but historically as well. Existing indicators on poverty, education and health service access, and the environment can also be disaggregated to allow better targeting within a city or municipality.

### 4. Improve vertical coordination.

- **Operationalize key provisions of Joint Memorandum Circular 2007.**
- **Vertically integrate planning guidelines and schedules, e.g., HLURB, Provincial Development and Physical Framework Plan (PDPFP), National Framework for Physical Planning (NFPP).**

Improving vertical coordination among local, regional, and national agencies is a major effort and covers a broad area—it can involve both functional (e.g., planning, investment programming, and budgeting) as well as sectoral linkages (e.g., education, health, industry, environment, etc.). The Joint Memorandum Circular of 2007 (“Guidelines on the Harmonization of Local Planning, Investment Programming, Budgeting and Expenditure Management, and Revenue Administration”) involving DILG, NEDA, DBM and DOF is a major initiative towards this objective because of its comprehensive scope. (It includes planning and budgeting activities across the different vertical levels and even takes into account local elections.) For this same reason, it is also more difficult to implement and thus working out its incremental operationalization is an important strategy.

A major step towards vertical coordination is the harmonization of the planning guidelines and schedules that are embodied in the HLURB planning guidelines, the PDPFP planning and investment programming guidelines, and the NFPP. Of particular importance is the alignment of the HLURB and PDPFP guidelines because both deal with local government units and because of the fundamental interaction between the two plans at both levels, i.e., city and municipal plans are

basic components of provincial plans. And a key task that should be prioritized is the integration of the local development plan with the physical framework plan. Such integration provides a more direct linkage between physical and sectoral plans, reduces or removes redundant planning tasks, and allows local planners to be more efficient given their heavy planning and administrative workloads.

- **Explore ways to institutionalize the discussion of urban development issues at the Cabinet level (as opposed to simply being a component of individual sectoral cluster discussions).**

The full import and depth of urban development issues can be underemphasized if they are viewed piecemeal—when they are presented and discussed by sector. For example, road infrastructure provides access to livelihood which is a success factor in the resettlement of informal settlers which, in turn, is a prerequisite for most urban renewal projects aimed at local economic development and poverty reduction—but all of these linkages may not be appreciated if the road is viewed separately from livelihood and livelihood is viewed separately from resettlement and so on. Evaluating a single sector project in this mosaic of development initiatives fails to capture the full set of impacts. A mechanism that institutionalizes the discussion of multisectoral, urban development initiatives at the Cabinet and other national levels of government administration could be instrumental in promoting the success of such initiatives.

- **Enhance national-local interface, e.g., allowing NGA representatives to participate in LDC deliberations.**
- **Harmonize government regulatory systems with private sector deed restrictions, covenants, etc.**

At the local level, one specific measure that can be explored to enhance vertical coordination is to allow NGA representatives to participate, at least as resource persons, in local development council deliberations that affect planning, investment programming, and budgeting. This will: allow up-to-date sharing of information about sectoral PPAs among local, regional, and national levels; identify points of conflict and complementation and economies of scale in project development and implementation (e.g., in terms procurement, implementation schedules, and monitoring); and establish the division of responsibilities and expectations more clearly.

Another specific measure is to harmonize government regulations, especially zoning ordinances, with private sector deed restrictions and covenants where the latter are still applied. These restrictions can be helpful in establishing more specific development guidelines that help preserve property values which are often the basis of local government property-based revenues. In the past, conflicts in the interpretation of jurisdiction and applicability of private, contractual development restrictions have been exploited to circumvent contractual obligations to the detriment of local environmental quality and thus local revenues. They can also lead to corruption during attempts to resolve such conflicts. Harmonizing local zoning ordinances and private deed restrictions to remove these conflicts have been effective in promoting responsible urban development as experienced in Makati City and Cebu City.

## Other Strategies

### **5. Improve coordination among agencies involved in the provision of shelter services.**

- **Create a Department of Housing and Urban Development (DHUD) to enhance coordination among shelter agencies.**

The creation of a stronger DHUD should be seriously considered with the objectives of rationalizing the structure and functions of the different housing and urban development agencies and harmonizing all housing and urban development plans, policies, programs and projects of various government corporations and agencies. The DHUD should be given budget control over relevant activities in housing and urban development, and its relationship with various agencies performing functions relevant to urban development clearly delineated.

### **6. Increase accountability of LGUs and private sector; increase process transparency to minimize opportunities for corruption; support private-public partnerships in project implementation.**

- **Upgrade LGU–client interface systems and automate and apply IT into LGU systems.**

- **Standardize and widely publicize administrative processes.**

The simple practice of standardizing and widely publicizing administrative processes has been proven to be very effective in increasing accountability, improving efficiency, and reducing opportunities for corruption. Likewise, the application of IT in processes dealing with the public (e.g., application and issuance of permits and licenses, payments of taxes and fees, and general information dissemination) can significantly improve government performance.

### **7. Support metro (interlocal) jurisdictional cooperation; provide real incentives to interlocal cooperation; harmonize legal and service management mechanisms among metropolitan LGUs.**

- **Create and support urban jurisdictions (initially sector-based) that match existing functional service areas, starting with the largest metro areas.**

Metropolitan or interlocal linkages are increasing with the overall increase of urban populations and unprecedented mobility allowed by new technologies and fostered by changing lifestyles. Increasingly, more activities are becoming metropolitan in coverage. For example, in Metro Manila, inter-LGU (compared to intra-LGU) private vehicle and transit trips account for the overwhelming majority of trips in the peak hours of the morning (78% and 73%, respectively).

Effective metropolitan management, however, is difficult to create because of the strong decentralized powers of local governments which have discouraged extended coordination and cooperation in key urban services and functions such as traffic management, solid waste management, air quality, security, etc. In general, strong incentives are needed to induce metrolevel planning and coordination. One interim approach is to focus on specific sectors which are already functioning or have the potential to function at a metropolitan level. This is less threatening to individual LGUs and allows a more focused sectoral approach.



## Summary of Recommendations



## 1. Urban Competitiveness

Issues	Strategic Recommendations	Actions for Consideration
<p>Philippine cities provide the highest levels of service and living standards in the country and account for the majority of national economic growth. Much of what happens to the country in terms of production and employment, income and consumption, and access to basic services will continue to be determined by the performance of its urban system. This will be influenced by its competitiveness with other cities in Asia and the rest of the world.</p> <p>Because they form the largest concentrations of economic activity, metropolitan regions are at the forefront of the country's global competition. But urban competitiveness is important to the entire hierarchy of settlements of the country.</p> <p>First, investments cascade throughout the hierarchy, e.g., while IT developments are attracted to the large labor forces and amenities of the metro regions of Manila, Cebu, and Davao, other smaller regional cities with similar manpower resources and services are increasingly attracting the same type of investments. Notably, the attraction of these regional cities is affected by Metro Manila's global competitiveness.</p>	<p><b>1. Improve national competitiveness by increasing productivity and efficiency of urban-industrial regions. Build on existing strengths in services and manufacturing. Focus export activities in core areas (e.g., Calabarzon, Cebu, Central Luzon, Davao) which are potentially globally competitive.</b></p> <p>– <b>Provide strategic infrastructure in support of urban-industrial regions.</b></p>	<ul style="list-style-type: none"> <li>– Extend NLEX and SLEX to La Union and Quezon; rehabilitate Maharlika Highway.</li> <li>– Assure the long-term supply of clean power (as required by high-tech industries).</li> <li>– Protect infrastructure rights-of-ways.</li> <li>– Continue/complete the Nautical Highway including necessary land-based linkages.</li> <li>– Improve efficiency, reduce nautical transport cost (e.g., address regulatory vs. operational conflicts, prevent imposition of unnecessary fees for RORO-CHARO operations).</li> <li>– Establish RORO operations with other archipelagic Asian countries.</li> <li>– Improve transport/traffic between airport/port and service/industrial zones.</li> <li>– Ensure security (e.g., prevent hijacking) to and from service/industrial zones.</li> </ul>



## 1. Urban Competitiveness... continued

Issues	Strategic Recommendations	Actions for Consideration
<p>Second, the primacy of Metro Manila does not prevent a city from competing directly with other cities in the hierarchy. This is true for products and services based on natural resources, culture, educational facilities, or any other attraction unique to a locality and not dependent primarily on the competitiveness of large metropolitan areas. But since international and regional gateways are limited to metropolitan centers, transportation and communication linkages with these centers are critical for other cities of the urban system.</p>	<ul style="list-style-type: none"> <li>– <i>Support national competitiveness at local government level through local development planning, investment in catalytic infrastructure, promotion, and investment support programs.</i></li> </ul> <p><b>2. Support development of strategic clusters to diversify the economic base; enhance value-added of existing clusters, support local promise, orient planning, research, and data collection to clusters.</b></p>	<ul style="list-style-type: none"> <li>– <i>Integrate local economic development (e.g., City Development Strategy) to enhance competitiveness with strategic infrastructure.</i></li> <li>– <i>Integrate urban peripheries into metro regions via local planning and interlocal transport (e.g., C6).</i></li> <li>– Support the development of Education, Garments, Furniture, Jewelry, Medical, and other clusters that have existing and promising local operations.</li> </ul>
<p>Third, large metropolitan centers interact substantially with their adjacent areas. This can be a positive sum relationship, forming a cluster of urban areas anchored by a core metro center. Peripheral areas can benefit from the economies of agglomeration catalyzed by the metro center, integrating into a network of markets and production that would have been otherwise inaccessible.</p>	<p><b>3. Increase Metro Manila's attractiveness as a global service center and visitors' destination by improving basic urban functions, addressing traffic congestion, mobility, pollution, etc.—essentially taking immediate steps to demonstrate that the city works.</b></p>	<ul style="list-style-type: none"> <li>– Establish a scientific traffic and transport planning system; implement a medium- to long-term transport plan based on international standards.</li> <li>– Complete a seamless LRT1-MRT3 loop along EDSA that supports a North Triangle CBD.</li> <li>– Build cost-efficient BRT lines to replace proposed LRT lines (LRT6, MRT7). Support local initiatives to build BRT and other transit lines with priority given to CBD integration.</li> </ul>
<p>Overall, as manifested by its inability to undergo consistent, breakthrough economic growth, the Philippines lacks urban competitiveness. Although its cities account for an overwhelming majority of national economic growth, they have also underperformed relative to their potentials</p>		<ul style="list-style-type: none"> <li>– Assure water supply; build Laiban Dam.</li> <li>– Improve and provide amenities (e.g., pedestrian-oriented amenities such as parks, promenades).</li> </ul>

## 1. Urban Competitiveness... continued

Issues	Strategic Recommendations	Actions for Consideration
<p>and other cities in Asia. In particular, the urban system is plagued by:</p> <ul style="list-style-type: none"> <li>• high transaction costs, production inefficiencies;</li> <li>• lack of infrastructure and service facilities;</li> <li>• inability to attract significant investments;</li> <li>• outmigration of talent;</li> <li>• diminishing competitiveness of its international gateway and service center (Metro Manila);</li> <li>• lack of financial resources.</li> </ul> <p>Addressing these problems is not easy or simple. Invariably, however, it is rooted in improving the competitiveness of the urban system.</p>	<p><b>4. Support IT-enabled services to further enhance the country's comparative advantage in the sector.</b></p> <p><b>5. Support tourism sector and its regional/urban-rural linkages.</b></p>	<ul style="list-style-type: none"> <li>– Support Mega Manila planning, investment programming, budgeting, and implementation of key projects by creating effective metro-regional scale management.</li> <li>– Further align educational system to support IT requirements, e.g., shift to nonvoice applications.</li> <li>– Encourage application of IT in LGU management.</li> <li>– Support private sector (e.g., BPAP) IT initiatives.</li> <li>– Implement an effective open skies policy.</li> <li>– Integrate international-domestic airport operations especially for the benefit of the customer.</li> <li>– Complete ongoing regional airport developments.</li> <li>– Support the responsible development of selected tourism zones (e.g., Mactan-Bohol, North Palawan, Camarines Sur-Albay-Sorsogon) including protection from overdevelopment.</li> </ul>

## 2. Poverty Alleviation

Issues	Strategic Recommendations	Actions for Consideration
<p>Poverty incidence has risen after the declining trend in the previous decades. This reflects slowing economic growth, rapid population growth, and the lack of safety nets for those adversely affected. Poverty reduction can be attained through: broad-based labor-intensive and inclusive growth; good governance and accountability; human and social development (strategies that target basic social services for the poor); social protection; and direct anti-poverty interventions.</p> <p>Economic growth that benefits the poor is a prerequisite. Urban competitiveness is important because it is the primary strategy towards economic growth. Comprehensive approaches to poverty reduction need to deal with the urban and rural dimensions of poverty. Some activities are rural-oriented (agrarian reform, land productivity investments, improvement of agricultural terms of trade), while others are common to both urban and rural sectors (enhanced SME credit access, reduced corruption, increased access to education and health services). Urban areas are especially suited to serve as agents of poverty reduction because of the urban concentration of employment. Poverty incidence in cities has been consistently lower than in rural areas encouraging rural-urban migration.</p>	<p><b>1. Support human resource and livelihood programs aimed at poverty alleviation.</b></p> <p><b>2. Encourage smaller size families.</b></p> <p><b>3. Recognize and enhance rural-urban linkages of poverty alleviation to improve labor mobility and increase the sharing of market information among rural producers and urban consumers.</b></p> <p><b>4. Increase entrepreneurial opportunities for the poor.</b></p>	<ul style="list-style-type: none"> <li>– Support vocational education and training programs, particularly those that can support IT-BPO and tourism objectives and initiatives.</li> <li>– Encourage labor-intensive cluster development (see Chapter V-A: Urban Competitiveness).</li> <li>– Implement/expand stay-in-school programs for the poor.</li> <li>– Provide loans and scholarships for post-secondary education.</li> <li>– Implement a population management/family planning program.</li> <li>– Increase physical, telecommunication, and business linkages with rural areas.</li> <li>– Expand and intensify internet connections with rural areas.</li> <li>– Encourage and give incentives to programs that assist immigrants in terms of employment, education, and service delivery opportunities.</li> <li>– Establish a private sector-led nationwide microcredit system.</li> </ul>

### 3. Housing Affordability and Delivery

Issues	Strategic Recommendations	Actions for Consideration
<p>The country's housing backlog (195,000/year in 2005–2010) and total requirement (655,000 by 2010) remain large and are increasing. Distinguishing the basic characteristics of housing demand can help identify appropriate policy responses.</p> <p><u>Informal sector:</u> Affordability is the basic problem and it can be addressed only through the creation of jobs and increase in household income. In short, the problem with low-income housing is not of housing but of low income. As with poverty, economic growth that lifts households out of poverty is key.</p> <p><u>Commercial housing:</u> This segment is being served through the financial system, fuelled by OFW remittances. Increasing access to credit through a secondary mortgage market is one of the most important measures to improve the performance of this housing segment, along with other measures that can broaden and deepen the capital market. Ensuring the delivery of properly designed and built products by developers and preventing fraudulent practices are also necessary.</p> <p><u>Socialized and low-cost housing:</u> A large component of this segment is supported by government agencies such as Pag-Ibig, HGC, DBP, and NHMFC. Increasing</p>	<ol style="list-style-type: none"> <li>1. <i>Increase funding and other resources for proven and key housing programs and institutions.</i></li> <li>2. <i>Streamline housing development transaction processes; reduce transaction costs and protect housing consumers.</i></li> <li>3. <i>Provide incentives to unlock land for affordable housing.</i></li> <li>4. <i>Provide and encourage access to land for affordable housing.</i></li> </ol>	<ul style="list-style-type: none"> <li>– Build on Community Mortgage Program success and strengths.</li> <li>– Develop an effective secondary mortgage institution.</li> <li>– Establish a Land Administration Authority; support passage of the LARA bill.</li> <li>– Continue to streamline permitting process for mass housing projects, e.g., simplify or do away with multiple ECC requirements for different phases of the same project.</li> <li>– Strictly enforce and impose penalties that effectively deter violations by housing developers.</li> <li>– Raise funds for socialized/low-cost housing through guided private sector redevelopment of public land (e.g., redevelopment of NHA land to raise funds for relocation and construction of housing facilities).</li> <li>– Adopt measures to enhance reclassification of lands of the public domain into A &amp; D lands.</li> <li>– Consider alternative land access modes such as long-term leases and usufruct rights.</li> <li>– Anticipate and put in place basic infrastructure ahead of settlements and make the accessed land in the periphery available for mass housing.</li> </ul>

## 3. Housing Affordability and Delivery... continued

Issues	Strategic Recommendations	Actions for Consideration
<p>funding along with the reduction of costs of production and transactions—e.g., by increasing land supply available for housing in order to reduce land cost or reforming the land titling/management system—can improve housing delivery.</p>	<p><b>5. Link local land use/physical and community development plans with industry/local employment generating investment programs.</b></p> <p><b>6. Explore promising financing sources and schemes.</b></p>	<ul style="list-style-type: none"> <li>– Provide a framework for the delineation of areas for housing and settlements development, e.g., national land use code, unified planning guidelines.</li> <li>– Encourage innovative financing (e.g., private sector real estate investment trusts that redevelop urban core land and which involve the development of mid- and high-rise community housing).</li> <li>– Explore concessional loans for socialized housing.</li> </ul>

## 4. Sustainable Communities

Issues	Strategic Recommendations	Actions for Consideration
<p>Land use and overall management of the built environment in the country is generally ineffective. Basic services are lacking and service standards are below accepted levels.</p> <p>Development trends are not sustainable in terms of current ecological footprint estimates for the country and with respect to location specific service standards. Zoning regulations continue to be the primary way to establish and enforce development controls but the extent to which they incorporate sustainability practices are minimal. Further, enforcement of zoning ordinances is irregular at</p>	<p><b>1. Review and revise traditional zoning; encourage sustainable initiatives through performance standards.</b></p> <p><b>2. Use market-based incentives/disincentives to provide public amenities and to support land use objectives.</b></p> <p><b>3. Anticipate and encourage sustainable development and building practices in local and metropolitan development plans and zoning ordinances.</b></p>	<ul style="list-style-type: none"> <li>– Adopt incentive zoning (e.g., density bonuses, tax/RPT incentives).</li> <li>– Establish green planning and building standards and accreditation; integrate sustainable zoning and green building practices (e.g., LEED) into building code, planning guidelines, zoning ordinances.</li> <li>– Remove zoning and code obstacles to application of green technology and designs, e.g., height limits that prohibit wind turbines or obstruction of solar access.</li> <li>– Encourage energy efficiency, renewable energy, water conservation, biodiversity.</li> </ul>

## 4. Sustainable Communities... continued

Issues	Strategic Recommendations	Actions for Consideration
<p>best. There is also a conspicuous lack of public amenities. Overall, environmental conditions are deteriorating—diminishing water supply; increasing energy costs; poor air quality; unsanitary solid waste management; traffic congestion; increasing threat of disasters.</p> <p>The role of LGUs in managing the environment and enhancing sustainability of communities is critical because of the decentralized structure of government, but close coordination with national and regional level initiatives is also necessary.</p> <p>Decentralization has provided LGUs with ways to promote sustainability—through their powers to regulate (zoning), to influence the direction of growth through infrastructure/utility projects, and to provide incentives (or disincentives) through taxation and other fiscal measures.</p>	<p><b>4. Continue to build capacities of LGUs in development and land use planning.</b></p> <p><b>5. Integrate disaster risk management into community development.</b></p>	<ul style="list-style-type: none"> <li>– <i>Improve air quality; address waste/sewer problems.</i></li> <li>– <i>Encourage pedestrianization, transit, mixed use development.</i></li> <li>– <i>Conduct capability-building programs that encourage triple bottom line planning (social, environmental, economic objectives).</i></li> <li>– <i>Prioritize updating of A&amp; D vs. forest and environmentally constrained land information to match LGU development priorities.</i></li> <li>– <i>Support and improve training functions of the UP School of Urban and Regional Planning; integrate sustainability in research-training programs.</i></li> <li>– <i>Integrate disaster risk management into local planning guidelines.</i></li> <li>– <i>Formulate and integrate climate change adaptation policies into local and regional planning.</i></li> </ul>



## 5. Performance-oriented Governance

Issues	Strategic Recommendations	Actions for Consideration
<p>While the performance of the urban system will determine much of what happens to the country, the performance of LGUs will be a major factor in how the urban system functions. Service deliveries in cities need improvement in terms of efficiency, coordination, and quality. Addressing these requires more efficient revenue generation, investment and expenditure, and performance-oriented reforms.</p> <p>Political interference and corruption deter private sector participation and investments. Preventing these will increase the amount of resources available for housing, infrastructure and, urban development.</p> <p>Planning and implementation systems are often inefficient; vertical (national-local) and horizontal linkages (planning-investment programming-budgeting) remain weak. Continued capability-building, improvement of horizontal linkages, and benchmarking are also needed.</p> <p>Interjurisdictional coordination among housing and other support agencies also need to be strengthened in light of their individual mandates and changing characteristics of the housing market.</p>	<ol style="list-style-type: none"> <li><b>1. Encourage and create performance-based local governance.</b></li> <li><b>2. Provide incentives for LGUs to be less IRA-dependent and to mobilize own source revenues, innovative financing.</b></li> <li><b>3. Strengthen LGU capacity-building in strategic planning: planning, investment programming, budgeting and implementation linkages.</b></li> <li><b>4. Improve vertical coordination.</b></li> </ol> <ul style="list-style-type: none"> <li>• <b>Urban sector at the Cabinet level</b></li> <li>• <b>HUDCC = zoning power</b></li> </ul>	<ul style="list-style-type: none"> <li>– Link part of IRA transfers to LGU performance in (i) governance effectiveness; (ii) revenue generation; and (iii) effective developmental/capital spending in order to reward high performing LGUs.</li> <li>– <i>Harmonize local planning, investment programming, and budgeting guidelines.</i></li> <li>– <i>Improve data systems tracking LGU performance; compare to encourage positive competition.</i></li> <li>– <i>Establish/designate consortium of institutions for training and capability-building.</i></li> <li>– Operationalize key provisions of Joint Memorandum Circular 2007.</li> <li>– <i>Vertically integrate planning guidelines and schedules, e.g., HLURB, PDPFP, NFPP.</i></li> <li>– <i>Explore ways to institutionalize discussion of urban development issues at the Cabinet level.</i></li> <li>– <i>Enhance national-local interface, e.g., allowing NGA representatives to participate in LDC deliberations.</i></li> <li>– <i>Harmonize government regulatory systems with private sector deed restrictions, covenants, etc.</i></li> </ul>

## 5. PERFORMANCE-ORIENTED GOVERNANCE... continued

Issues	Strategic Recommendations	Actions for Consideration
<p>Finally, the incongruence between sector- and area-based institutions hampers effective governance. This is evident in interlocal management systems which are increasingly important given the formation of metro areas. Very few of these systems are in place. But they are essential to competitive urban systems.</p>	<p>5. <i>Improve coordination among agencies involved in the provision of shelter.</i></p> <p>6. <b>Increase LGU and private sector accountability; increase transparency to minimize corruption; support private-public partnerships.</b></p> <p>7. <i>Support and incentivize inter local cooperation; harmonize legal and service management mechanisms among metro LGUs.</i></p>	<p>– <i>Support creation of DHUD to enhance coordination among shelter agencies.</i></p> <p>– Upgrade LGU–client interface systems and automate and apply IT into LGU systems.</p> <p>– Standardize and publicize administrative processes.</p> <p>– <i>Create and support urban jurisdictions (initially sector-based) that match existing functional service areas, starting with the largest metro areas.</i></p>

Note: The recommendations in italics represent the priority action programs that can already be implemented by HUDCC.

The background of the page is a complex, abstract pattern. It consists of numerous overlapping, irregular white shapes that resemble torn paper or torn film strips. These shapes are set against a light gray background that features a faint, repeating grid or woven texture. The overall effect is a layered, collage-like aesthetic.

## ANNEX

## COMMENTS ON PROPOSED NUDHF

December 15, 2008

MDG-FACES Business Meeting

Traders Hotel

1. The first comment generated is regarding infrastructure priorities, that is, in terms of who would prioritize, and what are the criteria to be used in prioritization. The consultants were also advised that infrastructure actions should not be based only on DPWH Infrastructure Plan but also include those of DILG and NEDA. Dr. Arturo Corpuz, one of the consultants, answered that infrastructure projects shall be prioritized based on their ability or tendency to produce maximum impact on urban development. He exemplified the case of NLEX as a very strategic project that must be continued.
2. In housing and sustainable communities, land security or security of tenure is raised as a key issue to address. Also, the problem on public lands that have not been classified as A & D but has already become major settlement areas should be addressed. Ms. Eden Garde of UN Habitat also recommended that the interventions should be integrated, which means that livelihood components must first be addressed so that the targeted segment of the population, usually those belonging to the lowest 30 percent (in terms of income), can afford, and that it should be incremental since they have different capacities to pay. Moreover, the approach to be used in designing socialized housing project should be based on what the borrowers can afford.
3. On the given potential of ICT and BOP in urban development, a question regarding the short-term and long-term actions to be pursued to support the development of these sectors was also raised. To this, Dr. Arturo Corpuz mentioned four: 1) manpower training; 2) telecommunications infrastructure and incentives; 3) assurance of reliable power supply; and 4) fiscal incentives. He also pointed out that the country's advantages are inherent, which are geography, time zone, and the way our people speak English.

December 16, 2008

Focus Group Discussion for the NUDHF

### Plenary Session 1

Mr. Brockman, a consultant for DILG, made the following observations and recommendations:

- Two years is too short for the strategic plan. He suggested considering a longer term for the strategic plans presented.
- Reduce population growth – since most growth in urban areas are by natural population growth, incorporate strategies for population control.
- Focus on Metro Manila – build on the existing capacities of the Greater Metro Manila Region which encompasses not only the National Capital Region but extends to Lucena on the south and Bataan on the north. Given this, there is a need for government or the private sector to formulate a strategic plan for the Greater Metro Manila Region and link planning to budget and implementation.

- Comparing the Philippines with Singapore or Hongkong should be avoided as the first is a country while the last two are simply city-states. He advised that if comparisons must be made, this should be done country to country.
- Focus on the Big Ticket Operations which are the following: (a) roads; (b) public transport; (c) solid waste; (d) sewerage; and (e) slum upgrading through CMP.

### **Group 1**

#### **Urban Systems**

##### **1a. Urban competitiveness**

- It was noted that most of the projects or recommended course of actions (NLEX and SLEX extensions down to transport/traffic improvement) already exist or are ongoing projects of the government and therefore cannot be accepted as actions for recommendations. (Dr. Corpuz explained during the breakout sessions that though it is true that all the projects are ongoing, the question is how to ensure that in the next few years, priority projects shall be implemented or how to make it happen. He illustrated the case of the NLEX, which has the biggest chance of being feasible, meaning that the private sector is willing to invest in it.)
- There is a need to look at how to fast-track and simplify the processes in road-right-of-way (RROW) acquisition. According to Mr. Jun Banaag of DPWH, this problem is what is eating up the energy and efforts of local and national governments to the extent of raising project costs and consequently some projects are even stopped due to lack of funds.
- Another problem that was cited is the change in priorities every now and then. There have been instances of changes in decision while the project is ongoing such as the alignment of roads. He used the example of a newly paved road which the mayor suddenly decides to open due to traffic problems. However, this decision would mean veering away from the standard curing process, which requires 27 days.
- There is a need to expound on security visibility and improvement. This seems to refer to security arrangements. It must be clarified whether this refers to security of the households or security of the urban area. Since urban area is highly secured (structured), there must be variables that are moving unstructurally that should be taken into consideration.
- He went on to discuss a concern coming from Mr. Ric Domingo of the Basic Sector (urban poor), which is the need for planning and capacity-building for LGUs. He stated further that a lot of functions have been devolved to the LGUs but these were not given the proper handling.
- There must be an effective and updated Comprehensive Land Use Plan (CLUP) giving the indication of the development of the area, whether rural or urban.
- Pass the National Land Use Act to address the need for a proper inventory of land resources and delineation of land limits. This would be useful in the definition of land uses and agreements for land use.
- Regarding the awareness of the cities on how they can be competitive, he explained that there is just a request from the group to define competitiveness. On the management point of view, Dr. Corpuz earlier shared with the group that this definition of competitiveness must include (but not limit to) the cost of doing business.
- Mr. Banaag also informed the body that the Department of Tourism committed to share the results of the summit regarding urban competitiveness in tourism, housing, and information technology.

- There should be a national government agency to address urban development and infrastructure planning since MMDA has not been effective in this aspect. The role of RDC and MMDA must be clarified.
- As to the expansion of the scope, it should be beyond the Metropolitan Manila to include nearby regions of Manila.
- There is a need to identify and synchronize plans with respect to infrastructure plans.
- A Cabinet Cluster in Urban Development should be established in order to identify plans or studies related to urban development and competitiveness. This must be sector specific but can be integrated in an overall framework.
- The workshop group also recommended that the Medium-Term Philippine Development Plan should distinguish between housing and urban development; hence, a need to separate into two chapters.
- AFP-DND advised that in order to lessen Metro Manila's density, there is a need to attract locators outside of MM by providing incentives as well as infrastructure support.
- The Philippine Commission for the Urban Poor (PCUP) also shared that the national government must ensure that devolution paves the way for enabling capacities to reach the local government.
- Urban development must also be rational, meaning, infrastructures like roads is a prerequisite to dispersal and not the other way around.
- It was suggested that urbanization index must be revisited and that urban area definition can be simplified using historical trends and establish benchmark policy framework.
- According to AFP-DND, high cost of energy is due to the fact that there is a monopoly involved. It is therefore recommended to tap alternative resources, including reconsidering the use of nuclear power plants.
- The Department of Finance advised to include ways of sourcing funds and ways to involve private sector participation. Improving the linkage of projects and plans with budgeting and financing is also a priority concern. It was also suggested that an outcome column be included in the matrix presented.
- On climate change, climate risk prevention and adaptation in the city planning must be taken and that the inclusion of climate risk management and adaptation in the CLUP must be ensured.
- There is a need for public consultation as part of enabling capacity for the public to participate in the CLUP planning process.

#### **1b. Poverty alleviation**

- On poverty alleviation issues, the social component of every infrastructure is overlooked. It must be integrated in the planning and there must be a link between accredited NGOs and the people.
- Resettlement sites for informal settlers are recommended and they must be sustainable. Labor generation scheme must be included in the project implementation and resettlement action plans.
- On the issue of the deterioration of environmental conditions, it was suggested that there should be an integration of programs on solid waste management. Solid waste management includes material-recovery facility, assistance to local government in enhancing the measures of managing solid waste, protecting the tributaries, and road-right-of-way must be free of settlements or structures.
- On the issue of corruption regarding the recommended action of upgrading the LGU system (client interface systems and automate and apply IT into LGU systems), it was suggested to have an



oversight body to look at the compliance of the Maynilad and Manila Waters to the setting in place of a sewerage system.

- Some other clarifications are as follows:
  - a. Harmonization of: deed of restriction prepared by the private developers; public consultation/ approval of plans and strategies; and websites/online availability of project information for wider consultation.
  - b. How can processes be multisectoral so that it becomes transparent and participative?
  - c. What is the soft component to integrate into the system that is not regulatory and imposing to entice the business sector to come in and participate?

## **Group 2**

### **Housing and Communities**

#### **1. Affordability of housing**

- On housing affordability, the key strategies to consider are on the following areas: access to financing of homebuyers; to reduce cost of doing business primarily related to permits issuances; access to land.
- Due to the high cost of land in Metro Manila and urban areas, the government is to use land as capital incentive. Vacant lands must be identified. Encourage government, private sector, and NGOs to partner in developing vacant lands. Consider other modes of land development such as use of lease for longer term and for minimal fees, usufruct rights, and mixed development.
- On high land development cost due to high cost of doing business, there is a need to pass the LARA bill. There should be a comprehensive land database and a single land administration agency.
- List environmentally critical areas. Come up with strategy to abolish the need to secure individual ECCs for housing projects.
- Identify idle lands and the nonpayment of proper taxes and formulate information dissemination/ advocacy programs.
- On the high cost of electricity passed on to individual house buyers, it was suggested that MERALCO be compelled by the government to shoulder the cost and HUDCC to write ERB to issue a policy.
- On the limited funding source for housing, come up with ways for homebuyers to have better access to financing.

#### **2. Zoning regulations**

- On the issue of dynamic CLUP, lack of ownership of LGUs/constituents, the strategy is to have the CLUP approved. Planning must be done with the concerned stakeholders. HUDCC must write a rejoinder on the DOJ Opinion 44 regarding the exemption clearance.
- There is also a need to capacitate the LGUs such as incentive mechanism. This can be formulated by the HUDCC.

There has been no additional comments/suggestions from the audience after each groups' presentations. Below are the matrixes presented by groups:

## SUMMARY OF COMMENTS

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
1 URBAN SYSTEMS			
1a Urban competitiveness			
<p>The country is characterized by its lack of urban competitiveness and its inability to undergo consistent, breakthrough economic growth.</p> <p>Philippine urban areas account for an overwhelming majority of national economic growth but they have also been underperforming relative to their potentials and other urban areas in the region.</p>	<ul style="list-style-type: none"> <li>– Increase national competitiveness by increasing productivity and efficiency of urban-industrial regions.</li> <li>– Provide strategic infrastructure in support of urban-industrial regions.</li> <li>– Build on existing manufacturing strengths. Focus export-oriented manufacturing in core export areas (e.g., CALABARZON, Cebu, Central Luzon) which are potentially globally competitive).</li> <li>– Support development of strategic clusters; enhance value-added of existing clusters, support local promise, orient developmental planning, research, and data collection to clusters.</li> </ul>	<ul style="list-style-type: none"> <li>– NLEX and SLEX extensions</li> <li>– Remove barriers to private sector participation/BOT Law review</li> <li>– Assurance of efficient power supply</li> <li>– Nautical highway</li> <li>– Port facility and management improvement</li> <li>– Transport/traffic improvement between airport/port and manufacturing zones</li> <li>– Security visibility and improvement</li> <li>– Metro Manila tourism-entertainment-historical clusters</li> <li>– Education, Textile-Garments, Furniture, Jewelry, Medical, etc. cluster development</li> </ul>	<p>Most of the projects are existing, change in priorities every now and then</p> <p>Expound on security visibility and improvement</p> <p>Need to look at the problem of right-of-way acquisition (fast-track)</p> <p>There is a need to have an effective and updated CLUP</p> <p>Need to capacitate the LGUs in as far as city planning or urban management is concerned</p> <p>Pass the National Land Use Act, to respond to the need to have an inventory of the national land resource</p> <p>Urban competitiveness should be defined and cities made aware of it.</p> <p>DOT to share the results of the summit regarding urban competitiveness</p> <p>An umbrella organization to cater to development planning, not an MMDA type but a national government agency to address urban development and infrastructure planning.</p>

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
1 URBAN SYSTEMS			
1a Urban competitiveness			
			<p>MMDA has not been effective in this aspect.</p> <p>Planning that emanates from the LGUs</p> <p>Cabinet Cluster in Urban Development (Metro Manila plus)</p> <ul style="list-style-type: none"> <li>- Identify plans or studies related to urban development and competitiveness (must be sector-specific but at the same time integrated in an overall framework)</li> </ul> <p>RDC Heads are cabinet level so there may be a need to synchronize plans at the Cabinet level</p> <p>MTPDP to incorporate in the following: URBAN DEVELOPMENT and HOUSING</p> <p>Attract locators outside Metro Manila by providing incentives and infrastructure to lessen density</p> <p>Incentives as enabling capacity, thus national government must ensure that devolution paves the way for enabling capacities to reach the local government.</p> <p>Infrastructure before dispersal. (must be rational)</p> <p>Revisit urbanization index</p>

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
I URBAN SYSTEMS			
Ia Urban competitiveness			
<p>Overall, the urban system is plagued by:</p> <ul style="list-style-type: none"> <li>– High transaction costs and production inefficiencies;</li> <li>– Lack of infrastructure and service facilities.</li> <li>– Inability to attract significant amounts of investments;</li> <li>– Outmigration of talent;</li> <li>– Diminishing competitiveness of international gateway and service center (Metro Manila);</li> <li>– Lack of financial resources.</li> </ul>	<ul style="list-style-type: none"> <li>– Increase Metro Manila's attractiveness as a global service center.</li> <li>– Support national competitiveness at local government level through local development planning, investment in catalytic infrastructure, promotion and investment support programs.</li> <li>– Support IT-enabled services to further enhance the country's comparative advantage in the sector.</li> <li>– Support tourism sector and its regional/urban-rural linkages.</li> </ul>	<ul style="list-style-type: none"> <li>– Metro transit (LRT1 Extension, LRT6, BRT)</li> <li>– Professional traffic management</li> <li>– Metro pedestrianization /landscaping</li> <li>– Integrate urban peripheries into metro regions: C6</li> <li>– Assurance of water supply</li> <li>– Further align educational system to support IT requirements, e.g. shift to non-voice applications</li> <li>– Encourage application of IT in LGU management and service systems.</li> <li>– Support private sector initiatives in IT.</li> <li>– Open skies policy</li> <li>– International-domestic airport integration; regional airport development</li> </ul>	<p><i>Dr. Corpuz: proposal to simplify the definition of urban based on historical trends/ benchmark policy framework (the simpler the better)</i></p> <p>High cost of energy (monopoly, not tapping alternative resources)</p> <p>May need to reconsider the nuclear power plant</p> <p>Expand the peripheries</p> <p><i>Dr. Corpuz: All the projects are ongoing, but how do we ensure that in the next few years, priority projects shall be implemented? How do we make it happen?</i></p> <p><i>NLEX has the biggest chance of being feasible, private sector to invest</i></p> <p><i>It is not a matter of dispersal or concentration but more of pushing for creating means to generate income.</i></p> <p><i>It doesn't matter if we add or deprioritize, but more of focusing on what is strategic.</i></p> <p>To include ways of sourcing funds and how to involve private sector participation.</p> <p>Improve on linking projects and plans with budgeting and financing.</p>

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
1 URBAN SYSTEMS			
1a Urban competitiveness			
			<p>Outcome column to be included</p> <p>Quality and maintenance of infrastructure</p> <p>TF on Climate Change Public facilities Green building (specific actions) Climate risk prevention and adaptation in the city planning</p> <p>Ensure inclusion in the CLUP of climate risk management and adaptation action plan</p> <p>CLUP review that is comprehensive and ensures the protection of the environment (do you have the money to implement the plan?)</p> <p>- Public consultation as part of enabling capacity for the public to participate in the CLUP planning process</p> <p>Augment the national police with the local police force...to go beyond information gathering and be trained for enforcement</p>

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
1 URBAN SYSTEMS			
1b Poverty Alleviation			
<p>Poverty incidence remains high; even rising in recent years.</p> <p>But urban areas provide employment and allow ways to escape poverty relative to the rest of the country, and therefore attract a lot of the rural poor. Cities are vanguards of poverty reduction.</p> <p>Pro-poor economic growth is key to poverty reduction.</p>	<ul style="list-style-type: none"> <li>– Recognize and enhance rural-urban linkages of poverty alleviation.</li> <li>– Encourage increased physical, telecommunication and business linkages with rural areas.</li> <li>– Encourage and give incentives to programs that assist in-migrants in terms of employment, education and service delivery opportunities.</li> <li>– Encourage smaller-size families.</li> <li>– Support HR and livelihood programs aimed at poverty alleviation.</li> </ul>	<ul style="list-style-type: none"> <li>– Population management; family planning</li> <li>– Nationwide microcredit system</li> <li>– Vocational education and training</li> <li>– Stay-in-school programs for the urban poor</li> <li>– Loans and scholarships for post-secondary education</li> <li>– Labor-intensive cluster development</li> </ul>	<p><i>Social component of every infrastructure is overlooked (pertaining to displacement), must be integrated to planning</i></p> <p><i>Accreditation of partner NGOs to provide link to people.</i></p> <p><i>Look into how resettlement sites may become sustainable</i></p> <p><i>Identify labor generation scheme</i></p> <p><i>Beneficiaries should be involved in the design of the infrastructure projects</i></p>



ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
2 HOUSING AND COMMUNITIES			
2a Housing affordability			
<p>Housing backlog remains large and is increasing.</p> <p>Lack of housing affordability is a key factor. This is based primarily on low incomes relative to the cost of production, particularly the high cost of land in urban areas.</p> <p>Government response, essentially through various forms of subsidies, is hampered by the severe lack of public financial resources.</p>	<ul style="list-style-type: none"> <li>– Link local land use/physical and community development plans with industry/local employment generating investment programs.</li> <li>– Provide and encourage access to land for affordable housing.</li> <li>– Streamline land transaction processes.</li> <li>– Anticipate and put in place basic community infrastructure ahead of settlement to enable the poor to buy cheaper land in peripheral areas (through credit programs).</li> <li>– Provide incentives to unlock land for affordable housing.</li> <li>– Increase funding and other resources for housing.</li> </ul>	<ul style="list-style-type: none"> <li>– Provide framework for the delineation of areas for housing and settlements development, e.g., National Land Use Code, Unified Planning Guidelines.</li> <li>– Establish a Land Administration Authority (integrating the LMB, LRA, NAMRIA, and RODs)</li> <li>– Raise funds for socialized/low-cost housing through guided private sector redevelopment of public land (e.g., NHA).</li> <li>– Build on CMP success and strengths</li> <li>– Develop an effective secondary mortgage system.</li> <li>– Encourage innovative financing (e.g., private sector trusts).</li> <li>– Explore concessional loans for socialized/low-cost housing programs</li> </ul>	

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
<b>2 HOUSING AND COMMUNITIES</b>			
<b>2b Sustainable communities</b>			
<p>Land use and overall management of the built environment is generally ineffective. Basic services are lacking and service standards are below accepted levels.</p> <p>Zoning regulations are typically reactive, and there is a conspicuous lack of public amenities.</p> <p>Environmental conditions are deteriorating:</p> <ul style="list-style-type: none"> <li>- Diminishing water resources</li> <li>- Increasing energy costs</li> <li>- Poor air quality</li> <li>- Poor, unsanitary solid waste management</li> <li>- Traffic congestion</li> </ul>	<ul style="list-style-type: none"> <li>- Continue to build capacities of LGUs in development and land use planning.</li> <li>- Conduct appropriate capacity-building (including database management programs).</li> <li>- Manage land uses and densities through environmental and service performance standards. Review traditional zoning and encourage sustainable and private sector initiatives through performance and service standards (without going into unsubstantiated or inappropriate and complicated alternatives).</li> <li>- Use market-based incentives and disincentives to provide public amenities and to support urban land use objectives.</li> <li>- Anticipate and encourage sustainable development and building practices in local zoning ordinances.</li> </ul>	<ul style="list-style-type: none"> <li>- Adopt incentive zoning (e.g., density bonuses, tax/RPT incentives)</li> <li>- Integrate appropriate sustainable zoning and green building practices into local planning guidelines and zoning ordinances.</li> <li>- Encourage energy efficiency, renewal energy application, water conservation and reuse, biodiversity</li> <li>- Take immediate steps to significantly improve urban air quality and to address the solid waste problem.</li> <li>- Encourage pedestrianization and transit and mixed-use community development.</li> <li>- Encourage recycling in building materials and the use of IT in support of green buildings and communities.</li> </ul>	<p>Integration of programs on solid waste</p> <p>Solid waste management (e.g., material recovery facility; assist local government in enhancing the measures to manage solid waste; protecting the tributaries; road-right-of-way to be free of settlements or structure)</p> <p>Issue on permits to produce</p>

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
<b>2 HOUSING AND COMMUNITIES</b>			
<b>2b Sustainable communities</b>			
Because of continuing population increases and environmental degradation, urban areas are increasingly prone to disasters.	– Integrate disaster risk management into community development	– Integrate Disaster Risk Management Guidelines into local planning guidelines.	

### Summary for Group 1 – Urban System... continued

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
<b>3 PERFORMANCE-ORIENTED GOVERNANCE</b>			
<p>Despite significant improvements in select areas, service delivery in cities are generally inefficient, uncoordinated, and of poor quality.</p> <p>Planning and implementation systems are often disconnected and inefficient.</p>	<p>– Encourage and create performance-based local governance.</p> <p>– Strengthen local government capacity building in strategic planning including horizontal linkages between planning, investment programming, budgeting, and implementation.</p> <p>– Improve coordination among agencies involved in the provision of shelter services</p>	<p>– Provide incentives for LGUs to be less IRA-dependent and to mobilize own-source revenues</p> <p>– Link part of IRA transfers to LGU performance in (i) governance effectiveness (mix of activities and efficiency of delivery), (ii) local revenue generation and (iii) effective developmental / capital spending.</p> <p>– Encourage LGUs to tap innovative financing schemes (e.g., BOT, bond flotation, etc)</p> <p>– Improve data systems tracking the urban system and compare performance levels across LGUs to encourage positive competition.</p> <p>– Harmonize local planning, investment programming and budgeting guidelines.</p>	

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
3 PERFORMANCE-ORIENTED GOVERNANCE			
Corruption remains a problem	<ul style="list-style-type: none"> <li>– Increase accountability of LGUs; increase process transparency</li> </ul>	<ul style="list-style-type: none"> <li>– Support creation of DHUD to enhance coordination among shelter agencies</li> <li>– Upgrade LGU – Client interface systems and automate and apply IT into LGU systems.</li> <li>– Standardize and widely publicize administrative processes</li> </ul>	Oversight body to look at the compliance of Maynilad and Manila Waters to the setting in place of a sewerage system
National-local coordination in planning and implementation is weak	<ul style="list-style-type: none"> <li>– Improve vertical coordination</li> </ul>	<ul style="list-style-type: none"> <li>– Enhance national-local interface by allowing NGA representatives to participate in LDC deliberations.</li> <li>– Harmonize local and national government regulatory systems with the private sector.</li> </ul>	<p>Clarify what needs to be harmonized</p> <p>Public consultation/approval of plans and strategies</p> <p>Websites/online availability of project information for wider consultation</p>
Private sector participation is weak	<ul style="list-style-type: none"> <li>– Remove obstacles to private sector participation (e.g., cumbersome institutional processes)</li> <li>– Improve system of accreditation of NGOs</li> <li>– Support private-public partnerships in project implementation</li> </ul>		<p>Identify ways on how processes can be multisectoral so that it become transparent and participative</p> <p>Determine a soft component that is not regulatory and imposing so that business sector will come in and participate like having 'zero tolerance to corruption'</p> <p>Dr. Corpuz No incentive to do an honest to goodness study because there is no protection of investors under the law (e.g., intellectual property)</p>

ISSUES	STRATEGIC RECOMMENDATIONS	ACTIONS	REMARKS
3 PERFORMANCE-ORIENTED GOVERNANCE			
<p>Interjurisdictional cooperation is weak; Interlocal management and service systems are not in place.</p>	<ul style="list-style-type: none"> <li>– Support metro (interlocal) jurisdictional cooperation.</li> <li>– Provide real incentives to interlocal cooperation.</li> <li>– Create and support urban jurisdictions (initially sector-based) that match existing functional service areas.</li> <li>– Harmonize legal and service management mechanisms among metropolitan LGUs</li> </ul>	<ul style="list-style-type: none"> <li>– Vertically integrate planning guidelines, e.g. CLUP, PDPFP, NFPP</li> </ul>	

Additional Issues	Strategic Recommendations	Actions
<b>AFFORDABILITY</b>		
High cost of land for housing especially in Metro Manila and urban areas	Use of government land as capital incentive	Identify vacant lands  Government, private sector, and NGO partnership
High land development cost due to high cost of doing business -- licensing and permitting	Passage of the LARA Bill	Various mode of land development i.e., long-term lease, usufruct, mix development
Cost of electrical facilities front ended by developers and passed on to individual house buyers	List of Environmentally Critical Areas	Comprehensive Land database  Single land administration agency
	Idle lands and nonpayment of proper taxes	No need to secure individual ECCs for housing projects  Information dissemination/ advocacy program
	For MERALCO to be compelled by the government to shoulder cost	For HUDCC to write ERB to issue policy
Limited funding source for housing	Better access to financing for developers	
<b>Zoning regulation</b>		
Dynamic CLUP/ lack of ownership by LGUs/ constituents	Approved Comprehensive Land Use Plan (CLUP)	HUDCC to write a rejoinder on DOJ Opinion no. 44 re exemption clearance
	Honest to goodness planning with concerned stakeholders	HUDCC to come up with incentive mechanism for LGUs
	Capacity building of LGUs	



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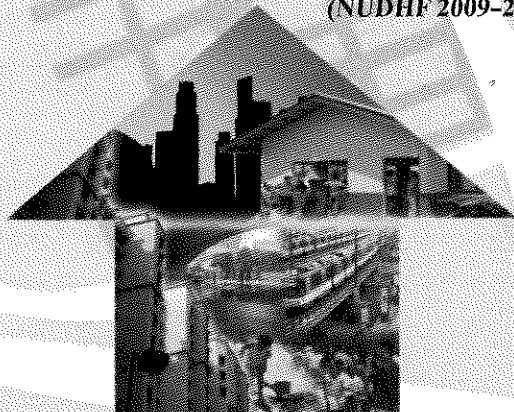
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Department of Trade and Industry	<a href="http://www.dti.gov.ph">www.dti.gov.ph</a>
Environmental Management Bureau	<a href="http://www.emb.gov.ph">www.emb.gov.ph</a>
Housing and Urban Development Coordinating Council	<a href="http://www.hudcc.gov.ph">www.hudcc.gov.ph</a>
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National Solid Waste Management Commission	<a href="http://www.nswmc.gov.ph">www.nswmc.gov.ph</a>
Social Weather Stations	<a href="http://www.sws.org.ph">www.sws.org.ph</a>
Supreme Court of the Philippines	<a href="http://www.supremecourt.gov.ph">www.supremecourt.gov.ph</a>
World Health Organization	<a href="http://www.who.int">www.who.int</a>



# **National Urban Development and Housing Framework**

(NUDHF 2009-2016)



The preparation of the National Urban Development and Housing Framework 2009-2016 built on the previous two NUDHFs (1993-1998 and 1999-2004). It is also based on policy and program directions set by the Philippine government as contained, in part, in several plan documents and pronouncements.

The framework provides an overview of the current urban system in the Philippines; drivers of the urban system; vision, strategic implications, and elements of the framework; and strategic recommendations. It is intended for planners and policymakers in the national and local government, business and industry, and nongovernment organizations.

The framework is published by the Housing and Urban Development Coordinating Council and the Philippine Institute for Development Studies with support from UN-HABITAT and United Nations Development Programme.

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