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A House For Every Filipino: A Pipe Dream in the Land of Promises?

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I. Introduction

The complexity of the housing situation in the Philippines makes governance of the sector an immensely difficult undertaking. The different values assigned to housing make for a variety of actors and motivations that often translate into contradictory advocacy goals and policy preferences, as well as differing expectations about what the state's role should be. As it is, understanding the problems confronting the housing sector is already a challenging task, without having to analyze it within a governance framework.

Governance, too, as a conceptual and analytical framework is in its infancy and is still subject to a wide-ranging debate in academic circles, even if certain institutions and analysts particularly among multilateral institutions have already come up with their own definition. As surveyed by Pierre and Guy Peters (2000), and without delving into the details of the theoretical debate, governance has been essentially conceptualized in two ways: governance as a structure, and governance as a dynamic process.

In the first conceptualization, **governance as a structure** looks at how institutional arrangements and relationships are molded in the management of the economy and society. Within this view exist four types of structural arrangements that have been designed over time and in different national contexts to address problems of governance. Such conceptualization rests on the assumption that proper or adequate governance entails the manipulation or administration of the structures generated within it.

The first type of arrangement, which Pierre and Guy Peters call **governance as hierarchies***,* assumes the existence of "vertically integrated state structures" through which governance is conducted, where the state governs society through the imposition of law and various forms of regulation. The second type, **governance as markets**, reflects the ideological shift concerning the role of state vis-à-vis the market:

> "The market has come to be seen as everything Big Government is not; it is believed to be the most efficient and just allocative mechanism available since it does not allow for politics to allocate resources where they are not employed in the most efficient way." Within this perspective, introducing a market-like situation in the delivery of public services is seen as empowering citizens because it enables the latter to directly choose which services they would patronize and at what cost. **Governance as networks***,* on the other hand, recognizes the role of policy networks – state institutions, interest groups, etc. – in facilitating the "coordination of public and private interests and, in that respect, enhance efficiency in the implementation of public policy." But while the state may benefit from these networks' expertise and resources that can enhance the policymaking process, these networks are bound by common interests that are not necessarily congruent to and may end up challenging the interests of the state and, at times, even the larger public interest. Finally, the **governance as societies** model springs from the general idea that "communities can – and should – resolve their common problems with a minimum of state

> involvement." This view of governance rests on "a consensual image of the community and the positive involvement of its members in collective matters" and views government (be it national or local) as ill equipped to manage community problems. State intervention may even lead to aggravation of tensions that are otherwise manageable when handled by community members themselves. On the other hand, **governance as a process** is another conceptualization that views governance as a "dynamic outcome" of the interaction between social and political actors as well as between structures. To introduce change in governance thus necessitates addressing the dynamic of such interaction. Within this perspective, governance is essentially seen as a process of *steering and coordination*, analyzing government's capacity to formulate and implement policy and its ability to manage tensions with other powerful actors in a way that would enable government to move society toward a desired goal and direction. In this view of governance, the state's role is gradually "transforming from a role based in constitutional powers toward a role based in coordination and fusion of private and public interests." (Evans, 1997 and Payne, 2000 as cited by Pierre and Guy Peters, 2000)

In the Philippines, the definition of governance largely conforms to that of bilateral and multilateral institutions, i.e., "the exercise of political, economic and administrative authority to manage a nation's affairs" and the employment of various methods to "distribute power and manage public resources and problems. (UNDP, as cited by Razon-Abad, 2002) As a reform objective, "good" governance is largely defined by its attributes or indicators, such as accountability, transparency, and citizen participation in policy and decision-making.

But how good governance as a reform objective relates to the role of the state is still debated by various stakeholders. The lack of consensus on how the state should conduct itself tends to pull the governance process in conflicting directions. Where the state is in a weak position vis-à-vis other actors, it often backtracks on its avowed objectives or, worse perhaps, allows for policy drift to avoid confrontation with powerful interests or minimize resistance from constituents or end-users. Government's ability to implement policies (and other obligations) often hinges less on the legality of such policies but on the capacity and willingness of other important actors to accept or resist these policies. Because governance ultimately concerns the allocation of scarce resources in society, the concept cannot be applied in a political vacuum. In taking the view of governance as a process, where the interaction of state and non-state actors is critical in the operationalization of policy objectives, this paper assumes that state vulnerability to powerful interests must be considered in analyzing the state of governance in any policy sector. The housing sector is a good illustration of the 'governance dilemma' in this regard.

The Housing Sector: Who Does What?

The different meanings or values assigned to housing by various stakeholders also generate different expectations of the state. End-users generally regard housing as an important symbol of economic security and a measure of achievement in the quest for personal stability. In the context of a market-driven economy, housing is a private good consumed by individuals and provided by suppliers at a particular price based on demand. As an industry estimated to be worth more than P100 billion, housing is seen as an effective way to "pump-prime" an especially weakened economy and create jobs, what with its immense multiplier effect on other industries. (Rimando, 2002) Understandably, industry players – from developers to construction suppliers – look at housing as an important source of revenue; the vast unserved market for housing makes it attractive especially given the decline in big-time real estate development and construction activities. Others emphasize the 'social character' of housing wherein state intervention is viewed as necessary to "equalize" access to housing so that the poor can have a fighting chance not only at partaking of this private good, but of developing their economic and social status.

While these perspectives are not necessarily mutually exclusive, the state's inability to define its own role, goals and policies toward helping to realize these expectations, or even its own expectations for itself, weakens its position vis-à-vis other stakeholders and renders it susceptible to pressure by dominant interest groups.

The state is often put in a conflicting situation where one set of constituency demands its withdrawal from the provision of housing so that market players could step in, while another expects the state to live up to its traditional role of provider for low income and marginalized constituencies. In between these extreme views lies a limited notion of state participation as provider of capital and investment safety nets to enable private-sector suppliers of housing to perform their job. And insofar as devolution is concerned, the difficulty of local government units to take on the delivery of housing to poor constituents makes it all the more pressing for the state to address such concern.

The non-state actors that push for these perspectives are just as myriad and have their own policy agenda vis-à-vis the state. For **advocates of market-based reforms**, the housing sector is one arena where government must lay down appropriate policy and regulatory frameworks in order to encourage market players to supply various components necessary for housing (land, credit, building materials, etc.). Government must likewise rationalize its subsidy scheme to ensure that this serves poor constituencies and conforms to good fiscal management.

For **industry players**, housing is a multibillion-peso industry that needs a vibrant housing market for its sustenance. However, inefficiencies in the housing market have allowed builders and developers to rely heavily on government support and protection – through mortgage financing, extension of credit and guarantees, government housing projects, etc. – for their continued operations.

For **NGOs and people's organizations**, housing is a social justice issue that has always defined past and present advocacy, framed within the right to adequate shelter and the correction of structural inequities through land tenure security for the poor. In this context, most NGOs and POs view the state as principally responsible for providing the resources and the means for the poor to obtain shelter security. In regard to housing policies, it is not so much the provision of housing as a dwelling structure that is demanded from government but security of land tenure, where the urban poor could incrementally develop their homelots and dwelling structures as their economic capacity expands.

Within the context of decentralization and the mandate provided by the Urban Development and Housing Act of 1992, **local government units** are expected to act as principal implementers particularly of socialized housing programs, thereby making housing an integral part of the local service delivery system. But in the face of many LGUs' lack of technical capacity, resources and even political will to address the problem of informal settlements, the national government still bears the responsibility of providing resources for housing and of initiating solutions to the proliferation of informal settlements. Especially in Metro Manila, the failure of local government officials to address the housing problem as well as the lack of appropriate mechanisms for participation and joint problem-solving at the local level make the national government the logical target for political pressure by NGOs and POs.

This situation obviously requires simultaneous and coordinated interventions at the policy, institutional and financial levels, within the context of decentralized implementation and growing demand for greater private sector participation in housing. But government itself –

both the central executive leadership and the housing agencies – confronts many problems that impede efforts in this regard, as will be shown later in this chapter.

Situating Housing within an Urban Structure

The provision of housing cannot be taken in isolation from urban development. In the Philippine context, urbanization has created both opportunities and problems (or, "opportunities and deprivation") for government and citizens alike. Urban growth undeniably signifies industrial and commercial activity, as evidenced by the consistently high share of gross domestic product from urban-based economic activities. Government itself acknowledged that urban economic activities contributed much in keeping the Philippine economy afloat particularly in the 1980s. (HUDCC, 2000a)

Rapid urban growth also redefined our way of life and created its own symbols of prosperity that set the city apart. The glittering skyscrapers, sprawling malls and the patently consumerist lifestyle connoting abundance and modernity have become standards by which other towns and municipalities aspire to develop. The prospect of obtaining better income opportunities lured many rural inhabitants to gravitate to the fast-developing urban centers.

Yet, the promise of prosperity that the city held out remains unrealized for many of its residents, the fruits of urban growth having been captured by a few and access to opportunities still confined to those who have had economic and social head start. In a sense, it is in the city where one can immediately appreciate what inequality and poverty are all about. On the surface, government's survey of poverty incidence – the proportion of families with income below the poverty line – appears to belie this assertion, indicating that of the 5.2 million poor families, 'only' 1.5 million lived in urban areas (NSO, 2000). But the harshness of life for the latter is such that the physical signs of urban decay – congestion, pollution, filth – mirror the dehumanizing conditions that surround these families.

Being the country's biggest urban center, Metro Manila has exhibited the ugly side of unbalanced urban growth:

- Of nearly 10 million residents, an estimated 3.5 million belong to the urban poor, who live along waterways, railroad tracks and riverbanks, on public and private lands, and on sites earmarked for government infrastructure.

- Travel to and from any point in the metropolis is a major problem, as traffic jams consume valuable time that otherwise could have been put to productive use. The high volume of motor vehicles with limited occupancy contributes to road congestion and to air and noise pollution.

- Basic and social services are unable to keep pace with the demand of especially of urban poor residents who rely on government for these. Congestion and the accompanying squalor breed various illnesses that can not be adequately serviced by local health centers, while public school classrooms teem with 50-60 students at a time.

- The quality of the environment has been deteriorating rapidly, with high levels of air pollution coupled with mounting solid waste. With its daily output of more than 5,000 tons of garbage, local authorities as well as the national government are hard-pressed to look for alternative dumpsites and landfill. Insufficient recycling, inefficient collection and illegal dumping on streets and waterways combine to make the Metro Manila the dirtiest urban center in the country.

In theory, housing is only one important aspect in managing urban development. That there are different constituencies and competing needs in an urban environment requires the creation of integrated planning and delivery systems to satisfactorily address these varied needs. "At a minimum, housing programs should be designed within the context of a city-wide system of service delivery to take into account any existing plans for future servicing of these areas, and to determine the impact of the program on the city-wide system."

In this sense, housing as a private good cannot be "consumed" in isolation from other elements necessarily for the creation of a "dwelling environment," such as the existence of basic goods like water and electricity, accessibility of income opportunities, availability of social services and even recreation centers. The importance of each of these elements in the choice of where to put up one's residence depends on one's socioeconomic status. Middle-income groups may prioritize the presence of amenities and proximity to the city center, while poorer groups give paramount consideration to accessibility of income opportunities. Whatever the case may be, for "any place to function as a dwelling it must have an accessible location, it must provide secure, continued residence for a minimum period, and it must provide shelter from hostile elements, be it climatic or social." Following this perspective, it is not so much homeownership that is needed but shelter security. Considering the different needs within a household, priorities in the allocation of resources especially by lower income groups may not necessarily include homeownership even if the need for shelter remains. Not everyone, too, is necessarily interested in owning a house. For many, what is more important is that their present dwelling (even if rented, shared with others or located in the slums, for instance) allows them to meet other needs – including the pursuit of occupations and income-generating activities – with the least cost possible. The provision of viable options for affordable housing, besides the promotion of homeownership, should help address the needs of different income groups that have varying levels of capacity and willingness to pay.

Within the context of urban development, the dwelling environment requires the presence of sustained economic activities, adequate road and transport networks, provision of basic and social services, proper waste management and other services that will make the city economically vibrant, physically pleasant and socially nurturing for its residents. As urban planners argue, urban development is not about housing alone. Government itself recognized this reality when it created a "national urban development and housing framework" that seeks to address issues related to urban growth, urban land resource management, urban environment, physical and social infrastructure, housing and regulations, and urban governance and management. (HUDCC, 2000a)

Unfortunately, the vast number of "unauthorized housing" hinders any attempt at planning urban development, which is likely to cost some level of physical and social dislocation of informal settlers if currently occupied spaces are to be reconfigured. For all the variety and magnitude of problems confronting urban areas like Metro Manila, housing has always stood out as the one requiring immediate resolution. As the principal political problem that different administrations consistently pledged to resolve, vast resources have been invested and different schemes implemented to address the issue. The proliferation of informal settlements occupied not only by urban poor but a large number of lower-middle class families – teachers, police, workers – shows up the urgency of addressing lack of access to shelter. Confronted by the growing voice and capacity for political mobilization of the urban poor, politicians cannot avoid paying lip service to the issue. Even if they recognize the comprehensive nature of the 'urban problem', officials need to display resolve (if only rhetorically) in addressing the need for shelter, considering the huge pool of votes that affected constituencies represent. Within this context, it is not surprising that presidents "promise to provide housing, not urban development."

The political weight given to housing – especially housing for the poor – is obvious under the present administration. Having yet to earn popular support, the administration continues to fight the ghost of its supposedly pro-poor predecessor, undertaking various initiatives to win the allegiance of the former president's urban poor followers. In repeatedly pledging to provide housing for the urban poor, the administration is trying hard to prove that it is more responsive to the poor's needs, the president's technocratic image and elitist background notwithstanding.

Yet, beyond the exigency of political survival, housing has also become an arena where various stakeholders compete with one another to influence policy directions in favor of their respective, often conflicting, interests. Private developers, local officials, NGOs, people's organizations, donors – these are equally important players with which government has to relate if it is to advance its housing agenda; how relationships with these stakeholders play out significantly affect policy direction and implementation. This chapter's focus on housing stems from the recognition of the issue's overtly political nature, and the challenges it poses to governance of the housing sector.

II. THE HOUSING SITUATION IN THE PHILIPPINES

During the Aquino administration, total housing need was estimated at 2.6 million but government could only provide 268,279 units of shelter security. For the period 1993-98, the estimated need had risen to 3.72 million housing units – including 1.2 million for the bottom 30 percent. (ADB, 2001) In response, the Ramos administration's National Shelter Program (NSP) aimed to provide 1.24 million *units of housing assistance* (equivalent to 889,504 households). From January 1993 to September 1998, the NSP managed to extend "1,357,025 units of housing assistance to 623,053 households." (HUDCC, 1999a)

Under the Estrada administration, HUDCC estimated total housing need for 1999-2004 to be over 3.3 million units, which included the "the 1995 backlog of 1,126,203 units, a growth of about 2,223,739 units, and 12,407 substandard housing houses needing upgrading." The aborted Estrada presidency managed 274,727 units in its two-and-a-half year-rule. (ADB, op. cit.) Compared to its predecessors, each of which served six-year terms, the Estrada administration's performance is commendable: Besides exceeding the number of households assisted under the Aquino administration, its average output per year is also better than what the Ramos administration could accomplish in six years. When measured against the original target of 237,339 households to be assisted in 1999 and 2000, as set out in the Medium-Term Philippine Development Plan for Shelter (1999-2004), the sector definitely outperformed itself. However, it falls short of the revised, grandiose target of 350,000 houses a year under the aegis of the Presidential Commission on Mass Housing, whose creation in October 1999 triggered the controversial resignation of then-HUDCC Chair Karina Constantino-David.

The political problems of then-President Estrada in 2000 provided an occasion for the urban poor to become a tangible political force. Playing up to his image as "the president of the masses," Estrada went on a supposed land-distribution binge especially in big urban poor communities to whip up support. Never mind that the "titles" were photocopies, did not even contain the names of rightful beneficiaries and covered projects that had yet to be completed, as what happened in several barangays in Quezon City, the image of Estrada giving land to the poor reinforced his standing before the latter. It also gave credence to the myth he was perpetuating that the rich and powerful ganged up upon him because he chose to take the side of the poor. Poverty had become a highly politicized issue.

The extra-constitutional means by which Gloria Macapagal-Arroyo came to power in January 2001 and the highly played up nature of "People Power II" as the product of elitist machination against the "president of the masses" compelled the new administration to make a strong commitment "to wage war against poverty." It was imperative for the new president to immediately win political points from the vast majority of the poor who felt betrayed by the overthrow of their idol. The explosion of protest among Estrada supporters in May of the same year gave heightened importance to poverty and especially the urban poor's lack of access to shelter security, such that addressing these problems becomes not merely a matter of social justice but, perhaps more importantly, political survival.

But government needs more than sincerity and political will to address the need for shelter security. In the light of dwindling resources and lack of capacity to efficiently deliver housing, government has to confront structural and financial deficiencies that hamper the creation of a viable housing program.

Factors Affecting The Supply Of Housing

The issue of housing in the Philippines has become so complex that land distribution and construction alone will not suffice. As mentioned previously, solving the "housing problem" and developing a viable housing market cannot be accomplished in isolation from other factors that relate to urban development and the stimulation of the housing market. Among the most important pertain to the availability of residential land, infrastructure and urban governance. The policy bias toward homeownership must also be addressed for it has important consequences not only on the direction of housing programs, but also on the government's role in housing finance as well as the nature of private sector-participation in housing.

Land Use and Management. The cost of urban land in the Philippines increased tremendously between 1987 and 1996, especially in Metro Manila. One study noted that the stiff competition for land tipped the scales against middle and low-end residential housing as both local governments and builders preferred the more profitable condominiums and commercial complexes. (URC, 1998) The high cost of land is just symptomatic of the many problems concerning urban land resource management that government is hard-pressed to address. These are: (ADB, op. cit.; HUDCC, 2000a)

(1) Land tenure, land titling and administration. Poor land records management and inadequate land mapping plague the country's system for land administration. The lack of consolidated and accurate records of titled and untitled property has made the resolution of disputes over land tenure difficult and expensive, and fueled the business in spurious land titles. The number of households said to have obtained their land from the informal market is conservatively estimated at "60-70% of the total urban population in various secondary cities across the country."

(2) Land use and conversion of agricultural land. The lack of land-use policy and the constricted supply of urban land often create a situation in urbanizing areas where the use of land for residential or commercial purposes conflicts with agrarian reform and food security objectives. Some analysts, though, aver that the Comprehensive Agrarian Reform Program (CARP) has contributed to the creation of an artificial shortage in the urban land market by locking up about 80 percent of total agricultural land resources. Considering that the country that is already 50 percent urban, they argue that releasing some of the land under CARP to meet urban demand would ease price inflation and speculation.

(3) Land valuation and taxation. In a society rent by economic and social divisions, property ownership remains to be a powerful signifier of wealth. Not surprisingly, privately owned property accounts for 64.8 percent of the 14.1 million hectares of total alienable and disposable land, many of which lie idle. Yet property owners hardly pay the commensurate taxes for these holdings due to weak real property taxation. The absence of standards for valuation, low valuation of real property for tax purposes, inadequate cadastral maps and the influence of local government politics on the local assessor's valuation all contribute to inefficiencies in tax administration. And while the Local Government Code empowers local chief executives to rationalize taxation and to tax idle lands, few would dare do so, lest they

invite resistance from property owners. Self-interest also prevails in the case of local officials who own vast land-holdings themselves.

(4) Cumbersome regulatory framework for housing and land development. The rigid regulatory requirements attending housing and land development contribute significantly to higher costs and increased inaccessibility for the majority. Due to the different permits, clearances, licenses and procedures that must be obtained from various agencies other than that of housing, completion of these requirements often take two-and-a-half to three years. The tedious process makes the system vulnerable to corruption, with bribe money solicited in exchange for speeding up transactions. This "hidden cost" is ultimately passed on to end-users in the form of high-priced and/or sub-standard housing products.

Inadequate Infrastructure. Basic infrastructure services – roads, electricity, water and sanitation systems – are unable to keep pace with the expanding urban population. Lack of funds, right-of-way disputes, and presence of informal settlers along the project site have hampered the construction of circumferential, radial and feeder roads. On the other hand, the lack of efficient water supply and sewerage system has contributed to deteriorating health and environment especially in densely populated areas. A study on urban water pricing (David et al., 2000) noted that in Metro Manila, only about 60 percent of the Metropolitan Water and Sewerage Systems' (MWSS) household coverage enjoy piped water connections, while a measly 9 percent benefit from its sewerage system; the Metro Cebu Water District, which services the second most populous urban area in the country, reaches less than 40 percent of households in its service area.

Infrastructure services are a critical precondition for residential investments; availability of serviced or developed lands contributes immensely in bringing down the cost of housing, encourages the development of housing sites outside urban centers, and stimulating private investments in housing. Though delivery of certain infrastructure services has been devolved under the Local Government Code, many LGUs are unable to do so due to lack of funds. Especially in large or heavily populated cities, the LGUs' finances hardly suffice to meet the scale of infrastructure works required. Yet, local officials also contribute to the problem when they allow construction of housing in areas where infrastructure is non-existent or where its provision would be costly. On the other hand, the national government still carries much of the burden of providing infrastructure for low-cost and socialized housing projects through subsidies to end-users to cushion the impact of these services' costs.

Weak Urban Governance. The Local Government Code was intended to change the power relationship between central and local government, by decentralizing administrative and revenue-generating powers, and by devolving the delivery of services hitherto lodged under government departments and whose provision had often depended on the national government's priorities. That the Code institutionalized public-private partnership and people's participation in local governance, was another significant step in the direction of promoting good urban governance.

Yet LGUs as a whole have a mixed record insofar as living up to expectations is concerned. Many local officials, especially in urbanizing and rural areas, made use of their new powers by tapping various funds and private sector support for economic activities and development programs. However, others continued to lag because of lack of funds, lack of skilled and technically proficient personnel, and lack of infrastructure support that could boost economic potentials. In some big cities in Metro Manila, these problems are worsened by the continuing prevalence of traditional political attitudes that view the delivery of services like housing as a product of patronage rather than an integral part of service. In relation to the national government, since most LGUs are still heavily dependent on their share of the Internal Revenue Allocation for financing local initiatives, they often seek good relations with the administration lest they suffer benign neglect or delays in funds release.

Policy Bias toward Homeownership. Llanto and Orbeta Jr. (2001) noted that government's housing programs favor the promotion of homeownership over other forms of tenure. This policy bias stems from the "prevailing public viewpoint" that prefers homeownership – regardless of the would-be owner's economic status – "because of the assurance of a place to live in, its investment value, the status given by society to homeownership and the uncertainties of its opposite – renting. *Private homebuilders have reinforced the policy bias for homeownership by declaring that [housing targets are attainable] given adequate funding from the government."* (Italics supplied) Of course, other constituencies like NGOs and the urban poor share this view that homeownership should be the goal of any housing program.

Unfortunately, such policy bias has led government to provide various types of financial assistance and subsidies to lower the cost of housing. But the enormous fiscal cost of government intervention in the housing market is simply not commensurate to government's financial capacity, especially when housing needs are considered alongside other social services badly needed by the population. A former HUDCC official put it thus: "Assuming that half of the 3 million backlog in housing units were for the urban poor and other low-income groups, and government spends P100,000 for each of the 1.5 million poor families, that already amounts to P150 billion or P25 billion annually over a six-year period. We're not even talking about assistance for other segments of the housing market. Yet, any increase in appropriation for a particular social service often means a decrease in other components of the social sector. If we put much of government resources into housing, what happens to education or health?"

Besides the huge fiscal burden that it creates, the policy bias for homeownership ignores the reality that not everyone has the capacity to purchase a house, although many are in need of shelter. The "real problem" then is not the lack of homeownership but the lack of shelter provision and security, which could be promoted in many forms besides ownership, such as rental, lease-purchase, long-term land lease, and the like. (Llanto and Orbeta Jr., op. cit.; David, 2001)

Public Provisioning of Housing Finance. An important consequence of the policy bias toward homeownership is that government has shouldered much of the responsibility in providing housing finance especially to lower-income segments of the population. While private banks and financial institutions focused their real estate and housing loans to middle- and high-income groups, the government – through the publicly controlled Social Security System (SSS), Government Service Insurance System (GSIS) and the Pag-Ibig Fund – contributed the bulk of housing loans for middle- to low-income groups. The three institutions have always been the biggest source of funds for the government's housing programs. Under the National Shelter Program, government provided various mortgage takeout schemes such as the Unified Home Lending Program and the in-house lending programs of SSS, GSIS and Pag-Ibig, guarantee and credit enhancement, tax breaks, interest subsidies, appropriations for housing programs for the urban poor, and the like. (Llanto and Orbeta Jr., op. cit.)

By 1996, the public sector had accounted for P71 billion of publicly held mortgage obligations, P42 billion in outstanding guarantees on non-low-income housing finance, and P3 – 5.5 billion in off-budget interest subsidies for low-income housing finance. (World Bank, 1997a; Gallardo, 1998) The total stock of P113 billion in government-funded or guaranteed mortgage and construction loans constituted 50 percent of outstanding real estate and mortgage loans, and about 80 percent of total residential mortgage lending. (World Bank, 1997a)

Yet, massive government involvement in housing finance not only failed to adequately address housing needs especially of the poorer segments of the population, but also brought about enormous fiscal burden and public risk exposure. By 1998, the government's total mortgage risk exposure had grown from its 1995 level of 3.7 percent of GDP, to over 5 percent. (Duebel, 2000) Besides jeopardizing the financial health of the public agencies involved in housing finance, the effect on the macroeconomic level is that "the direct costs and contingent liabilities associated with such government support for housing finance complicate fiscal accounting and undermine efforts to raise domestic savings." (World Bank, 1997a)

Subsidized Private Sector Participation. There are two contending perspectives on private sector participation especially in socialized housing. The first, and more popular, is that government must provide the necessary financial support if builders and developers are to participate in housing programs for low-income segments of the population. It is argued that the hesitation of private commercial banks and financial institutions to lend to poorer groups because of perceived credit risk, on the one hand, and the lack of opportunities for profitability on the other, necessitate government intervention in housing finance to jumpstart socialized housing.

The National Shelter Program under the Aquino and Ramos administrations devised various incentives for builders and developers to undertake socialized housing, and made available cheap funds through interest subsidies to make housing affordable. The deployment of massive resources by government financial institutions and pension funds for credit, guaranty schemes, tax exemptions and interest subsidies dramatically increased the rate of private sector participation in socialized housing (see Table 6-1).

Table 6-1: Private Sector Participation in [Socialized and] Low-Cost Housing, 1981-2000[a/]
(Number of Houses and Lots, or Lots Only)

Year		Socialized Housing[b/]	Economic Housing[c/]	RA 7279[d/] (UDHA)	TOTAL No. of Units	TOTAL Share to Total Residential Dev't (%)
1981		-	-	-	-	-
1982	e/	-	1,926	-	1,926	5.5
1983		-	12,024	-	12,024	21.6
1984		-	8,841	-	8,841	19.0
1985		-	14,212	-	14,212	37.1
1986		-	15,111	-	15,111	54.4
1987	f/			-	14,977	33.3
1988				-	27,989	37.4
1989				-	23,660	28.6
1990				-	26,832	39.8
1991		12,677	11,032	-	23,709	29.5
1992		26,682	17,443	138	44,263	45.3
1993		41,282	15,175	1,838	58,295	46.7
1994		25,802	47,993	10,489	84,284	54.5
1995		62,860	61,851	13,128	137,839	61.1
1996	g/	46,644	55,629	30,031	132,304	53.9
1997	h/	58,042	55,093	58,165	171,300	65.8
1998		35,672	19,721	27,443	82,836	56.1
1999		12,271	14,258	18,211	44,740	57.9
2000	i/	8,169	20,987	12,395	41,551	51.9

a/based on license-to-sell approved by HLURB
b/housing packages priced at P180,000 and below
c/housing packages priced above P180,000 to P375,000. In 2000, the price ceiling was increased to P500,000
d/represents compliance with UDHA's balanced housing provision; may not necessary refer to current production since compliance may include socialized housing developed prior to implementation of RA 7279
e/from 1982 to 1986, developments were mostly serviced lots
f/operation of the Unified Home Lending Program (UHLP); from 1987 to 1990 figures include both socialized and economic housing
g/suspension of UHLP and consequent shift to multi-window lending
h/onset of Asian currency crisis in July
i/as of May 2000
Source: HUDCC, as cited by ADB, op. cit.

Yet, the incentives did not attract more players from the private sector. For instance, of the more than 8,000 licensed contractors as of April 1998, the Unified Home Lending Program (UHLP) only had 127 accredited private developers, of which 101 were based in Luzon and 26 in Visayas and Mindanao. There were also very few private banks – 45 out of around 5,000 then operating in the country – that originated home mortgages. Also, the different incentives for the development of socialized housing did not translate into more affordable housing for the poor, as developers did not pass on to intended beneficiaries the savings generated from these incentives. House and lot packages were still priced at the maximum amount authorized by the housing agencies. That HUDCC did not create any mechanism for monitoring the pricing of socialized housing packages commensurate to the amount of incentives granted to developers, exacerbated the situation. (HUDCC, 1998) Although some builders and developers argue that whatever savings they could generate from the incentives were neutralized by the rising cost of land and building materials, others believed that more efficient use of resources and alternative housing technologies could significantly bring down the cost of socialized housing.

Those advocating an alternative, critical perspective on private sector participation argue that *the problem is not one of incentives, but the public provisioning of housing finance, its consequent fiscal burden, and the distortion it created in the housing market.* (Italics supplied) The extensive presence of pension funds in the mortgage market, especially in providing below-market rate loans, further discouraged private banks and other financial institutions from providing credit for socialized housing since they could not compete with the subsidized loans extended by government. The latter's reliance on SSS, GSIS and Pag-Ibig to provide cheap loans as well as the creation of various subsidies placed a heavy burden on these institutions and on meager public resources, and jeopardized the long-term sustainability of government housing programs. (Llanto and Orbeta Jr., op. cit.)

More important, the housing subsidy programs such as the UHLP "may have created the wrong incentives" for private sector participation. Borrowers, regardless of capacity to pay or to incur debts, were enticed to avail of housing loans that were made accessible by lax lending rules. Developers and builders had no interest in ensuring the creditworthiness of their buyers as they were assured of automatic mortgage takeout by government financial institutions, thereby securing their income while passing on the risk to government. (Llanto and Orbeta Jr., op. cit.*;* World Bank, 1997a) As former HUDCC Chair Karina David said, "The purchase of a house is one of the biggest decisions that a family makes, and it requires planning and discipline in the use of household resources. Yet, housing was sold like hot *pan de sal,* offered to anyone interested and eligible for a housing loan but who did not necessarily possess the means to amortize. While the pension funds reeled from loan defaults, many of the developers built more houses and originated more loans for takeout. The UHLP made it profitable for developers to participate, but it left government holding the bag."

The net result of government's housing subsidy programs was that "the private marketplace for housing [could] not flourish given a flawed incentive structure that motivates participation only because the government is prepared to assume the full burden and risk of those housing programs." (Llanto and Orbeta Jr., op. cit.)

The State as Provider: A Brief History of Government Housing Programs

Various Philippine administrations have been consistent in their response to urban congestion and the consequent blight: Construction of housing projects for workers and middle-level employees in suburban areas, and relocation of informal settlers to distant municipalities and provinces. From the Commonwealth period to the Marcos years, government was the principal provider of housing and performed all major functions related to land acquisition, production of low-cost and tenement housing, management of housing projects, and slum clearance and resettlement. Many laws were likewise enacted to make housing more accessible, the earliest being The Homesite Act (Commonwealth Act 620, 1936) that mandated government to acquire lands for subdivision into homelots or farm units; friar lands and estates like the Piedad Estate, Tala and Payatas were acquired for this purpose. Home financing was established in 1950 under Republic Act 580, which provided for mortgage insurance to stimulate low-interest lending by banks and financial institutions; this was the precursor of what later became the Home Insurance Guaranty Corporation (renamed Home Guaranty Corporation in 2000). It was also in the 1950s that the Government Service Insurance System (GSIS) and the Social Security System (SSS) began their involvement in financing government housing projects and extending housing loans to members. The next decade saw the expansion of government housing activities through the passage of the Tenement Law that mandated the construction of tenement housing for an estimated 2,300 families, and the National Social Housing Law intended for low-income families resettled in government housing sites. The National Building Code that prescribed standards for residential, commercial and other structures was likewise enacted. (URC, op. cit.)

Under Martial Law, the concentration of political power under one-man rule made the reorganization and consolidation of various housing institutions fast and easy. Presidential Decree 757 issued in 1975 mandated the creation of the National Housing Authority (NHA) and the dissolution of various housing agencies, interagency task forces and ad-hoc committees tasked with land acquisition, slum clearance and resettlement, low-cost housing projects and the like; these responsibilities were consolidated under NHA. The National Home Mortgage Finance Corporation (PD 1267) was set up in 1977 to create a secondary mortgage market by purchasing
the mortgages of loan-originating financial institutions. The year 1978 saw the establishment of the Ministry of Human Settlements (PD 1936) to consolidate all housing related concerns, and through PD 530 the Home Development Mutual Fund (HDMF) – better known as the Pag-Ibig Fund – that provided for another system of private contribution for housing purposes. In the same year, the National Shelter Program was established with the avowed purpose of delivering more housing services by integrating and synchronizing public and private initiatives, toward institutionalizing a "total systems approach" to housing. (URC, op. cit.)

For all these varied government initiatives made over five decades, resettlement had been the sole response to the growing number of urban poor until the time of the Marcos administration, which introduced slum upgrading. Massive World Bank loans subsidized the slum upgrading and resettlement programs, but inefficient collection and low repayment hampered the program's replicability. In 1987, following the assumption to power of a new president, government issued Executive Order 90 abolishing the Ministry of Human Settlements and creating the Housing and Urban Development Council (HUDCC) as the highest policy-making and coordinating body for housing and urban development. Besides the formulation of policies and guidelines for the government's shelter program, HUDCC was also tasked to coordinate, monitor and exercise oversight functions over housing agencies such as the National Housing Authority (NHA), the Housing and Land Use Regulatory Board (HLURB), HIGC and HDMF. As part of its effort to rationalize the housing sector, government shifted roles from being a direct provider of housing, to "enabler" and "partner" of the private sector toward the development of a functioning housing market. An immediate effect of this shift is that the Aquino administration "virtually stopped undertaking new slum upgrading projects" as well as "discontinued landbanking" that had been carried out through the National Housing Authority; resettlement as a housing program remained. As government gradually withdrew from the direct provision of social housing and focused on strengthening home lending programs, other stakeholders but especially private developers assumed greater importance.(Karaos, n.d.)

The National Shelter Program (NSP) stressed this shift in strategy through the following "basic principles": (Llanto and Orbeta Jr., op. cit.)

- Reliance on beneficiaries' initiative and capability to solve their housing problem with minimum government assistance
- The private sector as principal player in providing decent and affordable housing; and,
- The government as enabler, facilitator, and catalyst in the housing market, while focusing assistance to families within the poverty line

The four major programs under the NSP consisted of housing production, mortgage financing, developmental loans and community programs.

Government Housing Programs: Who Benefits?

A survey commissioned by the World Bank (2001) reported that housing is perceived to be the least accessible among the basic services offered by government. Only 10 percent of the 1,200 respondents had ever applied for housing assistance. The reasons cited for not availing of housing assistance pertain to "lack of awareness on housing programs and ways to access these (50%), lack of need (20%) and high transaction costs (7%)." Equally important, the survey validated the poor targeting of the government's housing program: "About 95% of the beneficiaries of government housing assistance have been urban households (majority in NCR). Rich and middle-income households had captured most of the assistance, with only 21% of the beneficiaries coming from the poor. Ironically, a larger proportion of NCR, urban and non-poor households confirmed that they did not require assistance." Membership of poor households in SSS, GSIS and Pag-Ibig is at a measly 3 percent, but many cannot afford to meet the loan application and amortization requirements of these funds.

Considering the magnitude of public investment in the sector, what accounts for the perceived inaccessibility of housing? What type of assistance did government provide, and who were the intended beneficiaries of such assistance? As Llanto and Orbeta Jr. (op. cit.) showed, housing finance constituted the backbone of the NSP, with government using an array of direct and indirect subsidies to make the housing programs attractive to producers and consumers. Direct subsidies – those enjoyed directly by end-beneficiaries – came primarily in the form of below-market interest rates on loans, and land cost subsidy in the sale of developed land for government's resettlement program. Indirect subsidies – those reaching beneficiaries through housing agencies, developers and banks – stemmed from tax incentives, guarantee schemes and the like. The NSP also relied heavily on the SSS, GSIS and HDMF/Pag-Ibig Fund as principal sources of funds for lending. Besides their own individual and institutional home lending programs, these institutions lent pension funds to the NHMFC so that it could take out mortgage loans originated by private developers and private banks under the *Unified Home Lending Program (UHLP)* that serviced low-income members of SSS, GSIS and Pag-Ibig Fund.

The NHMFC's *Social Housing Development Loan Program* was set up in 1988 to complement the UHLP by providing developmental loans and interim financing to developers, NGOs, landowners and LGUs that carried out socialized housing projects. The HIGC's *Guaranty Programs*, on the other hand, provided insurance coverage of two types: The Retail Guarantee Program accredited financial institutions for automatic insurance coverage of housing loans issued to individual borrowers, and guaranteed developers' existing and prospective installment receivables from buyers. The Development Guarantee Program, on the other hand, offered insurance coverage to developmental loans that financial institutions extended to developers. Other lending windows available to developers were the NHMFC's *Abot-Kaya Pabahay Fund*, the SSS' *Housing Development Program* for low-income members, and the HDMF/Pag-Ibig Fund's *Direct Developmental Loan Program* that also lent to LGUs and other proponents.

Financing programs were likewise designed to spur LGU participation in lowcost and socialized housing. The HIGC's *Municipal Pabahay Bonds* enabled LGUs to float municipal bonds that were backed up by a pool of real estate properties. The HIGC insured the face value of the municipal bonds as well as unpaid interest of up to 8.5 percent. The bonds are issued on a per-project basis, and housing packages generated from the project are exempt from taxes on interest subject to certain schedules. So far, however, only six LGUs have availed of this facility. (HUDCC, 1998) The municipality of Victorias in Negros Occidental is the best-known case under the program. In 1994, it floated P8 million worth of bonds to finance a low cost housing project for 171 LGU employees; the project had been completed and the bonds redeemed in 1996. (HUDCC, n.d.)

The Pag-Ibig Fund's *Local Government Pabahay Program,* on the other hand, provided funds for acquisition and development of raw land, site development, or construction of housing units for the benefit of LGU employees or individuals within the LGU's jurisdiction. However, only five LGUs availed of the program from 1994 to 1997. The dismal participation of LGUs in the HIGC and Pag-Ibig programs were attributed to the absence of "a ready market for the municipal bonds in their localities," inadequate pool of assets like land to back up the flotation, stringent requirements and tedious processing. Equally important is the lack of LGUs' lack of technical capabilities in preparing feasibility studies and other documents necessitated by the programs. (HUDCC, 1998) The NHA fared better with its *Joint Venture Programs* for low-cost housing, local housing, core housing and medium-rise housing that catered to low-income families.

On the other hand, the *Community Mortgage Program (CMP)* enabled the urban poor to acquire the land that they had occupied without the owner's consent. Managed by the NHMFC, the program worked through organized associations of informal settlers, with accredited CMP originators assisting the associations in securing the loans. CMP origination is open to LGUs, national agencies, developers, financial institutions, and community-based NGOs. Funded from annual budget appropriations, the CMP is the only program that is truly accessible to the urban poor, with a highly subsidized annual interest rate of 6 percent for loans of up to P60,000. The program has generated strong participation by NGOs as CMP originators.

To shore up funding support for socialized housing programs and make housing more accessible to low-income families, Congress passed the Comprehensive and Integrated Shelter Finance Act or CISFA (RA 7835) in 1994 that provided for the allocation of an additional P38 billion over a five-year period. Under the law, the CMP was to have the biggest allocation at P12.8 billion, with the resettlement program coming in second at P5.2 billion. It also provided for an increase in the NHMFC's capitalization from P500 million to P5.5 billion, and in the HIGC's from P1 billion to P2.5 billion.

These programs but especially the UHLP succeeded in spurring private sector participation, to the point that government came to rely heavily on subdivision developers to provide mass housing. Even the CMP changed the role of NGOs who, as originators, became integrated in the shelter delivery system, while the POs shifted from merely demanding land from government, to negotiating with owners and mobilizing resources to bolster their chances as aspiring buyers. (Karaos, n.d.)

But in terms of reaching its target beneficiaries, government programs left much to be desired. Despite the array of financing schemes and housing delivery systems, studies show that these hardly reached the bottom 30 percent of the population, as indicated by Table 6-2 below that shows a "time-slice" of the UHLP's performance in servicing various income groups. (HUDCC, as cited Llanto and Orbeta Jr., op. cit.)

Table 6-2: Mortgages Taken Out under UHLP, 1993-1995.

Loan Bracket	No. of Beneficiar-ies/ Units	Percent to Total		Average Loan Value	Average Income
		Beneficiar-ies/Units	Loan Value		
>0 to P150,000	56,323	38.1	26.0	135,513.6	4,517.1
>P150,000 to P225,000	48,521	32.8	32.8	198,625.4	6,620.8
>P225,000 to P375,000	43,061	29.1	41.3	281,699.9	9,390.0
TOTAL	147,905	100.0	100.0	198,778.4	6,625.9

Although the UHLP was expressly designed to serve the housing needs of the low-income members of SSS, GSIS and Pag-Ibig Fund, non-socialized housing borrowers were the ones that actively participated in the lending program. A detailed profile of borrowers also showed that the highest income earners within the middle- and upper-middle income groups were also the ones that took out the highest number of loans. For instance, in the loan bracket of P150,000 to P225,000 (at 12 percent p.a.), 30,659 beneficiaries with average monthly income of slightly less than P7,000 availed of loan packages within the range of P210,000 to P225,000 while only 1,764 beneficiaries earning slightly more than P5,000 a month borrowed amounts ranging from P150,000 to P165,000. On the other hand, in the top loan bracket of P225,000 to P375,000 (at 16 percent p.a.) the largest number of borrowers – at 12,146 beneficiaries with average monthly income of nearly P11,000 – had loan packages ranging from P360,000 to P375,000.

In terms of interest subsidies, therefore, it was the non-poor borrowers that benefited. While they paid higher interest rates compared to the 9 percent interest on loans amounting to P150,000 and below, the interest subsidies became more significant for the former because of their larger loan sizes. Ironically, not only did they benefit more from the UHLP, but they also delivered the biggest number of delinquent loans under the program. By the first quarter of 1996, as the UHLP was nearing its death-throes, delinquent accounts had totaled P21.2 billion with almost 90 percent coming from the middle- and upper-middle income borrowers, as shown below. (HUDCC, as cited by Llanto and Orbeta Jr., op. cit.)

Table 6-3: Delinquent Loans under the UHLP, as of April 1996

Loan Bracket	No. of Loans	Percent to Total		Average Loan Value	Average Income
		No. of Loans	Loan Value		
Delinquent Loans	105,084	100.0	100.0	201,820.1	6,727.3
>0 to P150,000	22,465	21.4	11.1	104,415.0	3,480.5
>P150,000 to P225,000	44,004	41.9	36.0	173,443.2	5,781.4
>P225,000 to P375,000	38,615	36.7	53.0	290,824.6	9,694.2

That government housing programs were skewed toward those who were financially capable of obtaining assistance from private/commercial lenders becomes more obvious when compared to the measly amount of budgetary support for the Community Mortgage Program, whose principal beneficiaries are the urban poor. Notwithstanding the CISFA's promised allocation of more than P12-billion over five years starting in 1994, the program received only P380 million in 1994-95. Yet, despite financial constraints, by September 1996 the CMP had serviced 524 projects with 63,221 beneficiary-households at a total loan value of over P1.5 billion. Although the program's average collection efficiency rate is low, it still performed better than the UHLP (see Table 6-4), proving the viability of the poor as end-users of credit. (HUDCC, 1999a)

Table 6-4: Collection Efficiency Rate, 1993-1998 (in Percent).

PROGRAMS	Average Collection Rate						Average 1993-1998
	1993	1994	1995	1996	1997	1998	
UHLP	65.30	62.53	62.60	62.62	63.34	61.68	63.35
CMP	69.30	72.64	83.41	81.40	77.34	77.43	76.92

Government housing programs for the poor are primarily those administered by the NHA (e.g., resettlement, sites and services development, medium-rise housing units) and the CMP. The latter has particularly generated much support among the urban poor, for the program immediately allows for incremental development even as it immediately addresses the need for security of land tenure. For the first phase, loans are provided for land acquisition; the second phase involves loans for site development, while in the third phase the beneficiary can borrow funds for house construction or improvement. In this system, beneficiaries can plan their housing related expenditures based on specific needs and availability of disposable income that could be devoted to dwelling improvements. That the CMP was successful among the poor shows in the high utilization rate of the CMP budget over a relatively short period. From 1989 to 2000, the CMP had 848 projects taken out, with 105,454 beneficiaries and with a total mortgage value of over P2.955 billion. (NHMFC, 2002.)

Some critics, though, point out that the CMP – while laudable for its recognition of the economic realities of the poor – only "legitimizes the existence of slums in urban areas. The absence of physical improvement in the neighborhood and dwelling structures after an on-site CMP land purchase is seen as a negative factor working against the CMP's acceptability as a legitimate housing solution." (Karaos, 1998) While this perspective obviously proceeds from particular assumptions about what constitute an acceptable housing solution – assumptions that do not necessarily suit the reality of its target constituents – the lack of site development in CMP projects is nonetheless a legitimate concern.

On the whole, the National Shelter Program failed considerably in allocating housing more equitably so that the shelter needs of poor households would be met. While it provided housing assistance to 623,053 households from January 1993 to September 1998 (a 70.04 percent accomplishment rate vis-à-vis the targeted 889,504 households), "only 281,443 households or 45.2% were classified under the socialized housing programs. In other words, of the P139 B spent by the NSP, only P26 B or 18.94% actually reached the bottom 30%." As for regional distribution, housing assistance for the poor was concentrated in the National Capital Region, followed by Region IV, X and III. (HUDCC, 1999a)

Table 6-5: National Shelter Program: Socialized Housing Accomplishment, 1993-September 1998 (In Number of Households)

PROGRAMS	1993-September 1998	
	Actual	% to Total NSP Accomplishment
Resettlement	61,430	9.86
CMP	67,022	10.76
UHLP	76,418	12.27
EHLP	61,375	9.85
GLAD	13,988	2.25
Cooperative Housing	1,210	0.19
TOTAL	281,443	45.17
VALUE	P 26.299 B	18.94

Institutional Weaknesses in the Housing Sector

Housing agencies, especially those charged with the delivery of frontline services, are often criticized for inefficiency, corruption, lack of transparency and accountability, and, in the experience with some agencies, anti-democratic attitudes toward NGOs and the urban poor. HUDCC (1998) noted the following weaknesses in the shelter sector delivery system:

- Shelter agencies' duplication and inconsistency in mandated functions;
- Poor operating framework within said agencies, such as treating housing as dole-out, not being demand-driven, and emphasizing quantity rather than quality;
- Poor coordination and lack of consultation mechanisms between shelter agencies as well as with other stakeholders;
- Unprepared LGUs, particularly in urban planning and shelter development, and capital investment programming; and,
- Tedious procedures involved in accessing housing programs

HUDCC, too, is limited in its mandate and organizational set-up to be able to effectively spearhead government efforts at addressing the housing problem. And just like other departments tasked with critical functions and resource-filled programs, housing agencies and their support-financial institutions are often vulnerable to political intervention. HUDCC itself became a victim of political machinations in the previous administration, when its original mandate was mangled to give way to a self-serving presidential commission. This kind of vulnerability also makes it difficult to introduce reform measures within the agencies and in the programs that they manage, much less ensure continuity when a change in housing leadership occurs. Housing and Local Government: Gains and Setbacks in Devolution The government-private sector-NGO/PO partnership for housing was joined by another stakeholder with the changes in the political environment. As decentralization and devolution became the norm, and with the passage of the Urban Development and Housing Act or UDHA (RA 7279), LGUs assumed the critical role of providing socialized housing and promoting urban development within their jurisdiction.

But as one study showed, many LGUs failed to comply with specific provisions related to socialized housing such as the inventory of land for socialized housing, identification of eligible socialized housing beneficiaries, elimination of professional squatting, or even just the preparation of a land use plan. Non-compliance with the law was attributed to lack of technical competence, lack of coordination among concerned offices, lack of funds and sheer disinterest, among others. (PHILSSA, 2001a)

At times, too, LGUs would submit required documents to HUDCC "for compliance purposes" but, when held accountable, would later disown these, even claiming that the mayor or department head concerned had no knowledge about the matter, notwithstanding documentary evidence such as cover letters signed by the duly designated authority. Even now, HUDCC's nearly three-year-old requirement for LGUs to submit their respective comprehensive land use plans – a prerequisite for the development of local shelter plans – has yet to be fully complied with. UDHA likewise mandates local governments (or the NHA) to provide socialized housing or resettlement areas in cooperation with private developers and concerned agencies. These areas must have basic services and facilities such as potable water, electricity, sewerage and solid waste disposal system and access to primary roads and transportation facilities. In most instances, however, LGUs would point to lack of resources as the principal reason for their inability to address the need for socialized and low-cost housing in their areas, yet very few avail of existing credit windows for local government housing. One LGU in Metro Manila cited its heavy debt burden and the strain on IRA share that additional loans for socialized housing or slum upgrading would cause.

Confounding the situation is that the Local Housing Program, a P1-million budget available annually for each of the 209 congressional districts as part of "poverty alleviation" funds and disbursed through the National Housing Authority, is seldom used to address specific needs. In the first place, very few POs and NGOs are aware that such fund is available. Too, actual fund use is subject to the decision of the district representative; this makes the program vulnerable to patronage (the district representative allocates the money for use of a favored constituency) and to corruption (the project must involve a favored contractor). Many also find the budget inadequate to really service housing needs in the district.

As for systematizing the implementation of UDHA and creating a mechanism for NGO-PO participation in the delivery of socialized housing, the advocacy for the establishment of local housing boards is running parallel courses. Pending before Congress is House Bill 3728, which requires the establishment of local housing boards whose powers and functions include preparing local shelter plans, approving subdivision development plans, advising the sanggunian on matters of local taxation that may affect local government socialized housing programs, and acting as a demolition clearinghouse. Even as the proposed bill awaits its fate, a few LGUs have decided to set up their own housing boards whose roles range from policymaking to actual implementation of certain functions hitherto lodged in other offices. In several of these LGUs, the active lobbying of NGOs and POs were instrumental in the creation of housing boards, while in other cases personal ties/contact between some city officials and NGOs facilitated matters.

On the positive side, there are LGUs that did not need the passage of UDHA to address the issue of shelter security for the poor, or the Local Government Code to work with NGOs, POs and the private sector toward advancing local development and the welfare of local constituencies. The pioneering achievements of Naga City in this regard are widely acclaimed (see Box 1), but other LGUs have been carrying out their own private-public partnerships for development albeit in less dramatic but equally effective fashion.

In Cebu City, NGOs and POs have enjoyed fairly good relations with its two mayors over the past 15 years, and have played an active role in pushing city officials to become responsive not just to the poor's need for shelter security but other developmental needs. The establishment in 1988 of the Cebu City Commission for the Urban Poor originated from a campaign promise to set up a Cebu City Office for the Urban Poor. The Commission had among its functions the establishment of a consultation mechanism involving the urban poor to ensure proper planning and evaluation of projects, the evaluation of completed as well as ongoing shelter projects of the city government, and the facilitation of foreign and local funding for urban poor programs. The subsequent replacement of the Commission by a Division for the Welfare of the Urban Poor, with its own "organic personnel," further institutionalized the work of the former. Other efforts by the city government pertained to the enactment of ordinances that operationalized key provisions of the UDHA. The creation of the Cebu City Housing Board was another important development in strengthening the city government's commitment to develop "an integrated and continuing housing plan for Cebu City with emphasis on socialized housing as primary strategy in providing shelter for the underprivileged and homeless." The Housing Board has two PO representatives representing the North and South Districts, and one NGO representative. (SALIGAN Urban Poor Unit, 2000)

Another example of local partnership for housing is Muntinlupa City, where initial collaboration between local officials and representatives of NGOs, POs and the local business community through the 1990 *Balikatan sa Muntinlupa* project had grown into a stable relationship that is integral to the city's continuing development. The NGO Muntinlupa Development Foundation played a significant role in encouraging the local government to address the urban poor's plight, first by assisting the Office of the Mayor in reviewing project proposals for interim financing of land acquisition projects by people's organizations, and later by conducting orientation on the CMP. The NGO also had the opportunity to influence the city government's policies regarding the management of settlements when it was requested to formulate the necessary guidelines. At present, it plays an active role in the Socialized Housing Program Committee, which was created in 1998 to facilitate local government efforts in pursuing socialized housing projects. (PHILSSA, 2001b)

A promising endeavor in Bikol was a series of workshops on "LGU-Sharing on Shelter and Urban Planning" involving five cities, three municipalities, regional offices of line agencies, NGOs and POs. Part of a wider campaign for security of tenure, the activity is a multi-stakeholder initiative aimed at promoting the implementation of UDHA and providing assistance to LGUs in this regard, through the exchange of experience and expertise. The exercise also opened the way for collaboration between LGUs and NGOs in mainstreaming UDHA in particular cities. In Cebu City, similar efforts were made to assemble LGUs, NGOs and POs from different provinces in the Visayas to assess the state of UDHA implementation and to determine possible strategies toward enhancing local capacities in this regard. The above experiences show that "good urban governance" through a responsive and representative LGU is an important prerequisite in the provision of secure tenure. Through the process of dialogue, negotiation and participation in institutionalized mechanisms, the poor are able to articulate their needs and perspectives, as well as exercise their right to share in the design and implementation of projects directly affecting them. Good urban governance also facilitates partnership with other stakeholders – private sector, landowners, church, academe – whose cooperation and contributions are important in ensuring the success of any endeavor meant to uplift the conditions of the poor. However, good urban governance is not simply about local officials acceding to the demands of their constituency. As Naga City's mayor put it, "While the urban poor must be strong and unified enough to pressure the LGU, *they must also be understanding enough to accept the limitations of government and the obligations of the sector. They must also be led by community leaders who understand that there are other sectors in the community whose needs should also be addressed.*"

Such LGU-NGO-PO partnerships are difficult to find in Metro Manila. The apathy or even hostility of local officials toward NGOs impede any potential partnership. For their part, many NGOs and POs have yet to develop the inclination and the skills to consistently engage the local government and even contribute their share in problem-solving exercises. Except for a handful that devote much of their effort to local development concerns (housing included) that ultimately require relating with local officials, most NGOs address their issues to immediate targets (e.g., landowner, barangay) or to the national government. Proximity to the seat of power tends to retard the development of political and technical skills that may be critical in providing solutions to what are ultimately local problems. Mobilizing and demanding redress from central government, while more likely to call attention and create some impact, also tends to diminish the importance of the local government as an arena for many legitimate issues, especially in the light of decentralization and devolution.

BOX 1
THE POOR AS INTEGRAL PARTNER IN LOCAL DEVELOPMENT: NAGA CITY'S *KAANTABAY SA KAUSWAGAN* PROGRAM

The achievements of Naga City in promoting the welfare of its citizens have been widely recognized both in the Philippines and abroad. A consistent *Galing Pook* awardee in various fields, Naga City is perhaps best known for having consistently endeavored to address the plight of the urban poor. As early as 1992, it garnered a place in the Habitat II Top 40 World Best Practices for its *Kaantabay sa Kauswagan* (Partners in Development) program. In 1998, it received the Dubai International Award for Best Practices in Improving the Living Environment.

Kaantabay sa Kauswagan is a comprehensive and continuing development program for the urban poor that began in 1988 under the leadership of Mayor Jesse M. Robredo. It is a program rooted in a development perspective based on 'growth with equity,' which, as the Mayor explained in a correspondence with the writer, meant that "development must always be inclusive and government must be a tool to equalize opportunities. The poorer sector of the community must therefore be given preferential attention [but they must also be considered] as 'partner-beneficiaries' instead of simply beneficiaries. They need to participate and fulfill their own obligations."

The provision of security of tenure as the "lynchpin" of efforts to help the poor, arose from the city government's belief that the absence of such "was the most serious threat to [the urban poor's] way of life and peace of mind." That property values were then rapidly escalating made the issue even more pressing. Also, as the Mayor said, "We felt that in the long-run, development can only be sustained if we correct inequities in wealth distribution." Besides generating more jobs and livelihood, securing land tenure became a priority concern for the administration.

To ensure that the bureaucracy would keep pace with the administration's commitment, an Urban Poor Affairs Office (UPAO) was created not only to handle programs but, equally important, to champion the issues of the sector within city hall. And besides stressing to employees that "the sector should be given more of government because they do need government the most," the Mayor welcomed partnership with NGOs. In particular, the city administration worked with Cope Foundation in implementing and enhancing its urban poor program. The NGO was credited with uniting the disparate urban poor communities, thereby facilitating negotiations with the city government.

As for the conflicting needs of different stakeholders (local businesses, property owners, urban poor communities, NGOs), the administration preferred consensus building toward the attainment of mutually beneficial solutions. It helped that the city government was often in a position to provide a particular need (immediate payment to the landowner or infrastructure support, for instance), thereby facilitating negotiation.

For Mayor Robredo, "The bottom line was, the resolution should [result in] 'the greatest good for the greatest number'. Some might not be able to get what they most desire, but it certainly is better than what and where they are now. We were willing to compromise as long as it was 'within the bounds of the law'. We expropriate when the property owners are unyielding with their positions."

According to Engineer Roland S. I. Campillos, head of UPAO, the *Kaantabay sa Kauswagan* program has identified 10,000 urban poor households as partner-beneficiaries. From 1988 to 2001, the program managed to cover 6,940 households through a combination of on-site development and resettlement. A total of 88.5 hectares of land have been awarded, of which 20 hectares were owned by the city while the rest were private properties bought by the city for the program's purposes. Land acquisition was financed mostly through soft loans from local banks as well as budgetary allocation, while land development was often carried out in partnership with NHA. Partner-beneficiaries were likewise required to make equity contributions, while the city provides P10,000 in direct assistance to each family. Except for two projects, the city government does not avail of the CMP, which it finds too slow in processing applications. So far, the program has a 70 percent repayment rate. The beneficiary-households pay their amortization with the City Treasurer, and collections are pooled in the Socialized Housing Trust Fund that serves as a revolving fund for other housing projects. That the city government treats the urban poor as partner shows in its resolve to exact accountability from beneficiaries who failed to comply with the terms of the program. The awarding of more than 50 lots has been cancelled, while another 50 or so cases are still pending.

The passage of the *Kaantabay* ordinance in 1998 institutionalized the program and mandated the allocation of 10 percent of the city's annual budget accordingly. It also provides incentives for property owners: Those voluntarily providing resettlement sites to illegal occupants of their land were entitled to real property tax credit equivalent to 15 percent of the assessed value of the resettlement site. On the other hand, property owners who voluntarily sell their land to the city or to urban poor occupants were entitled to 5 percent, 10 percent and 20 percent reduction in real property tax on their commercial, residential and agricultural lands, respectively, for a period of 10 years. (Ordinance No. 98-033)

The city government is currently pilot-testing the *Bayadnihan* Program, a homelot acquisition scheme for the beneficiaries of the *Kaantabay sa Kauswagan* program that would allow them to settle lot amortization, arrears and penalties by participating in the implementation or maintenance of the city's infrastructure projects, or by rendering frontline services. (Ordinance No. 2001-078)

The Role of Donors

International donor agencies occasionally figure in the housing sector's policymaking and implementation processes. Donor agencies have actually come to play a more pronounced role over the past three years. In the late 1980s and early 1990s, the NGOs' engagement with multilateral agencies often had to do with pressuring the latter to show greater sensitivity to the plight of communities that were threatened with displacement by the massive infrastructure projects that they were financing. Over the years, as the international community became more sensitive to issues of human rights and especially access to security of tenure, advocacy with donors gained headway.

In the urban poor's experience, donors usually take a non-interventionist role, although they are often seen by communities as potential allies in that they hold much clout in pressuring government implementing agencies to uphold "good practices" in the conduct of relocation activities. The Asian Development Bank and the World Bank, for instance, have been quite instrumental in raising local standards in relocation practices, by requiring as condition for funding that government infrastructure projects include a resettlement action plan that is acceptable to the affected communities. By providing funding to local governments, donors could also be instrumental in propagating good practices in in-city relocation and slum upgrading that, incidentally, are programs being piloted by both the ADB and the World Bank with the help of NGOs.

Sometimes, under non-controversial circumstances and aided by less obtrusive conduct, donor agencies succeed in bringing together stakeholders that would otherwise not find the inclination to collaborate on specific endeavors. The Philippine Urban Forum is one such initiative being undertaken at present. Led by HUDCC, the UNDP and the UN Centre for Human Settlements, the Forum is intended to serve as "mechanism for continuing consultation and convergence among stakeholders in shelter and urban governance," toward fostering understanding of the norms of good urban governance and creating a strategy for promoting secure tenure.

Stakeholder Interaction and the Challenges to Housing Reforms

Over the years, the different partnerships have developed their own dynamics that affect the direction of government policies and programs at different levels and in differing degrees. The dynamics usually become pronounced in periods of conflict over priorities and preferred courses of action. In the shelter sector, lobbying had been a traditionally high-stakes game involving billions of pesos, and the resolution of conflicts in favor of one or the other often meant implications far larger than what short-term concessions meant. Where the private 'partner' managed to impose its will, often it was because government deemed it indispensable to the attainment of policy objectives, or its support crucial in enhancing political legitimacy or at least avoiding unnecessary political problems.

On the other hand, where government stood its ground on certain demands, it was able to do so partly because it enjoyed sufficient support from other stakeholders, and partly because it did not have the financial means to make such concessions anyway.

That housing had become critical to the economic survival of stakeholders other than those who needed it most – the end-users – makes the introduction of far-reaching reforms a near-quixotic task. Whether it is to curtail abuse of existing privileges, impose higher standards of performance, or introduce a radical shift in the relationship between government and beneficiaries, any change is bound to affect everyone for different reasons but with the same immediate result of inviting resistance and disenchantment. With all the problems confronting the housing sector, any reform-minded administrator would have to contend with dilemmas that arise from the need to carry out technocratic solutions to correct systemic flaws on the one hand, and political solutions to mitigate palpable problems on the other. Finding the balance between the two would require time, something that housing's constituents cannot afford to give in the face of urgent needs whose resolution, in their view, is equally if not more important than purported systemic problems, the proposed solutions to which they question anyway. In the end, it is the non-government stakeholder's capacity to mount pressure that often tips the scale in favor of popular but not necessarily sustainable solutions. For political leaders who live on votes, the burden of instituting reforms can be left to the next administration.

Parallel incidents that occurred under the Ramos and Estrada administrations illustrate the enormity of challenges confronting any serious effort to reform the housing sector, including its vulnerability to policy conflicts and political expediency. The protagonists were government (or its particular agencies), private developers, CMP originators, and NGOs and the urban poor.

Government and Private Developers: Who Bears the Risks? The Unified Home Lending Program (UHLP), implemented in 1987 under then-HUDCC Chair Teodoro Katigbak, was the largest mortgage program, with takeouts from 1987 to 1996 reaching P45.6 billion and accounting for the construction of 235,695 housing units for 271,020 families. The program essentially involved three stages of transaction. First, the SSS, GSIS and Pag-Ibig Fund made annual funding contributions to the UHLP based on the amount of investible funds that the three institutions could afford to commit at the time. Second, the NHMFC – as the managing institution for UHLP – engaged in re-lending to eligible homebuyers through accredited loan originators (financial institutions, corporate employers and developers); NHMFC would purchase mortgage deliveries of loan originators, thereby allowing sufficient liquidity for the latter to undertake more housing projects. The mortgages, meanwhile, were subsequently assigned to the UHLP funders. Third, the NHMFC collected the monthly amortization of individual borrowers. The NHMFC also had to repay the UHLP funders the yearly loan amortization regardless of whether collection from borrowers was made. (Llanto and Orbeta, op. cit.)

The program began to unravel when the UHLP suffered deep financial constraints due to low repayment rate, huge amounts of uncollected loans and inadequate funding support. By early 1996, delinquent loan accounts had numbered to more than 100,000 with a total loan value of P21.2 billion. The situation made it difficult for SSS, Pag-Ibig Fund and GSIS to continue providing funds to UHLP, especially since they also had their lending programs to protect. (Llanto and Orbeta, op. cit.) Worse, the NHMFC's backlog in mortgage takeouts had grown to P7 billion by this period, prompting developers and originators led by the Chamber of Real Estate and Builders Association (CREBA) to threaten government with halting low cost housing construction activities unless government paid the mortgage takeouts it owed since 1995. In response, then-President Ramos ordered the Pag-Ibig Fund to release P7 billion for the continued implementation of the UHLP. But the conflict with developers continued, with then-HUDCC Chair Dionisio de la Serna being attacked for his perceived inability to make the SSS, GSIS and Pag-Ibig Fund fully comply with their funding commitment to UHLP, and for the latter's continued lending operations that were viewed as competing with UHLP. (Karaos, n.d.) Meanwhile, things worsened at NHMFC, where poor collection for its P42.82 billion housing portfolio forced it to declare bankruptcy, thereby severely constraining the lending capacities of SSS, Pag-Ibig Fund and GSIS whose respective exposure to NHMFC amounted to P30 billion, P7 billion and P5 billion.

HUDCC and the funding agencies had a different view of the problems besetting UHLP: 1) NHMFC's worsening financial position as takeouts increased while loan collection slumped; 2) inability of NHMFC's personnel to process the huge number of loans, much less ensure collection; 3) perceived conflict of interest among developers, who often acted as loan originators of their own housing projects; and, 4) tedious and costly foreclosure procedures. Through Council Resolution No. 12 issued in April 1996, HUDCC made the following changes to UHLP: (1) the creation of a multi-window lending system wherein funds were no longer channeled to NHMFC and instead lent directly by the funders or through financial institutions; (2) developers' mortgage origination was limited to amounts below P150,000; (3) mortgages beyond P150,000 up to P375,000 were to be approved based on the borrower's capacity to pay, in effect nullifying the formula lending scheme under the UHLP; and, (4) the ceiling for the lowest housing package was increased from P150,000 to P180,000 but with the additional P30,000 incurring interest of 12 percent instead of the 9 percent interest prevailing for the said package. The changes took effect after a six-month transition, during which period all mortgage takeouts were made through Pag-Ibig Fund. (Llanto and Orbeta, op. cit.)

Ironically, the problems attending NHMFC's management of the UHLP had already surfaced many years earlier, when the corporation had been declared insolvent twice. The first was in 1985 due to "negative spreads, [high inflation rate], high debt costs combined with long-term below-market fixed-rate mortgages, lack of sound financial management, liberal loan terms, low mortgage collection rate (about 60 percent), inadequate loan loss provisioning, and lack of political will to foreclose on non-performing loans." Despite its recapitalization by government and the World Bank's extension of technical assistance in 1988, the NHMFC's financial position further deteriorated in 1991-1992 because, in addition to the earlier problems, the corporation had purchased NHA-originated low-income mortgages that lacked final individual titles. (World Bank, 1997b)

Notwithstanding its many deficiencies, the NHMFC continued to administer the biggest housing mortgage program in the country. Its continued deterioration prompted the Department of Finance, in 1995, to commission the Land Bank of the Philippines to conduct a review of NHMFC's policies, procedures and various areas of operations and management. The purpose was to improve the corporation's collection efficiency and overall financial performance. Some of the findings of the Land Bank's review (1995) are:

- The NHMFC did not implement the "buy-back" agreement that required originators to repurchase loans from defaulting borrowers, reportedly due to the lack of staff to oversee its compliance. Worse, while loan accounts of some originators had an average collection efficiency of as low as 5.3 percent and 15.3 percent, their credit lines were still renewed since the NHMFC expected collection efficiency to improve with the implementation of the salary deduction scheme.

- The policy of allowing developers to act as originators needed review, due to the "inherent conflict of interest in designating developers to evaluate potential borrowers, as these developers would be more concerned with selling their projects rather than ensuring good loan accounts." That the developer originators' collection efficiency for the period under review averaged 59 percent as against 68.7 percent for loans originated by financial institutions, buttressed the argument against their functioning as originators.

- The NHMFC did not evaluate the borrower's character, eligibility and capacity to pay, arguing that it was the originator's responsibility to assess creditworthiness. At the same time, the practice of formula lending encouraged irresponsible borrowing, thereby contributing to the loan defaults.

- Weak accounting and management information systems characterized credit administration, i.e., absence of policies or operating manuals, inefficient systems and procedures, and lack of coordination among the different units involved. For instance, delinquent accounts could not be addressed immediately due to the lack of updated records. Also, statements of account were sent to borrowers only upon request. The late posting of receivables and application of payment contributed to the discrepancy of P5.2 billion in the recording of mortgage contract receivables under UHLP.

The Land Bank recommended remedial measures such as: (i) the creation of a task force to reconcile accounts, (ii) the conduct of a systems review/reengineering to improve business processes and information system, (iii) strong enforcement of the buy-back agreement, (iv) review of the policy that allowed developers to act as loan originators, and (v) the conduct by NHMFC of its own review of borrowers' creditworthiness.

Even the Presidential Management Staff evaluated NHMFC's performance in 1996, and essentially came out with unfavorable findings and certain recommendations to improve the corporation's performance. (PMS, 1997) Unfortunately, the reviews may have come too late. By March 1996, the NHMFC "was technically insolvent and irreversibly illiquid." In August of the same year, the World Bank sent a mission to assess the corporation. The mission found out, among others, that the NHMFC's collection efficiency rate for its P42.82 billion portfolio (95 percent of which came from the UHLP) was 55 percent at best, net losses for 1996 were estimated to exceed P1 billion, and interest margin from 1990 to 1996 had been consistently negative. The NHMFC's insolvency – its third in 12 years – was attributed to the following: (World Bank, 1997b)

- Government housing finance policies such as formula lending and credit subsidies;
- Weak regulatory and supervisory framework, and the lack of timely intervention in the deteriorating operations of a key public agency;
- Weak financial management, accounting systems, and internal controls;
- High delinquencies and low collection efficiency;
- Weak credit and risk management policies and procedures; and,
- The origination of loans by builders and developers who have a built-in conflict of interest.

Rather than support NHMFC's recapitalization, which would have cost government an estimated P18 to 28 billion, the assessment report recommended the replacement of NHFMC's senior management with an interim management team whose primary responsibility would be to "efficiently wind down and sunset" the corporation. But the Ramos administration did not implement the said recommendation. (World Bank, 1997b)

When the high-flying housing industry crash-landed following the Asian currency crisis, the extent of problems confronting the government's housing program came to light. By the end of the Ramos administration in 1998, not only was the NHMFC insolvent, but "big-ticket" property development projects had begun calling on the HIGC's mortgage guarantees for unpaid loans with commercial banks. (Karaos, 1999) Worse, HUDCC was saddled with about 100,000 unoccupied housing units that resulted from the supply-driven, formula-lending policy of the past years; many of these units had ghost-beneficiaries and of sub-standard quality.

By this time, too, many studies had been conducted on the weaknesses of the housing finance system. The principal concerns are the inefficient subsidy scheme that largely benefited the non-poor, and the government's huge losses due to the numerous subsidies and mortgage risks that it shouldered. An important criticism of the subsidy programs is that the structure of incentives motivated certain "strategic behavior" in various stakeholders that "maximizes their self-interested goals [but] threatens or undermines ... housing policy objectives." (Llanto and Orbeta, op. cit.)

Borrowers: With creditworthiness set aside under the formula lending scheme, borrowers who had no capacity to pay ended up acquiring housing loans without repaying these. Delinquent borrowers viewed the housing loan as "a typical government loan that need not be repaid at all or could be repaid at a later time."

Banks: The transaction cost and information problem associated with socialized housing loans deter private commercial lenders from providing financing to this segment of the housing market. The pension funds' extension of highly subsidized loans aggravates the situation, as private lenders cannot compete. Instead, they act as credit conduits for a fee and "take no credit risk for lending to the sector."

Private developers: The UHLP's formula lending enabled developers to build and sell houses to eligible but not necessarily creditworthy borrowers, without significant effect on their financial standing. "They earn sure income and do not have credit risk exposure," and at most incur opportunity losses on account of delays in government reimbursement through the takeout mechanism. Besides the "moral hazard" of allowing developers to undertake mortgage origination, "the lack of credit risk, the ability to exploit information asymmetry in the production of houses and auxiliary infrastructure such as sewerage, piping etc., and the guaranteed takeouts . . . create incentives for supplying substandard housing units and defective infrastructure."

Public housing agencies: By requiring SSS, GSIS and Pag-Ibig Fund to use membership contributions as loanable funds for housing, government is effectively using private money to support a public policy and to finance public activities that should instead be covered by government appropriation.

Legislators/policymakers: As long as government views its role as provider of housing to almost everyone, politicians will look at the housing problem as simply a funding problem, and will therefore "throw money" to the problem "by mandating the continued use of . . . pension funds, legislating budgetary appropriation for subsidized lending [with] little regard for financial sustainability, and imposing loan quotas on financial institutions to force them to lend to target beneficiaries."

Against the backdrop of a housing program gone bankrupt, Joseph Estrada rode to the presidency on the back of a campaign promise to provide "food, jobs, and houses" for the masses. The new HUDCC Chair, Karina David, found herself confronted by the pressing issue of housing finance. "I did not even know that these problems existed, but the more I understood them, the more I realized that housing finance reforms would create many enemies for anyone who implemented them. The required changes are unpopular, like eliminating rent control to stimulate the rental housing market. The question was who would join me 'to take the bull by the horns'. I felt that it was the best time to undertake the reforms, because Erap's immense popularity could shield the shelter sector from political pressure."

The reforms began with a fundamental shift in policy framework in terms of, first, making housing an economic issue and, second, moving from a bias for homeownership toward *shelter security* by providing various forms of tenure. Treating housing as an economic issue meant that the long-term sustainability of the sector must be seriously considered, policy decisions must be guided by sound financial analysis and not just political considerations, and difficult issues concerning housing finance must be confronted squarely for genuine reforms to ensue. This also meant departing from the conventional wisdom of looking at housing as merely a political or welfare issue. Government should not assume the sector's financial burden, and while it should focus its resources on the bottom 30 percent of the population, housing assistance should also be weighed in relation to other sectors' needs. On the other hand, the complementary shift away from the policy bias for homeownership toward shelter security stemmed from the recognition that not everyone could afford to buy a house, but everyone needed access to decent and affordable shelter. The new housing leadership therefore looked to expanding housing options for less wealthy and mobile households, such as rental housing, long-term lease and the like.

Its goals encompassed not only conventional issues like urban policy or housing production and affordability, but also economic concerns like the quality and quantity of investments in the sector, and the development of indicators for the purpose of monitoring distortions in the demand- and supply-sides of housing. To achieve these goals, HUDCC adopted several strategies, the most critical being the following: (HUDCC, 1999a)

- Housing Finance System reforms and other policies to enable the private sector in housing finance and production, through the strengthening of the primary mortgage market and the creation of a private-sector managed secondary mortgage market institution. Also, a "better allocation" of responsibilities and risks between government and the private sector would be undertaken.
- Establishment of a Housing Assistance Fund – an on-budget subsidy fund separate from a mortgage loan fund – as the "cornerstone of a new housing assistance strategy" that aimed to "give direct subsidies to households borrowing in the mortgage market, [and] reduce the leakage to the non-poor."
- Expanded options for the lowest income households, through the development of efficient rental markets. Strategies for developing the private rental market and for refocusing housing policy instruments to households without access to either formal rental or homeownership markets would be explored.

In planning for 1999-2004, HUDCC's priority activities were aimed at servicing total apparent demand of 1,154,354 households – 941,630 households for socialized housing and 212,724 households for economic housing. The corresponding mortgage financing and subsidies were projected at P200.6 billion. Of this amount, the public sector would put in 23 percent or P45.506 billion, 98 percent of which would go to socialized housing. The 77 percent share of private sector investment would come from the Pag-Ibig Fund (P60 billion, all for retail lending) and other private funds mobilized through HIGC, commercial banks and other financial institutions. (HUDCC, 1999a)

The planned reforms in housing finance necessitated a radical shift in the relationship between government and the other stakeholders toward a "better allocation of roles, responsibilities and risks." Resistance was bound to emerge especially from those that profited under the previous system. Not surprisingly, conflict between developers and HUDCC continued under the Estrada presidency, this time over reform measures.

HUDCC's policy decision of shifting to an 80-20 allocation of government resources in favor of socialized housing apparently triggered the dispute. The reversal of housing priorities immediately translated into the use of a market-driven interest rate on all types of housing loans (which at the time was placed at 16 percent) even as subsidies for a limited period were provided to socialized housing borrowers, a stop in GSIS and SSS home-lending to protect the pension funds, and the closure of developmental lending windows. (Karaos, 1999)

The change in lending rules had a direct impact on developers and builders who had relied on government's lending and credit facilities for their projects. The Pag-Ibig Fund's return to its basic mandate of providing direct end-user financing to members necessitated a "shift to retail lending, away from the system of lending through developers." To maximize funds, Pag-ibig suspended the processing of new applications for developmental and institutional loans, and serviced only those that had been in the pipeline as of May 1998. Likewise, no new applications were approved under the Pag-Ibig Credit Facility for Private Developers. (HDMF, 1999)

Individual borrowers, too, were not spared by the new credit regime. Changes in housing finance and subsidy policies were illustrated in the modified guidelines of Pag-Ibig's Expanded Housing Loan Program (EHLP) that took effect in the first quarter of 1999. Under the new guidelines, a member could be eligible for a loan only after contributing for at least three years, interest rates were raised to market level while transparent subsidies were provided to the income-poor, and procedures were set up for verifying capacity to pay. The changes did not seem to affect the demand for housing loans, as Pag-Ibig released P6.177 billion in housing loans from July 1998 to March 1999, equivalent to 28,544 housing units. (HUDCC, 1999b) For delinquent borrowers, HUDCC went into *dacion en pago,* and put up for sale houses whose borrowers had loan arrears of at least one year, thereby forcing many to pay (although there were borrowers who simply refused to pay because their houses were of substandard quality).

In relation, HUDCC sought to improve NHMFC's collection and balance sheet through an aggressive foreclosure program, computerization, data clean-up and outsourcing of mortgage servicing functions. By the first half of 1999, a proposal to liquidate NHMFC and to transfer existing programs like the CMP to appropriate agencies had been approved by the President. The said decision was expected to "pave the way for the creation of an active and liquid private sector-led secondary mortgage market facility." (HUDCC, 1999b) In a Memorandum (1999), the President authorized the creation of a task force to be led by HUDCC and composed of the finance, budget and justice departments as well as the head of the Securities and Exchange Commission. The task force's mandate was to formulate detailed plans and timetable for NHMFC's liquidation and the disposition of its assets, and to constitute an interim management team to oversee the plans' implementation.

To ensure efficient targeting of subsidies, HUDCC emphasized the need for a clear definition of who are the poor, and based its definition on income rather than the location of their residence or the kind of houses they wanted to buy. The subsidies were thus computed based on the poverty rate, not on the price of housing for which a loan was being applied. This was also intended to minimize leakage to the non-poor, as in the case of borrowers who could afford to obtain financing from commercial lenders but instead borrowed socialized or economic housing loans from Pag-Ibig to take advantage of the interest subsidy. In the EHLP's case, subsidies were applied to socialized and economic housing for limited periods, depending on the loan amortization term, i.e., a 25-year loan term got subsidized for 10 years, while a 15-year mortgage had subsidy for six years.

For socialized housing, HUDCC introduced a graduated amortization scheme that started at around P200 monthly and escalated over a five-year period, while working to set up a Housing Assistance Fund that would provide on-budget, 10-year subsidy equivalent to a reduction of 7 percent interest from the uniform loan interest rate of 16 percent. In effect, the interest rate to be paid for by socialized housing borrowers was 9 percent but only for the first 10 years of the 25-year amortization period, after which they would pay at 16 percent. The subsidy scheme proceeded from the assumption that, since the value of money declines over time, the urban poor would be able to afford nominal increases in amortization. (Karaos, 1999)

In an attempt to strengthen NHA's socialized housing delivery system (and to bring it back to its original mandate), the agency was ordered to stop building economic housing. A system of matching developers and the urban poor was also designed. NHA mapped the squatter areas in Metro Manila to determine which communities needed to be resettled annually, and invited developers to submit housing proposals accordingly. Site visits by prospective beneficiaries were also organized. For HUDCC, the matching system was not only a way of lowering the cost of housing; through the site visits, the urban poor are allowed to articulate their preferences, and to assess the quality of the housing being prepared for them. As former HUDCC Chair David said, "Matching is also a mechanism for assessing the supply; if done prior to relocation, developers can even be made to compete and the urban poor – as customers – are given dignity because their preferences will have to be considered."

Other efforts being taken at the time were aimed at the eventual securitization of housing mortgages, strengthening the guaranty program with the pending legislation on the Home Insurance Guaranty Corporation, and exploring the feasibility of offering a wide range of mortgage services other than the existing fixed-rate mortgage scheme. (David, 1999) Recognizing that not everyone could afford to own a house, HUDCC looked to strengthening the rental housing market, including the possibility of setting up public rental housing for the poorest of the poor as another form of subsidy. HUDCC likewise announced a policy promoting lease-purchase and rent-to-own schemes as alternative modes of acquisition. To encourage private banks to lend for socialized housing, the HIGC would allocate 30 percent of its guaranty fund for such. HUDCC was also negotiating with the Monetary Board to allow banks to use a percentage of their funds for socialized housing, as part of Agri-Agra compliance. In addition, several companies were approached on the possibility of undertaking corporate housing for their employees, either through joint venture with the pension funds, or through the companies' own home-lending program.

With regard to resettlement, HUDCC prioritized in-city relocation, and encouraged LGUs to provide for the housing needs of their informal settlers rather than to "export" them to other areas. If in-city relocation was not possible, the resettlement of these families should be limited to adjacent municipalities and/or within the metropolitan area. Only when both options are not feasible should resettlement to adjacent provinces be undertaken. In relation, HUDCC came out with a policy that required sending LGUs to provide financial assistance to the receiving LGUs to ease the absorption of the resettled families, and to provide financial assistance to the affected families as part of a subsidy scheme to lower the cost of housing.

On top of these concerns, HUDCC conducted an inventory of unoccupied housing units that led to the discovery of about 100,000 scattered all over the country. Some of the better-constructed units were bought for the resettlement of informal settlers along *esteros* and the Pasig River bank, while others were put on the market.

Barely a year into the term of the Estrada administration, CREBA published a series of paid ads that called for a change in the housing leadership, charging incompetence that caused huge disincentives for housing production. The developers lamented that construction slowed down because of HUDCC's policies, while the latter claimed that CREBA wanted the pension funds to continue putting money into housing and clamored for the revival of the UHLP. While the President supported the HUDCC Chair at the time, subsequent months saw a gradual undermining of reform initiatives that came from within the Palace, such as housing projects decided on without informing HUDCC, and the appointment of another presidential adviser on socialized housing. (David, 2001)

These machinations culminated in the surprise removal of Pag-Ibig President Zorayda Amelia Alonzo and the creation of a Presidential Commission on Mass Housing (PCMH) that designated two Presidential Advisers – one on Socialized Housing which was the other title of the HUDCC Chair, and another on Economic Housing. Citing his discontent over the slow production of mass housing, Estrada named himself Chair of the PCMH that would act as the "housing czar." HUDCC's role was severely curtailed, its main responsibilities transferred to the PCMH and its functions limited to socialized housing. Even the shelter agencies that it used to coordinate and monitor became its co-equal under the new set-up. Karina David tendered her resignation barely two days following the creation of PCMH. The president responded by announcing that he would order the lowering of interest rate on housing loans from 16 percent to of 9 percent, and extend the amortization period to 30 years under a modified multi-window lending system that also mobilized the pension funds anew to support the housing program. (Karaos, 1999; EO 159; ADB, op. cit.)

An immediate consequence of the change in housing leadership was the World Bank's withdrawal of technical assistance to strengthen the shelter sector. The US$4.6 million loan was aimed at, among others, strengthening housing policy research, analysis and formulation; strategy development for expanding socialized housing programs like the CMP; improving the restructuring and actuarial soundness of HIGC's credit enhancement operations; and, developing an asset-liability management model for Pag-Ibig. The technical assistance, which was negotiated preparatory to a US$200 million loan for contractual savings and housing finance reform that would allow HUDCC to operationalize its shelter development plan, was suspended by the Bank given questions about government's commitment to housing finance reforms. (World Bank, 1999)

Many of the important reforms initiated by the previous HUDCC Chair were expectedly reversed. The most crucial, the creation of a separate, on-budget subsidy mechanism, was been done away with as lending windows reverted to interest subsidies (below-market rate loans). The Housing Assistance Fund, whose proposed appropriation of P800 million Congress had already approved (though not yet signed into law) before the change in leadership, was eliminated and its allocation incorporated in other components of the housing budget for 2000. Lending rules were liberalized for the Pag-Ibig Fund's EHLP: the three-year membership requirement was reduced to two years, the market-level interest rate for all types of loans was replaced by 9 percent, 12 percent and 16 percent depending on the loan amount, and the loan term was extended from 25 to 30 years. The Fund likewise reopened its lending and credit facilities to developers, and revived the Pag-Ibig City Program, in 2000. (HDMF, 2001) The liquidation of NHMFC was also held off.

The ease with which the administration turned its back on housing reforms may be attributed to two factors. First, Estrada's approval rating had "plummeted drastically" from May to September 1999, his administration hounded by charges of corruption and cronyism, and confronted by rallies over proposed Constitutional changes. (Bautista, 2001) He needed to bounce back, and the solution he came up with was to assert his pro-poor image by "doing something about housing." (David, 2001) Second, and more important perhaps, HUDCC's reforms had no constituency even within the NGO community from which the former Chair had come.

The NGOs, used to dealing with government on specific issues and projects, were not conceptually prepared to engage HUDCC on such a complex topic as housing finance and its effect on various aspects of the shelter sector. It did not help that, other than concern over the lack of funds for CMP and other socialized housing programs, the NGOs had not really thought about the housing finance system, its flaws and the merit of proposed reforms, including the shift to market orientation. They were also unable to engage HUDCC on the operational implications of the policy shift from a bias for home ownership – a bias that many NGOs share – toward shelter security.

Hence, except for skepticism or criticism over specific changes in lending rules and procedures or changes in particular projects, the NGOs could not debate HUDCC's policy direction, much less offer policy alternatives that also addressed systemic weaknesses. That the reform measures also affected the urban poor, such as in the use of market rates for socialized housing loans or in the tightening of rules for CMP, added to the NGOs' doubts about the efficacy or even appropriateness of these reforms. With the reform initiatives set back, it was "business as usual" again at the housing sector.

In February 2000, Estrada issued another executive order "strengthening HUDCC," restoring its major functions and even buttressing its position by making the HUDCC Chair "the chief implementing official of all government shelter/housing programs and related functions and activities," even though s/he continued to report to the PCMH. It also restored HUDCC's administrative supervision over the shelter agencies "which remain attached to it for purposes of policy and program coordination." (EO 216) A week later, then-Presidential

Management Staff chief Leonora de Jesus – who had earlier been designated acting Chair – was finally sworn in as head of HUDCC.

The new housing leadership eventually found itself at the receiving end of CREBA's paid ads, which resumed criticism of the Estrada administration's modified Multi-Window Lending System and instead batted for the creation of a Centralized Home Financing Program (a rehash of the now-defunct UHLP). The proposed program would have a seed fund of P120 billion, to be taken from the SSS, GSIS and Pag-Ibig, as well as from commercial banks and insurance companies. The proposal was rejected on the grounds of its being "financially not viable, legally not feasible, and politically not acceptable." (HUDCC, 2000b) Three months later, HUDCC unveiled initiatives at streamlining housing rules and regulations, including allowing the processing of application for Certificate of Registration (CR)/License to Sell (LTS) for subdivision or condominium projects pending the release of environmental compliance certificate (ECC). However, the final approval of the CTR/LTS would be made only after the DENR approved the ECC and survey plan. (HUDCC, 2000c)

Government and CMP Originators: Short-term Needs Versus Long-term Goals. The Community Mortgage Program, introduced in 1989 and managed by the NHMFC, is an innovative approach to addressing the urban poor's lack of access to land tenure in that occupants of a tract of land – whether private or public – could acquire the said property by means of community ownership. The individual member obtained the right to use the land and secured eventual ownership through a Lease Purchase Agreement between the individual and the community association. Many NGOs participated by originating CMP loans and organizing communities into associations to qualify for assistance.

Catering solely to informal settlers, the CMP provided the only other government alternative to resettlement and its highly subsidized nature made it accessible to most of the poor. But inadequate financing had always plagued the CMP, with loan applications often exceeding the funds released. Delays in processing – at times extending to three years – was the most common complaint of CMP originators and applicant-communities. Under the Ramos administration, the CMP originators had a number of skirmishes with the head of NHMFC, Eduardo Lunas, over what they perceived as the latter's bias against CMP.

The conflict initially stemmed from policy changes introduced in 1994 that were deemed detrimental to CMP's NGO originators. This included requiring the latter to assume the arrears of partner-associations, and to meet a 90 percent collection efficiency rate (as against the average of 69.30 percent in 1993) if they were to maintain their status as CMP originator. The NHMFC also wanted them to assume responsibility for site development, to which the NGOs vehemently disagreed, arguing that local governments were better situated to carry out this function. Besides these policy changes, actual funding support for CMP did not match the commitment made under the CISFA that P12.8 billion pesos would be allocated for the program over a five-year period.

For example, compared to the P700 million allocated for 1995, actual fund release to CMP was a measly P190 million; in 1996, it had a budget of P800 million but received only P268 million. Things had gotten so bad that the CMP originators staged rallies in various parts of the country to demand the ouster not only of the NHMFC head but also then-HUDCC Chair Dionisio de la Serna. They also called for the establishment of an Urban Poor Housing Corporation to manage the CMP. (Karaos, n.d.)

It should be clarified at this point that CISFA as a whole did not impact on the National Shelter Program as the law had otherwise promised through the allocation of P38 billion. From 1995-1998, actual fund releases amounted to only P7.5 billion. The huge gap was due to, among others, the imposition of budget ceilings on shelter agencies, revenue decline among identified major fund sources like the Philippine Amusement Gaming

Corporation, inability to access other sources, and non-automatic allocation to shelter agencies where sources had been identified. (HUDCC, 1998)

The CMP originators' tenuous relationship with HUDCC continued under the term of Karina David. While positive steps had been acknowledged such as pilot testing the decentralization of CMP's loan processing and lending operations – long a demand of the CMP originators – the NGOs chafed under continued delay in takeout and insufficiency of funds. The HUDCC Chair's organizational review and "cleanup" of NHMFC affected CMP especially when each pending application came under close scrutiny after it was discovered that several loan applications approved early on were originated by developers that had "no track record" in CMP. Suspecting collusion between certain NHMFC personnel and some private developers in obtaining approval for unqualified projects, the CMP group was disbanded and its members reassigned to other departments, while HUDCC took over the program.

Another policy instituted was that no Purchase Commitment Line (PCL) would be issued to projects unless funds were available to cover the committed amounts, to minimize the program's being saddled with huge backlogs in mortgage takeout due to issuance of PCLs even when the funds were uncertain. Despite HUDCC's assurance that the anticipated longer queue for PCL would be compensated by speedier takeout, the NGOs feared otherwise. Hence even if HUDCC promised to lobby for a higher CMP budget for 2000, the originators were doubtful that this would be approved due to the weak utilization of existing funds. (Karaos, 1999)

Frustrated over several years of delay that saw many of them and their partner-community associations incur heavy debts, the CMP originators could not understand why reform measures appeared to cost them even more. Some also found the changes unnecessarily drastic, e.g., the suspension of loan processing for two months when HUDCC conducted an audit of CMP's portfolio, and the suspension of the CMP off-site lending window. Coupled with budget releases that could only meet commitments made in previous years, the NGOs found HUDCC's performance to fall far short of its expressed commitment to CMP.

As for HUDCC, the "drastic" changes were necessary for the reforms to amount to anything substantial. The originators' demand for speedier takeout, more funds or less stringent requirements could not be addressed without looking at the essential causes of these problems. For instance, the suspension of loan processing during the two-month audit had to be done as many of CMP loan applications were found to be spurious; one project worth about P30 million turned out to have ghost-beneficiaries. The program's "clean-up" was also made urgent by the fact that it had been used by syndicates as a lucrative source of profit, like the CMP off-site lending program.

Unlike the CMP on-site program that required a community association to act as loan applicant, the off-site program "allowed just about anybody to sign up regardless of where they came from. There were projects where most of the applicants were related to one another, and one project even had a seven-year old beneficiary! Many of the people who ended up occupying the land did not need it." HUDCC's solution was to limit the off-site lending program to communities that were in immediate threat of demolition. As for speeding up mortgage takeout, HUDCC's main strategy was the CMP's regionalization, and pilot-tested this approach in four regions, involving the local offices of HUDCC and NHMFC and a representative of the CMP originators in loan processing and approval. If it worked, regionalization would be implemented nationwide. HUDCC believed that regionalization was a better alternative to the creation of an express lane, which still assumed that transactions would be done at the national office.

Regarding the lack of funds, the Pag-Ibig Fund's board agreed to pilot-test a lending program for CMP, setting aside P15 million for the pilot program where the only additional requirement was that the urban poor-beneficiaries had to become contributing members. Like the regionalization pilot, if the lending program worked it was expected to become fully operational with a bigger budget. However, the CMP originators found the P15 million allocation too small, and wanted P150 million instead. Finding the amount too big to risk for a pilot program, HUDCC refused the demand. As for budgetary allocation, just before her resignation the HUDCC Chair secured P1,778,776,000 for CMP (GAA 2000). This single-year allocation exceeded the P1.375 billion in CMP funds that was to be released for 1995 to 1997, and nearly matched the P1.9 billion appropriation for CMP in the same period. (HUDCC, 1998)

Even though it was working to increase the funds, HUDCC was also of the view that the CMP could no longer work effectively in highly urbanized areas, because of high land prices, density and scarcity of land. While HUDCC encouraged the program's implementation in urbanizing areas in the regions, in Metro Manila it wanted to innovate by twinning CMP with a rental housing program. Essentially, what HUDCC envisioned was that the CMP beneficiaries would still acquire land ownership, but instead of incremental development the government would build medium rise housing units on the land. The CMP beneficiaries/landowners would occupy the first floor, while the top floors would be rented out to other low-income families. The beneficiaries would get a 30 percent share of the rental income that they could use to pay off their amortization, government could use the rest to recover the cost of building the units, and more families could be accommodated on a piece of land. However, except for one, the CMP originators "were lukewarm to the idea."

Relations between the CMP originators and HUDCC improved under subsequent Chair Leonora de Jesus, who agreed to several changes in the program's design: An express lane facility was created, wherein the submission of key documents like the Lease Purchase Agreement between the community association and the individual beneficiary, proof of income and others may be deferred for a year to hasten CMP enrollment as well as takeout. Additional procedural exemptions were made, such as no longer requiring individual beneficiaries to sign the subdivision plan and the master list of beneficiaries, and exempting CMP projects from securing License to Sell from the Housing and Land Use Regulatory Board.

The requirement on road right-of-way was likewise eased, i.e., an existing access road to the project site would suffice, provided that a petition for the grant of road right-of-way would be filed in court within six months from project takeout. (ADB, op. cit.) The CMP originators also got a boost when HUDCC agreed to the assignment of one of their own to NHMFC for reasons of troubleshooting and monitoring the processing of CMP applications.

***Government, the NGOs and the Urban Poor: A Mixed Record of Engagement*.** Outside of these specific engagements involving the above parties, there had been equally important occasions for intersection between government on the one hand, and NGOs and POs on the other. The objectives of these engagements have been varied: some dealt with laws and policies on demolition and resettlement, others on specific projects that affect particular communities. These engagements show mixed results: while some gained concrete concessions, others are still left at the level of dialogue with government counterparts and have very little to show for in terms of actual changes instituted. Be that as it may, the urban poor and their partner-institutions have undeniably created a vibrant and diverse movement that advances the sectoral agenda in various arenas.

The case of the Urban Land Reform-Task Force or ULR-TF (a relatively broad coalition of urban poor organizations) is notable for having scored major successes in legislative advocacy, with the passage of the UDHA and CISFA laws, and the repeal of the Presidential Decree 772 that hitherto criminalized squatting. That ULR-TF had reached a particular level of organizational strength and following became manifest when its party-list group AKO mounted a successful campaign in the 1998 party-list elections and gained a seat in Congress. The Urban Poor Colloquium (UPC), a nationwide coalition of various NGO networks servicing the urban poor, has consistently engaged government over its housing policies as well as major projects like the Pasig River rehabilitation project (see below). Many of its members actively participated in the legislative advocacy cited above, as well as spearheaded campaigns in their respective regions and cities.

At the local level, various community organizations participate in national government-initiated projects to ensure that the people's rights would not be overlooked and to propose alternative development plans and processes that are deemed more appropriate to the affected families' needs. One example is the organization Sama-Sama, which has been engaging four administrations over the last 16 years in an attempt to come up with a mutually agreeable solution to the tenure problems in the National Government Center.

Another example is the Alyansa ng Maralita sa Novaliches (ALMA-NOVA), which represents about 5,000 families from two barangays that will be affected by the construction of Circumferential Road 5 linking up to the North expressway (a major project under the Ramos administration). ALMA-NOVA agreed to relocate, found a resettlement site in Bulacan that could accommodate the entire community, and coordinated with the Department of Public Works and Highways in negotiating with the landowner. However, the project's suspension has delayed the purchase of the proposed resettlement site, causing anxiety to the community since the landowner might change his mind about selling.

At the onset of the Estrada administration, the Pasig River rehabilitation project, which actually was carried over from the Ramos administration, represented a major effort at forging multi-stakeholder partnerships (Box 2). In the beginning, the project showed the promise of making a difference in the way large-scale resettlement may be undertaken by government, from the planning of pre-, during and post-relocation phases, coordination in movement by concerned agencies and LGUs, and participation of affected communities and NGOs in various related processes. But, as with the reform measures that were initiated under Karina David, the processes, mechanisms and institutional accountabilities related to the Pasig River resettlement eventually got buried under changed priorities and political arrangements.

For would-be reformers within government, this case illustrates the difficulty of introducing alternative ways of doing things when their tenure in office and mandate are vulnerable to shifts in the political wind. For agencies tasked with potentially contentious undertaking, the Pasig River experience provides a glimpse into how implementation may be done under a participatory process that does not sacrifice overall project objectives but allows room for compromises especially when the cooperation of affected communities is crucial to project's success. For NGOs and POs, the case shows how this type of engagement not only requires clarification of objectives, bottom lines and demands that would be presented to government, but also willingness to work within, and perhaps push the bounds of pre-defined parameters toward the attainment of mutually agreeable solutions.

For the readers of this paper, the project provides a good example of how difficult it is for governance of a particular undertaking or sector to take root when policy objectives, institutional priorities and arrangements, and pre-agreed processes *by all parties* become subject to changes in the political leadership's preferences.

Box 2 – The Pasig River Resettlement Project: Challenges to Governance

The Pasig River Rehabilitation Project was among the flagship projects that had been at the outset by the Estrada administration. It required the resettlement of 10,000 families within a time frame of about two years, for which the Pasig River Rehabilitation Commission's Housing and Resettlement Committee (HRC) was responsible. The Committee involved different line agencies and local government units affected by the project; it was chaired by HUDCC, with the NHA acting as secretariat.

The resettlement provided an opportunity for HUDCC to test out several of its reform initiatives. First, following the mandate of UDHA, pre-, during and post resettlement plans were formulated and finalized in the HRC, with clear responsibilities for each of the participating stakeholders (line agencies, LGUs, NGOs and affected communities). Second, by opening the door to systematic NGO and PO participation (through designated representatives) in the discussion, formulation and implementation of policies and processes concerning the resettlement, the HRC represented a major attempt at multi-stakeholder participation in an undertaking that had concrete implications on the lives of affected families. Third, it provided clear mechanisms for resolving issues related to various aspects of the relocation, both at the local level (the creation of local inter-agency committees in the nine affected LGUs with mandatory representation of affected POs and NGOs) and at the HRC level. Should deviation from agreed procedures opr even violation of HRC policies occur at the local level, informal channels of communication were available so that the head of the NHA-HRC Secretariat or even the HUDCC Chair could immediately step in to correct the situation. Fourth, even if relocation sites had been identified in Taguig, Montalban and Cavite (NHA bought existing housing stock built by developers under the previous administration), site visits were arranged for the affected communities so that they could choose among the available options. Fifth, within the limits allowed by the timetable, voluntary resettlement and voluntary dismantling of structures were encouraged, with the incentive that those who decided to move earlier than target date of relocation had a greater chance of availing their relocation site. Finally, HRC applied a new repayment scheme that combined rent payment for the first five years, subsidized amortization payments for the next ten years, and market-based amortization for the next 15 years. In the case of one particular site, rent payment would begin at around P400 a month for the first year and increase by P200 for every year thereafter such that by the fifth year, monthly rent will have increased to P1,200. The assumption was that, on the fifth year of renting, the relocatees' nominal incomes will have increased such that they would be able to afford the subsidized monthly amortization of about P1,300 for the next ten years. For the next 15 years, monthly amortization would no longer be subsidized and thus the rate would increase to P2,200.

Besides particular concerns that arose from the specific needs and situation of affected communities and LGUs, much of the debate/negotiation between HUDCC and the NGOs and POs revolved around the timetable for resettlement, alternatives to resettlement, affordability of the relocation sites, and options to the repayment schemes. Even as communities in Manila, Mandaluyong and Makati were volunteering to relocate, discussions over alternative repayment schemes were still ongoing until the HUDCC Chair resigned in October 1999. In a sense, the Pasig River resettlement was a work in progress, where the experiences of the first batch of relocates (almost 2,000 between April and October 1999) provided concrete inputs to the resettlement process.

Of course, from the perspective of affected communities and NGOs that opposed the resettlement for various reasons, the processes within the HRC fell short of advocacy goals, e.g, more affordable options, on-site development or at least in-city relocations. The failure of other line agencies to put up school buildings and other amenities was blamed on the budget department's failure to release the necessary funds, while the lack of income opportunities could also be attributed to the failure of the PRRC's Livelihood Committee (chaired by the DTI) to deliver. While the Montalban resettlement area was exclusively meant for the Pasig River families, the subsequent influx of resettlers from other areas further strained limited resources.

Despite limitations imposed by the project, the participation of communities and NGOs in the HRC gave them a platform to raise various concerns. While these were not always resolved in their favor, and despite disagreements over certain issues, the HRC lent transparency to the process and allowed for stakeholders not only to exact accountability from one another, but also to negotiate common ground where this was possible. However, with the change in the HUDCC leadership, the value of HRC in terms of stakeholder participation in project implementation waned over time. Where previously it also served as a venue for resolving problems concerning resettlement, it has become a mere forum for reporting mostly by concerned line agencies and LGUs. The fact that those who now run the meetings are lower-level NHA personnel (when in the beginning then-HUDCC Chair David herself presided) betrays the lack of government interest in sustaining the kind of multi-stakeholder participation that was originally envisioned for HRC. Under the present administration, specific problems in the resettlement sites are increasingly directed to NAPC Sec. Teresita Quintos-Deles and DSWD Sec. Corazon Soliman, who operate outside the HRC.

Overall, by the end of the Estrada Administration, affordable housing remained inaccessible to low-income groups, in contrast to the variety of options enjoyed by the middle- and higher-income groups. (ADB, op. cit.)

Table 6-6: Population Distribution, Housing Delivery Mechanisms and Financing Schemes

Income Class (PhP)	Cumulative Percentage of Population	Ave. Annual Income (PhP)	Ave. Annual Housing Exp. (PhP)	Housing Delivery Mechanism	Financing Scheme
<10,000	0.5	7,902	799	Informal market	Informal credit/self-financing
10,000 - 19,999	3.9	16,107	1,536	Informal market	Informal credit/self-financing
20,000 - 29,999	11.9	25,330	2,091	Informal market	Informal credit/self-financing
30,000 - 39,999	22.3	35,063	2,864	Informal/formal market	Informal credit/self-financing/CMP*
40,000 - 49,999	32.3	44,881	3,863	Informal/formal market	Informal credit/self-financing/CMP*
50,000 - 59,999	40.5	54,854	4,971	Informal/formal market	Informal credit/self-financing/CMP*/Pabahay sa Bagong Siglo**, etc.
60,000 - 79,999	53.4	69,492	6,822	Formal market	Private formal*** lenders/ GSIS/SSS/HDMF
80,000 - 89,999	62.3	89,429	9,435	Formal market	Private formal lenders/ GSIS/SSS/HDMF

The foregoing constituted the institutional and political backdrop for the housing leadership that was thrust into position after the tumultuous events that led to the ouster of Joseph Estrada. The new administration, pledging to "wage war on poverty," committed to make housing accessible to the poor. The first housing-related promise of Gloria Macapagal-Arroyo as president, in fact, was to strengthen the Community Mortgage Program as a genuinely pro-poor housing program. Subsequent moves were designed to show that the new administration meant to house the poor to an extent that its predecessors could not.

III. Government's Rhetoric and Achievements in Housing

Among the first organizational acts of the Arroyo administration was the issuance of Executive Order No. 20, which reiterated Estrada's EO 216 that strengthened HUDCC and recast its relations with other agencies. Premised on belief that "provision of decent and affordable, shelter to the poor is an essential requirement toward the alleviation of poverty," EO 20 called for the "further strengthening" of HUDCC so that it could effectively carry out its responsibilities as the "sole" lead agency in implementing government's housing programs.

While minimizing references to the Presidential Commission on Mass Housing, EO 20 essentially maintained the institutional arrangement that prevailed in the last year of the Estrada administration. A critical element of this arrangement was the granting to HUDCC of administrative supervision and control over attached agencies, where before it simply took on policy formulation and coordinating functions.

As ex-officio Chair of the governing boards of the corporations/agencies, the HUDCC Chair "exclusively" exercises supervisory powers over the corporations' functions and operations. Also transferred to HUDCC was the Government Corporate Monitoring and Coordinating Committee's oversight powers over housing corporations/agencies such as the review of contracts, joint venture agreements and other investments entered into by the said corporations/agencies. In addition, a special provision required all government departments, agencies and other instrumentalities including government-owned and controlled corporations such as the Public Estates Authority, Philippine National Railways and the Bases Conversion Development Authority to "seek the clearance and approval" of the HUDCC Chair when implementing housing projects.

Besides maintaining prior institutional arrangements, EO 20 further reinforced HUDCC's control over the attached agencies by adding the provision that the attached agencies "shall provide manpower, logistical support and other facilities to the Office of the Chairman, as necessary." This gave the HUDCC Chair the power to add to the agencies' budgets for his use, a proviso that may well be understandable given HUDCC's limited budget but which opens the door to possible abuse and politicization in the use of these of agencies' funds.

Barely two weeks into power, the President engaged several NGOs and POs in a dialogue at the National Government Center. The latter presented a list of demands, to which the President readily agreed. Some of these are: (PMS, 2001)

- Review guidelines on demolition and relocation in consultation with NGOs and POs;
- Ensure that resettlement areas are complete with basic services, prior to relocation of families;
- Inventory idle public lands for possible proclamation as socialized housing sites;
- To ensure minimum dislocation of informal settlers and widen access to socialized housing, review pertinent contracts relative to the development of the North Triangle property, controlled zones, the National Government Center (NGC) and Proclamation 115 that declared the NGC-East Side as a mixed-use area for government offices and socialized housing;
- Constitute a Policy Advisory Group composed of the Presidential Commission on the Urban Poor, the National Anti-Poverty Commission, Department of Social Welfare and Development, and NGOs and POs, which shall assist HUDCC in seeking solutions to the socialized housing problem particularly in Metro Manila; and,
- Formulate a comprehensive study on the implementation of a mass rental housing program for the informal sector, in coordination with the NHA The demands concerning resettlement and the inventory of idle government lands were later incorporated by HUDCC in existing programs and projects, but it refused to create a Policy Advisory Group as the latter would duplicate the agency's functions. Instead, HUDCC Chair Michael Defensor invited the NGOs and POs to send a representative to the HUDCC Council.

As regards pronouncements, the Arroyo administration appears to be guided by the policy framework set out in the National Urban Development Housing Framework. The document reiterates the government's commitment to provide a policy and regulatory environment that would facilitate the sound management of urbanization processes. It defines government's role as one of "enabler," concerned primarily with *(i)* providing and ensuring the availability of land for housing, *(ii)* ensuring the provision of residential infrastructure for recognized housing development areas, *(iii)* supporting housing finance systems, and *(iv)* providing mortgage guarantees. (HUDCC, 2000a)

In its updated Medium-term Philippine Development Plan (MTPDP), government claims that its approach to the housing problem "addresses issues in land prices, housing finance and guarantees, high transaction and production costs in the housing market, and resettlement of informal settlers." In line with this approach, government is committed to pursuing reforms in the housing market, focusing on well-targeted housing assistance for the poor, creating a sustainable housing finance system, involving local governments in the resolution of housing and urban development problems, and promoting greater private sector participation. Its target is the provision of shelter security to 1.2 million households for 2001-2004, which would entail funding support in the amount of P215.16 billion, the allocation of which would be 73 percent-27 percent in favor of socialized housing. (NEDA, 2001)

Housing Targets, 2001-2004

Housing Package	Households		Value	
	Levels	% Share	P billion	% Share
Total	1,200,000	100.0	215.16	100.0
Socialized	880,000	73.3	57.85	26.9
Informal Settlers	538,824	44.9	43.37	20.2
Non-Settlers	341,176	28.4	14.48	6.7
Economic	231,872	19.3	84.40	39.2
Open	88,128	7.3	72.91	33.8

Sources: NHMFC, HGC, NHA, HDMF

Shelter Development Strategies

1. *Make the housing market more efficient*

- Policy, legal and regulatory reforms would be pursued to reduce transaction costs and improve the housing market's efficiency
- Government would encourage the private sector to promote and develop new housing technologies that would be safe and affordable. It would also develop appropriate housing and subdivision standards that ensure the safety and welfare of households, as well as standards for cost, design and housing materials to ensure affordability and quality
- Government would reduce the number of days involved in the processing of loan application and housing permits
- To promote a fool-proof system for land titles, government would support the enactment of a Land Title Insurance bill
- Government would pursue the enactment of the National Land Use Code to address high prices of urban land for housing, as well as to address the gaps in land use planning

2. *Creating a sustainable housing finance system*

- Government would improve the environment for primary and secondary mortgage markets to encourage private sector participation in housing
- Financial and credit policy reforms would be pursued, such as the review of the Multi-Window Lending System, adherence to market-driven interest rates, reforms in pension funds and contractual savings, and development of innovative financial schemes and a private secondary mortgage institution

3. ***Accelerating assistance and provision of security of tenure for the informal sector***

- Priority would be given to informal settlers living in danger areas and in the right-of-way of government projects, and in threat of demolition, and regularization of informal settlements on public lands would be pursued through community-led self-help approaches. Major programs in this regard are: (i) sites and services improvement; (ii) CMP; (iii) Land Tenure Assistance Program; (iv) Group Land Acquisition Program; and, (v) declaration of public lands occupied by informal settlers as alienable and disposable
- Targeting would be sharpened to ensure equitable distribution of housing assistance
- In-city relocation would be promoted where possible, while resettlement sites would be provided with basic services and ancillary facilities
- Rental markets would be promoted through incentives for private sector participation, in order to provide rental housing options for the poor

4. ***Making housing loans available and affordable to low-salaried members of the formal sector***

- To make housing loans accessible to the formal sector, government would set up sectoral and institutional housing programs such as those for the police and soldiers, teachers, OFWs and workers, as well as existing housing programs lodged under different shelter agencies
- To encourage financial institutions to channel more funds to end-user financing, government would institutionalize salary-deduction schemes for borrowers among public and private sector employees

5. ***Strengthening the Shelter Delivery System and accelerating the localization of housing development efforts***

- To strengthen the coordination of policymaking, financing, regulation and delivery of housing and urban development services, government would pursue the creation of the Department of Housing and Urban Development (DHUD)
- Capacity-building and technical assistance would be provided to LGUs especially in the preparation and updating of Comprehensive Land Use Plans, while local housing boards would be created in cities and municipalities where necessary

Many of these strategies had already been articulated during past administrations, with some having been in operation wholly or in part (e.g., salary-deduction schemes for housing loan borrowers, sectoral housing programs such as the Pag-Ibig Fund program for OFWs, the rent-to-own scheme for unoccupied housing units, creation of local housing boards). The multi-window lending system that former President Estrada restored in late 1999 also remains in place. What is perhaps new is the Arroyo administration's marked emphasis (both in pronouncement and deed) on the disposition of occupied public lands as the principal government initiative in providing security of tenure. Noticeable too is the priority given to creating a housing department as the institutional vehicle for attaining housing targets.

'State of the Nation' Commitments

In her first State of the Nation Address (SONA) delivered in July 2001, President Arroyo emphasized 'social bias' as the third component in her administration's national agenda. In this light, she committed to provide security of tenure to 300,000 poor and low-income families every year by:

- Granting security of land tenure to 150,000 urban poor families every year, primarily by declaring several government-owned properties for distribution to urban poor occupants;
- Constructing new homes/provide land tenure every year for 50,000 urban poor families through resettlement and on-site development; and,
- Constructing 100,000 new homes every year for workers and making available P20 billion for workers' housing loans, through government financial institutions

She called on Congress to enact a law creating the Department of Housing to implement the above programs efficiently. To encourage private sector participation in the housing market, she pledged the creation of a secondary housing mortgage market and asked Congress to enact laws on capital market reforms such as, among others, the Securitization Act. To reduce the cost of doing business, she vowed to eliminated red tape by requiring all government agencies to cut in half the required number of signatures for their service, and specifically promised that housing permits would only require 45 approvals, from 188.

Pledges	Accomplishments
Grant security of land tenure to 150,000 urban poor families	118,161 HHs or 78.77% of target 116,600 HHs benefiting from 14 directives that declared occupied public lands as alienable and disposable 1,561 HHs from NGC-West Side project
Provide land tenure/houses to 50,000 urban poor families through resettlement and on-site development	25,822 households or 51.64% of target 18,989 landless HHs awarded serviced lots by NHA through sites and services, slum upgrading, LTAP and resettlement 6,833 HHs benefited by CMP
Allocation of P20-B by the GFIs to finance 100,000 houses for workers	33,473 HHs provided house & lot packages valued at P8.92-B or 33.47% of target 18,592 HHs from retail & developmental loan programs of HDMF 14,881 HHs from retail & developmental loan programs of other MWLS GFIs DBP – 1,509 HHs (developmental) LBP – 4,797 HHs (retail & dev't) SSS – 617 HHs (retail) GSIS – 655 HHs (retail) 6,263 HHs from retail and developmental guaranty programs of HGC 1,040 HHs from the Medium-Rise Housing program of NHA
Implement measures to reduce to 45 (from 188) the number of signatories required for issuing housing permits	On October 25, 2001 President Gloria Macapagal-Arroyo signed Executive Order No. 45 on *Prescribing Time Periods for Issuance of Housing-Related Certifications, Clearances and Permits, and Imposing Sanctions for Failure to Observe the Same*

Accomplishments

How has government fared so far in making good its pledges? According to HUDCC's performance report from January to October 2001, the following were achieved under the leadership of HUDCC Chair Michael Defensor:

> In a presentation of the said accomplishments late in 2001, Secretary Defensor clarified that EO 45 would cover development permits, land conversion certification, Environmental Compliance Certification and License to Sell. He also mentioned "major issues that need to be addressed" in relation to HUDCC's attainment of its targets ~

NHMFC (P2.705-B)

- Release of P173.031 million balance of CMP's 1999 allocation
- Release of P1,462.14 million as CMP's 2000 allocation
- Release of P1,070 million as CMP's 2001 allocation

NHA (P3.398-B)

- Release of P87.732 million balance of Local Housing Program's 1997 allocation
- Release of P432.934 million as 1998 allocation for the following programs: Resettlement, Medium-Rise Housing, Local Housing and Congressional Initiatives Fund
- Release of P607 million balance of NHA's 2000 allocation
- Release of P2,271.24 million balance of NHA's 2001 allocation

HGC

- Release of P1.3 billion balance for the automatic appropriation of HGC capitalization for FY 2000
- Authority to increase bond ceiling insurance from P1.5 billion to P3.5 billion

Several strategies were likewise adopted to improve shelter delivery in the following programs:

NHMFC-CMP

- Pursued the flotation of P1.5-B worth of CMP bonds to augment funds
- Approved the granting of additional loans to community associations for TCT transfer from landowner to homeowners, and for payment of documentary stamp tax
- Created fast-track lanes for projects with warranties
- Pursued the opening of special lending windows for the informal sector
- Pursued the liquefaction/disposition of P42-B worth of UHLP mortgages
- Reduced takeout requirements from 56 to 30 (Purchase Commitment Line – 16, Takeout – 14)

HDMF

- Pursued the opening of a joint LBP-HDMF lending window for the informal sector
- Reduced the processing time for developer-assisted projects from 30 to 15 days
- Pursued institutional and corporate housing to increase demand for housing
- Floated P2-B worth of bonds to increase funds for housing

NHA

- Fast-tracked titling of proclaimed sites in Tatalon, Tala, Bagumbayan resettlement projects, etc.
- Fast-tracked provision of shelter security for the affected families in South Rail and North Rail projects
- Revised/liberalized lending guidelines for the Local Housing District project

In the National Housing Summit held in October 2001, HUDCC likewise reported the following developments and initiatives:

On creating a targeted subsidy scheme

- Study appropriate mechanism that will define the sectors needing subsidies, determine types of subsidies that will be provided and the schemes for accessing these subsidies, and determine requirements and sourcing of subsidies
- Interest subsidies to remain until such time that the subsidy scheme is created and its funding obtained

On the low utilization of housing funds

- Close coordination between HUDCC and the government financial institutions to address the low utilization of their commitments under the Multi-Window Lending Scheme (e.g., DBP – P1.81 billion out of P6 billion; GSIS – P127.8 million out of P6 billion; and LBP – P188 million out of P6 billion)

On promoting production and enhancing access to affordable housing

- Reforms will be introduced to ensure robust growth in the construction and housing industry to meet the demand for housing, particularly in the city
- simplification of procedures
- liberalization of regulations and standards under BP 220 and PD 957 for subdivision and housing projects
- revival of the Pag-Ibig City program under liberalized schemes to address institutional and corporate housing requirements
- introduction of joint venture programs between Pag-Ibig and private developers, and Pag-Ibig and NHA, for the construction of medium-rise buildings (MRB) in key urban centers
- implementation of the CMP-MRB program on a joint-venture scheme

On public-private sharing of risks

- Government reforms to promote housing are complemented by commitments from the private sector to share risks through schemes such as the buy-back mechanism, financial guarantees, and warranties with involvement

By May 2002, HUDCC reported that it provided shelter security to 157,400 households, representing 105 percent of the target. It has also implemented EO 45, which prescribes the time-periods for issuance of housing-related permits and clearances in the following agencies:

DENR - 90 days to 45 days
DA - 2-6 months to 30 days
HLURB - 45 days to 30 days
DAR - 110 days to 70 days
DILG - 2-3 months to 30 days

Of particular interest to many urban poor organizations is government's move to regularize informal settlements by declaring occupied public lands as socialized housing sites for disposition to "bona fide" occupants. As of April 2002, a total of 19 sites had already been proclaimed for this purpose, such as the Philippine National Railways' unutilized lands in Legazpi City and Albay Province; the Philippine Ports Authority's 9.6 hectare-property in Parola, Manila; and the 6.8-hectare Department of Health property in Sambag, Cebu. The Community Mortgage Program, too, appears to enjoy much support from the present housing leadership, which has been "receptive to changes and proposals" of CMP originators. HUDCC is currently studying a proposal to increase the maximum loanable amount per beneficiary from P60,000 to P100,000 in highly urbanized areas, and P85,000 in other places, with the same interest rate of 6 percent p.a.

Also, the off-site lending window has been reopened, with a maximum loanable amount of P150,000 for land acquisition, site development and housing. (NHMFC, 2001) However, the program is currently accessible only to communities facing imminent eviction.

As for the establishment of a secondary housing mortgage market, government sees its role as providing "the enabling environment... through the institutionalization of the necessary legal, regulatory, tax and infrastructure framework" through the passage of the Securitization Act. The secondary housing mortgage market is expected to generate potential additional liquidity of between P10 to P20 billion annually. As of this writing, the Securitization bill is still pending before Congress and the Senate. In the meantime, efforts are underway to improve the quality of NHMFC's loans. The latter appointed the accounting firm Ernst and Young in February 2002 as financial advisor to assist in determining the appropriate disposition of NHMFC's existing mortgage portfolio.

In relation, the NHMFC is continuing with its drive to collect on outstanding mortgages taken out under the defunct UHLP. The agency appears to have gained from the reforms made several years earlier in its collection system, as it recently reported having collected P34 billion in housing loan payments by SSS, GSIS and Pag-Ibig members; these payments covered the period from 1989 to January 2002. Of the total collection, P25.39 billion had been remitted to SSS, P5.06 billion to GSIS and P3.5 billion to Pag-Ibig.

With the remittances, the NHMFC's outstanding principal balances have gone down to P37.7billion, with P27.33 billion owed to SSS, P5.8 billion to GSIS and P4.5 billion to the Pag-Ibig Fund. According to the NHMFC, these institutional payments to the UHLP funders resulted from its "aggressive loan collection efforts through the agency's account management teams, provision of loan updating and restructuring with penalty condonation, sale of mortgage rights on hard-core delinquent accounts, and foreclosure of these accounts as a last resort." (PDI, 2002)

Regarding the creation of a housing department, several congressional bills have already been consolidated under the Omnibus Housing and Urban Development Bill, while four counterpart bills in the Senate are undergoing committee hearings. But what began as a seemingly uninteresting legislative exercise has become a matter of concern to various advocates and a section of the public, following the fallout between HUDCC Chair Michael Defensor and former Pag-Ibig Fund CEO Manuel Crisostomo over the proposed attachment of Pag-Ibig to the would-be department.

At the heart of the debate is whether the Pag-Ibig Fund – a provident fund financed solely by member contributions – should be treated as a regular housing agency obligated to provide government's badly needed funds for housing, and thus be subject to the policies and priorities of the proposed housing department. Positions have been polarized between those who see the need to protect Pag-Ibig from political intervention following failed experiences under the National Shelter Program, and those who look at Pag-Ibig as a valuable source of housing funds and must therefore become part of basic institutional arrangements for housing.

Advocates of the latter position, including the HUDCC Chair, essentially argue from the vantage point of *status quo*, i.e., Pag-Ibig is currently attached to HUDCC, anyway, and has always been vulnerable to political intervention (as happened in 1996, when it was ordered to bail out NHMFC). They also point out that, while Pag-Ibig may be a private fund, the fact that it is mandated to invest 70 percent of its investible funds for housing implies an obligation to support government housing programs.

CREBA put the matter simply when it called for "the integration of... Pag-Ibig, with the proposed [housing department] to raise housing production to the highest level possible." (Dulalia Jr., 2002) In relation, the developers have been lobbying intensely for the creation of a Centralized Home Financing Program – a rehash of the UHLP – under the auspices of the proposed housing department.

Gaps in Government Response

The present administration's ambitious housing targets, though laudable in its desire to provide shelter security to at least 900,000 urban poor and worker families over three years, leaves a lot of room for skepticism as to how these can be achieved given the immense financial constraint that it is facing. Just developing the disposed public lands occupied by the 150,000 families would already require a lot of resources that not even existing programs for the urban poor can provide without sacrificing other prospective beneficiaries. While the President had reportedly agreed to allocate an initial budget of P5 million per proclaimed site to be sourced from the Office of the President, subsequent funding will have to be obtained from the concerned agencies' respective budgets. But in the face of government's huge budget deficit, sustained funding for the proclaimed sites is doubtful at this point.

Besides the issue of funding, three questions remain to be answered as regards the presidential proclamations. First, is the policy of proclaiming occupied government lands for disposition cognizant of the UDHA provision declaring a cut-off date (i.e., March 1992) for informal settlers to be considered legitimate socialized housing beneficiaries? Second, how should government address competing needs for land? Third, has government learned the bitter lessons of past proclamations? The presidential proclamation refers to *bona fide* or actual occupants without any reference to UDHA, and the term "bona fide" or "qualified" beneficiaries still has to be operationalized in the post-proclamation guidelines that the government is drafting.

According to some people who are privy to the process, it is likely that the cut-off date for determining beneficiaries will vary depending on the conditions in the proclaimed areas (i.e., if there are too many claiming to be legitimate occupants, the UDHA cut-off could possibly be invoked). One municipality is said to be using 1998 as cut-off date for qualified beneficiaries, while another is referring to the 2000 census.

Government seems inclined to disregard the UDHA's cut-off date at this point, perhaps given the inadequate implementation of the law regarding beneficiary listing, and the likelihood that thousands of families will be disqualified if the cut-off is insisted on. At this point, the detailed criteria for identifying the qualified beneficiaries are being negotiated on a per locality basis. This localized implementation, in turn, leads to other concerns.

One is that, in certain areas only structure owners are being prioritized, even if the law does not discriminate among owners, renters and sharers. In another, the mayor appears to have his own ideas about what should be done with the proclaimed site and talks about mixed-use development, thereby contradicting the proclamation's intentions. While government may be committed to provide land tenure, its post-proclamation guidelines must address these and other concerns – even while allowing for flexibility at the local level – so that it does not end up contradicting its own law and at the same time creating more problems than it can handle.

At the same time, the spirit behind the proclamation, i.e., social justice, must be balanced with other needs. The strong lobby being mounted by some NGOs to have certain portions of the University of the Philippines (UP) proclaimed as socialized housing sites highlights the issue of competing needs and uses of land. As an academic institution, UP is exempt from having its properties declared as socialized housing sites; its lands are primarily for academic use, and it cannot even build houses to sell to its faculty and employees. The most that the latter can obtain is on-campus rental housing for the duration of their employment.

The shortsighted proposition to give away UP's occupied properties fails to see that such could be put to other uses that will also redound to society's benefit. The lobbyists also conveniently ignore that, as a state university with measly government support, UP does not have the money to fence off its properties to fend off illegal occupants, the way its wealthy counterparts have done. Ironically, in the pursuit of social justice, the less endowed property owners are being penalized while the rich and powerful ones are secure in the knowledge that nobody is lobbying to have their land distributed to the poor.

Government must not simply give in to the NGOs and the urban poor's demand for the proclamation of various public properties, because it is also duty-bound to protect the interests of other sectors. While from one perspective a presidential proclamation is the fastest way to dispense social justice given unequal property relations in society, from another angle the indiscriminate disregard of other needs signals that it is alright to squat on other people's property as long as the occupants are urban poor.

The other matter needing clarification is whether government is aware of the pitfalls that have attended previous presidential proclamations, and if so, what measures are being taken to avoid the same. Under the Marcos administration, many areas had been declared as alienable and disposable for the benefit of illegal occupants, but over time these lands were used for purposes other than socialized housing. Even the National Government Center – a 151 hectare-property that Cory Aquino declared for disposition to 9,000 families – stands out as a shining example of a presidential proclamation gone awry. The combination of government inaction, increased population to about 90,000 families, the Ramos administration's amendment of the proclamation to designate NGC's east side for mixed-use, the corresponding resistance of the original PO-beneficiary SAMA-SAMA, and subsequent divisions in the community resulted in an impasse that remains to be resolved.

As for the CMP, government's tight budgetary position makes it incapable of matching its promises with commensurate financing. Notwithstanding the President's expression of strong support for the program, the government could only allocate P300 million for 2002. Given this, HUDCC must seriously consider whether it should acquiesce to the proposed increase in loan ceiling. While such a move may seem appropriate given the realities in the land market, it also raises the prospect of reaching an even lesser number of the poor, unless government is able to increase budgetary allocation for the program.

At the same time, the difficulty of the program to keep pace with prohibitive land prices again raises questions about CMP's viability as a mode of land acquisition in highly urbanized areas. As land prices escalate, the loanable amount will always be inadequate, and government will be constantly pressured to raise the loan ceiling and, consequently, put in more funds to ensure that the number of beneficiaries that the CMP could assist will not be sacrificed because of higher loan ceilings. Rather than increasing the loanable amount, government may have to pursue other means to maximize CMP's efficacy. The CMP-MRB program, which was conceptualized under the previous administration and which the present leadership intends to undertake, must be thoroughly planned to ensure that its purported objectives will be realized.

In relation, HUDCC has yet to address the weak implementation of long standing policies aimed at reducing CMP's transaction costs. For example, the exemption from capital gains tax is unevenly implemented, since officials of the Bureau of Internal Revenue (especially at the regional district level) either have a different interpretation or are ignorant of such policy. A related problem is the corruption in certain BIR offices, where bribes are solicited in exchange for the processing of applications for capital gains tax-exemptions; in one project, the beneficiaries had to cough up P7,000 just so their documents would move. Another area of weakness is the regionalization of CMP application and processing; except for a few areas, transactions are still held at the NHMFC's central office due to lack of capable personnel and institutional capacity in the regions.

As regards housing finance reforms, HUDCC's vacillation is exemplified by its piece-meal approach, on the one hand claiming commitment to the creation of a "targeted subsidy scheme" but on the other hand continuing with interest subsidies because it still needs to determine what subsidy mechanism is appropriate. HUDCC seems unaware of the voluminous studies on the topic – studies that have existed over three administrations (including the present) and largely ignored because it was not politically expedient to heed these. At the same time, HUDCC does not appear to understand that integral to housing finance reforms is the de-linking of pension funds from housing.

The problems that originated from UHLP continue to haunt institutions like SSS, which, in the face of severe financial problems that threaten to put pensioners in dire straits, cannot even entertain the idea of selling its UHLP mortgages to a prospective investor. With an estimated exposure to NHMFC of P35 billion including accrued interest, of which around P9 billion had become nonperforming, SSS cannot afford the losses that would arise from the deep discounts being offered by prospective investors. (PDI, 2002) As it is, SSS and GSIS can no longer accommodate HUDCC's request for financial support of P5 billion each: SSS is nearing its 35 percent limit (or P56 billion) in mandated allocation for housing, while GSIS had already exceeded its 40 percent ceiling. This leaves the Pag-Ibig Fund as the principal source of housing loans. (Carandang, 2002)

Given the pressure to deliver on SONA promises, the administration is not inclined to think of the housing sector in strategic terms and address the questions about its long-term sustainability. Instead, it is simply continuing the supply-driven housing policies of previous administrations, with government providing all the kinds of resources needed by both suppliers and end-users through institutional arrangements that have repeatedly failed to deliver housing assistance to those who need it most. Such practice does not square with government's own commitment to "sharpen" targeting "to ensure equitable distribution of housing assistance," much less with its purported strategy of improving "the environment for primary and secondary mortgage markets to encourage private sector participation in housing."

It is also evident that government's housing program still revolves around the provision of *homeownership,* notwithstanding pronouncements to the contrary. Its commitment to widen rental housing options by creating a viable rental housing market, experienced a setback with the loud protests that greeted the President's earlier pronouncement that she would allow the Rent Control Law to expire on December 31, 2001. The President was thus forced to accede to the passage of a new law – the Rental Reform Act of 2002 – that put a 10 percent cap on annual increases on monthly rentals for residential units leased at P7,500 and below in Metro Manila and other highly urbanized areas, and P4,000 and below in all other places.

The law is expected to benefit an estimated 5.5 million renters over the next three years. It also mandates HUDCC to formulate, within six months of the enactment, a transition program that will "provide safety measures to cushion the impact of a free rental market. (RA 9161; PDI, 2001) On the surface, circumstances prevailing at the time – worsening economic hardship for many including job losses, rumors of political destabilization, growing opposition to the planned joint military exercise with American troops – simply did not make the political environment conducive to the promotion of a "free rental market." But the issue also exposed the administration and HUDCC's lack of preparation.

One would think that commitment to promote rental housing would have led to the formulation of at least a public information campaign that would explain why freeing up rents was beneficial. That the President expressed her preference for the law's expiration two weeks before its due, and only upon being queried by reporters, betrayed lack of foresight over the public outcry that would accompany such a decision. In the face of stiff opposition, the President had no choice but to let Congress decide on the matter.

Also, the issue of strengthening institutional capacities for effective shelter delivery has yet to be addressed. Various studies had already pointed out weaknesses such as fragmented and overlapping programs, inefficiencies in the shelter agencies, the lack of information-sharing especially on the same types of clientele, the lack of technical expertise, and even the propensity of some agencies to report as output projects yet to be completed. The debate over the merits of the proposed housing department has opened up an equally important discussion on the need to reform housing agencies that, under the proposed legislation, will remain attached in their present form.

The Bishop-Businessmen's Conference, in particular, called for "a serious performance audit" of NHA and NHMFC, to ensure better service delivery and more efficient use of resources. (Karaos, 2002) Even the creation of a housing department as the appropriate move in strengthening institutional capacities is still subject to dispute. While it may strengthen coordination and monitoring, it is not clear what value would the department's creation provide unless present institutional weaknesses are addressed head-on.

Finally, HUDCC appears to enjoy the goodwill of various stakeholders, from private developers to NGOs and POs. This can be attributed in part to its leadership's openness to dialogue and collaboration on specific endeavors, and to its ability to grant concessions to various stakeholders without threatening any entrenched or particularistic interest. At this point, the compartmentalization of housing programs allows each stakeholder to benefit from favored lending windows, and to that extent no significant differences or a clash of interests may arise. But if HUDCC is to realize all the plans it had set out for itself, the housing leadership as well as the President cannot afford to ignore the reality that housing program's present direction, if left to run its course, will move the sector farther away from a viable future.

To summarize the situation confronting the housing sector, the housing finance system is largely the same as in past administrations, with over-reliance on government financial institutions and pension funds at the cost of the latter's long-term viability. Lending windows cater largely to the formal sector, with the poorer segments of the population left with only the CMP as the most accessible program. Notwithstanding its desire to enhance private sector participation in housing, government remains the principal provider, and whatever private sector participation there is in housing is limited to traditional players who have been around since the days of the National Shelter Program. Much remains to be done in strengthening and localizing the shelter delivery system and, again, the national government has had to take on much of the initiative in providing shelter security to the poor.

A Reform Agenda for Housing

Any state-initiated reform agenda must begin from a clear understanding of what government's role should be, the direction it wants to take, and how it intends to bring along the rest of society toward its desired direction. Whatever role government chooses to take on – provider, enabler, consensus-builder – such choice must be founded on a coherent rationale and must be clear about the consequences for everyone, for the diversity of government's constituency necessitates that even as it addresses particular interests, it must also protect society's general welfare. In the face of severe constraints, the only role in housing that government can afford to assume is that of an enabler.

This "enabling" role, whose definition was distorted by the National Shelter Program when the government ultimately became the provider of funds to "enable" others to build and sell houses, essentially means creating the policy and regulatory environment that will allow marginalized sectors to realize their right to decent shelter. While "government as enabler" has been traditionally championed by market-reform advocates, this writer prefers to view it from the perspective of those that the market often leaves by the wayside and therefore need government assistance to acquire a fighting chance at benefiting from the system.

An "enabling" role also requires that government adhere to certain standards of good governance – transparency, accountability, predictability, etc. – if it is to inspire confidence among its citizens and the different stakeholders that it wishes to steer toward a particular direction. As stated at the beginning of this paper, reforming the housing sector is a daunting task given the many challenges confronting it. With the pressure to deliver on political commitments in a short span of time and hampered by lack of funds, the administration is spending most of its energy trying to fulfill promises at the expense of strategic issues that need to be addressed simultaneously. These include introducing land market reform particularly in relation to titling, land use and zoning, decentralizing the shelter delivery system to make housing programs accessible, designing more innovative approaches to providing secure tenure to the poor and, most crucially, reforming the housing finance system. Given the administration's precarious hold on the electorate, it may be unrealistic to expect the President to stake her political career on housing reforms.

Reform measures recommended by various analysts, some of which had been tried out in the early days of the Estrada administration, proceeded from the conviction that "the housing problem is a finance problem, not a production problem." (Bernardo, 2000) Thus, the biggest challenge remains the *creation of a sustainable housing finance system* that is anchored on the provision of shelter security, and guided by the improvement of the housing market and the provision of transparent, targeted and on-budget subsidies for the poor.

Pronouncements to this end must be accompanied by well-conceptualized and complementary initiatives that would lay the foundation for such a system. For instance, in the creation of a secondary housing mortgage market, legislative, policy and regulatory measures must be designed not only to guide market players, but also to ensure that benefits will redound to socialized housing. The subsidies built into present lending programs must also be reviewed in order that government does not end up helping those who are financially capable to help themselves.

Capacity-building of LGUs to undertake shelter delivery must be carried out, not only in terms of formulating land use plans but especially in tapping alternative sources of funds that would enable them to meet their responsibilities as mandated by UDHA. A system of incentives must likewise be devised to encourage LGU participation in housing; an example may be the creation of a "matching grant" where both LGU and national government share in the cost of housing provision. In relation, government must help the LGUs design appropriate service delivery systems (including housing) that would effectively and efficiently address the needs of their constituency.

In assigning public urban services to LGUs, one may consider several criteria that take into account not only capacity but also the feasibility of commissioning these services to the LGU. For instance, when direct contact with beneficiaries or political proximity is critical in the provisioning of services, then it is better that the LGU takes on such function. On the other hand, where economies of scale matter, a metropolitan or cluster system involving several LGUs may provide a more efficient vehicle in delivering these services. Below is an example of how infrastructure service delivery may be undertaken at the local level. (Shah, 1994)

Table 6-7: Assignment of Major Urban Services to LGUs and Metropolitan Jurisdictions

Urban service	Scale economies	Economies of scope	Benefit-cost spillover	Political proximity	Consumer preference	Economic evaluation of sectoral choices	Composite
Roads maintenance	LGU	LGU	LGU	LGU	LGU	Metro	LGU
Public transport	Metro	Metro	Metro	LGU, Metro	Metro	Metro	Metro
Water supply	Metro	Metro	Metro	LGU, Metro	Metro	Metro	Metro
Sewage disposal	Metro	Metro	Metro	Metro	Metro	Metro	Metro
Electric power	Metro	Metro	Metro	Metro	Metro	Metro	Metro
Public health	Metro	Metro	Metro	Metro	Metro	Metro	Metro
Air & water pollution	Metro	Metro	Metro	Metro	Metro	Metro	Metro
Regional planning	Metro	Metro	Metro	LGU, Metro	Metro	Metro	Metro

In like manner, capacity-building of shelter agencies' personnel must be undertaken in order to obtain adequate matching between the agencies' mandate and available human resources. Too, institutional strengthening or "reengineering" of agencies toward enhanced effectiveness and better coordination and complementation must be carried out whether or not a housing department is eventually established. Institutional strengthening must also address the need for a decentralized shelter delivery system, which would entail enhancing the capacity of regional and local offices of housing agencies engaged in the delivery of frontline services.

Regarding the housing market, the role of the housing agencies vis-à-vis market players must be clearly spelled out, both to avoid crowding out the private sector as well as to protect government from risks that the private sector normally assumes in a functional market-based housing delivery system.

Finally, how the public perceives the government's housing program is an important part of governance. Since feedback is critical in calling government's attention or in "correcting" government response, government should devise feedback mechanisms such as the Report Card Survey.

In the end, HUDCC's performance will be measured not only by the number of houses it will deliver, but also by the scale and kind of cost that it would incur in the course of realizing the administration's promises. One can only hope that the housing program will not meet a fate similar to prospective SSS pensioners, whose future enjoyment of benefits stands to be compromised because of loss-making investments in the present.