Decentralization and Housing Delivery: Lessons from the case of San Fernando, La Union, Philippines

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Abstract

In this thesis, we argue that national policies (of housing and decentralization) when applied indiscriminately, without regard to the political, institutional, and capacity constraints of local governments, can have negative consequences, and sometimes end up being a regressive. This is particularly true when policies, designed in response to problems of large metropolitan areas, are applied randomly across entire nations.

Our study analyzes the housing sector of the city of San Fernando, in the La Union Province of the Philippines, to draw lessons about the constraints that decentralized local government units face in practice. Our findings support the arguments for the differential treatment of local governments, in the implementation decentralization and housing policies.

The Philippines decentralized its governance structure in 1991, with the passage of the Local Government Code. With this law, the responsibility of implementing housing projects was devolved to the local government level. Soon thereafter, in 1992, the Urban Development and Housing Act (UDHA) was adopted with the intent of transforming the role of government in the housing sector from that of a “provider” to one of an “enabler.” These reforms have been hailed as successful and revolutionary by many.

Our findings challenge the alleged success of efforts to decentralize the housing sector of the Philippines. We found a conflict between some of the policies set forth in the Local Government Code and the UDHA. This conflict, combined with the limited technical and administrative capacity of local government units, such as that of San Fernando, are resulting in the implementation of housing projects reminiscent of the failed public housing schemes of the 1950s and 1960s.

Through our analysis of the case, we identify the various political, social, administrative, and institutional limitations that constrain the local government of San Fernando in its approach to the housing sector. Our study suggests ways to deal with these constraints, and highlights the need for the differential treatment of local governments, in order to successfully implement decentralization, and other policy reforms in the developing world.

Thesis Supervisor: Anna Hardman
Title: Visiting Lecturer
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Dedicated to the people of San Fernando…
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<th>Full Form</th>
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<tr>
<td>CDS</td>
<td>City Development Strategy</td>
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<tr>
<td>DAR</td>
<td>Department of Agrarian Reform</td>
</tr>
<tr>
<td>DENR</td>
<td>Department of Environment and Natural Resources</td>
</tr>
<tr>
<td>DPWH</td>
<td>Department of Public Works and Highways</td>
</tr>
<tr>
<td>GOP</td>
<td>Government of the Philippines</td>
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<tr>
<td>GSIS</td>
<td>Government Services Insurance System</td>
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<td>HDMF</td>
<td>Home Development Mutual Fund</td>
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<tr>
<td>HIGC</td>
<td>Home Insurance Guarantee Corporation</td>
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<tr>
<td>HLURB</td>
<td>Housing and Land Use Regulatory Board</td>
</tr>
<tr>
<td>HOA</td>
<td>Home Owners' Association</td>
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<tr>
<td>HUDCC</td>
<td>Housing and Urban Development Coordinating Council</td>
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<td>JPDC</td>
<td>John Hay Poro Point Development Corporation</td>
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<tr>
<td>NEDA</td>
<td>National Economic and Development Authority</td>
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<tr>
<td>NHA</td>
<td>National Housing Authority</td>
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<tr>
<td>NHMFC</td>
<td>National Home Mortgage and Finance Corporation</td>
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<tr>
<td>NorthQuad</td>
<td>Northwestern Luzon Growth Quadrangle Commission</td>
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<td>PNP</td>
<td>Philippine National Railway</td>
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<td>RDC</td>
<td>Regional Development Council</td>
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<td>SSS</td>
<td>Social Security System</td>
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<td>TD</td>
<td>Tax Declaration</td>
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<td>TFDA</td>
<td>Tondo Foreshore Development Authority</td>
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<tr>
<td>UDHA</td>
<td>Urban Development and Housing Act</td>
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“Decentralization measures are like some potent drugs: when prescribed for the relevant illness, at the appropriate moment and in the right dose, they can have the desired salutary effect; but in the wrong circumstances, they can harm rather than heal.”

Remy Prud’homme, 1995
Chapter 1

INTRODUCTION
Introduction

"Like other points in history where certain approaches and issues rise to popularity or fall to mediocrity in our attention cycles and on our agendas, there is a confluence of ideas now occurring..." that is driving local government onto the development agenda (McCarney (i), 1996).

Decentralization is undoubtedly one of the more fashionable topics in the development circles of today. Recent academic literature on international development provides a number of plausible, but theoretical, justifications for decentralized governance. One of the most prominent arguments for decentralization is that local governments “closer to the people” have better information about citizens’ needs, and can be more demand responsive in providing public goods and services. Decentralization has surfaced as a reaction against the centralized regimes of the past, and is seen by donor agencies, academics, and professionals as a move towards greater democratization.

Within the last decade, many countries in the developing world have started to emerge out of authoritarian single party political systems and military dictatorships. Although most such regimes initially came about during the post-colonial era through an effort to capture national solidarity and identity, in recent years, these countries have been placing widespread emphasis on decentralizing governance, and strengthening local governments.

Despite the widespread emphasis on decentralization, its benefits in practice do not always live up to the promise implied by theoretical models. More recently, academics and professionals have begun to look at the limitations of decentralization, and strategies to implement it more effectively. This thesis is an effort in the same direction. It highlights the shortcomings of such widely practiced ‘fashions,’ and illustrates, through a real case, some constraints that decentralized local governments face in practice and what should be done to address them.

Significance of the Study

A vast body of literature\(^1\) addresses decentralization from the perspective of national governments and international assistance agencies. However, most of it is cross-country comparison, or countrywide analysis. Surprisingly, little is written from the perspective of the decentralized local governments to which powers are to be given. Even the limited literature that is available on a city scale typically focuses on larger metropolitan cities, which have relatively better access to resources.

Thus far, the focus of decentralization initiatives (both in research and in practice) has been primarily on fiscal reforms and urban service delivery, concentrating primarily on infrastructure sectors such as water, sanitation, and power. Surprisingly, very little attention has been given to

\(^1\) Cheema and Rondinelli, 1983; Cheema, 1988; Rondinelli, 1990; McCarney, 1996; Smoke, 1999, 2000; etc.
the decentralization of the housing sector, one of the most important aspects of urban management in developing countries.

Housing policy has also undergone many changes in the last four decades. The shifting emphasis, from forced relocation to upgrading, from pre-built housing to sites-and-services and self-help housing projects for the poor, is evident from the transformation of the World Bank’s (and other international assistance agencies’) policy objectives over the last three decades. In recent years, many international agencies have adopted the notion that governments should “facilitate” or “enable” rather than deliver shelter and urban services (UNCHS 1987). This, when placed in context of the increasing emphasis on decentralization, reflects a broader trend to improve local government, as the body best equipped to create an “enabling” environment in the housing sector.

In this thesis, we argue that national policies (of housing and decentralization) when applied indiscriminately are not a panacea. They can be inappropriate in certain contexts, and sometimes, even end up being a step backwards. This is particularly true when policies, designed in response to problems of large metropolitan areas, are applied randomly across entire nations. Such measures can have negative implications. Although this is an issue for both large and small cities, we are interested to look into the context of secondary cities that typically have limited resources at their disposal, and face constraints that are quite different from those faced by large cities. We argue, therefore, that it is imperative to carry out impact assessments and feasibility studies from the context of secondary cities in order to successfully implement decentralization or other policy reforms. The World Bank’s current research on “asymmetric decentralization,” that is grounded on the idea of differential treatment of sub-national governments (Litvack, 1998) also addresses similar issues. This study reinforces some of these emerging ideas with findings from the field.

By analyzing the housing sector of San Fernando, a secondary city in the La Union province of the Philippines, this thesis sets out to (i) address some of the issues relevant to decentralization of the housing sector, and (ii) highlight the problems that result from the implementation of national policies grounded solely on the experience of primary cities and large metropolitan areas. Through the case, this thesis contributes to the broader literature on decentralization by providing broader insights regarding strategies for decentralization in other sectors and contexts.

The Context: San Fernando, La Union, Philippines

The Philippines is an archipelago of 7,100 islands, bounded in the north by Hong Kong, Japan and China, in the south by Indonesia, in the east by the Pacific Ocean, and in the west by mainland Asia (see Figure 1). The population of the Philippines is 75.1 million, with 57 percent living in urban areas. The country is divided geographically into 14 regions, based on ethnic and geographic homogeneity. Of the entire population, 38 percent lives below the poverty line. Life expectancy is 68 years; infant mortality 35 per 1000 live births; literacy is 95 percent (World Bank, 1999).
Figure 1: Philippines
Source: University of Texas Web Site
http://www.lib.utexas.edu/Libs/PCL/Map_collection/middle_east_and_asia/Philippines_admin_93.jpg
The Philippines decentralized its system of governance in 1991 by passing the Local Government Code. As a result, a number of responsibilities have been devolved from central to local governments. Housing is one among them. The Philippine Government’s current approach in the housing sector is

“to reduce the government’s role as a direct producer of housing and convert it into one of facilitating housing production by the private sector (formal and informal), as well as focusing subsidies more tightly on the poor” (Kingsley and Mikelsons, 1991).

Although these positions are very much in line with the role of government in housing propagated by the international debates on development policy in the 1990s (McCarney(i), 1996; Kingsley and Mikelsons, 1991), what is happening in practice, at least in some of the small provincial cities of the country, is quite the opposite.

Academics and policy makers alike consider the Local Government Code of the Philippines as a “revolutionary” step towards decentralization. However, a closer look at the case of the City of San Fernando, La Union, reveals that success in provincial cities is limited, and that the initial objectives set forth often go unrealized.

The City of San Fernando, empowered after the passage of the Local Government Code of 1991, is currently in the process of implementing its first housing projects under local government leadership. Unfortunately, it is taking on short-term approaches to remedy what it perceives to be “acute housing problems” within the city, much in contrast to what the policymakers intended to achieve through decentralization. The conflicting objectives of the central and the local governments with regard to decentralization of the housing sector, as seen in San Fernando, demonstrate some of the shortcomings of decentralization in practice.

The City Development Strategy

Recent trends in urban affairs around the world, such as decentralization, indicate a shift of responsibility from national, to sub-national levels of government. The following is a quote posted on the World Bank’s Global Urban and Local Government Strategy website:

“Winds of change affecting urban areas and local governments underscore the importance of urban development to national goals.”

In response to trends in the development arena, the World Bank launched the City Development Strategy (CDS) project. Initiated in 1998, the CDS is aimed at working directly with local government units to encourage and facilitate sustainable development. It emphasizes building coalitions of local stakeholders and development partners to

“work together to develop a strategy for a particular city or urban area that reflects a broadly shared understanding of the city’s socioeconomic structure, constraints, and prospects and a shared “vision” of goals, priorities, and requirements” (World Bank (i), 1999).

The Bank selected nine cities from three countries in South East Asia for the CDS: one each in Cambodia and Indonesia, and seven in the Philippines.
MIT/World Bank Research Effort
In June 1999, the Bank commissioned a research team comprising of six Master of City Planning students at MIT as short-term consultants to assist with the CDS project. One Indonesian was sent to Bandung, Indonesia, while the others—one Japanese, one American and three South Asian students—went to the Philippines. The students in the Philippines were assigned to two of the cities involved in the CDS, Olongapo and San Fernando. The primary factor that made the Philippines particularly favorable for MIT’s field research was the widespread use of English, the second language in the country, spoken by a majority of the urban population.

The exact scope of our responsibilities was not clearly defined when we first arrived in the Philippines. All we knew was that the Mayor of San Fernando, Mary Jane Ortega, had identified housing as a high priority sector on her agenda for the CDS, and requested financial and technical assistance from the Bank. We were required to advise the Mayor on some housing projects that were under consideration at the time.

A few days after landing in Manila, and meeting briefly with a few World Bank officials, our three-member team headed for San Fernando. After a number of consultations with the Mayor and various other City officials, we decided to focus our efforts on a coastal squatter resettlement project that was being planned by the local government. The project proposed resettling 1500 families (about 7000 people, primarily fisherfolk) squatting on the beaches of San Fernando, into high-rise buildings.

Through our efforts to understand the socioeconomic and political dynamics behind this resettlement project, we were exposed to the perspectives of various stakeholders in the housing sector of San Fernando, including local government officials, central government agencies, squatter communities, community organizations, and private developers. This gave us a better grasp of the local government’s approach towards housing in San Fernando. Our extensive discussions with the Mayor and other city officials indicated that the local government viewed squatting as the major housing problem of the city, and resettlement as the only viable solution. Moreover, the local government appeared to be taking on the role of a housing “provider” in this city, and there was no indication that it was addressing the broader context of the housing market.

Initially, the nonchalant attitude of the local government towards the concept of resettlement stunned us. The city administration seemed to have very little understanding of the dynamics of the overall housing market, and the potential bottlenecks in their system of housing delivery. As our study progressed and we continued to uncover the various dimensions of their approach to housing, we began to understand that the local government was constrained to such a limited ‘quick fix’ approach, partially because of recently adopted decentralization policies. As a result, massive and clearly unsustainable projects were on the drawing boards and nobody seemed to be raising a red flag!

We felt it was important to inform the local government unit of San Fernando about the potential hazards of their current approach. Relocation of fisher-families into high-rise towers, in our view, was inappropriate in San Fernando’s context for a number of reasons, which are discussed at length in Chapter 5. Our initial report, submitted to the World Bank and Mayor Ortega in
December 1999, and attached as Annex 1 in this document, dealt specifically with the constraints and concerns surrounding the coastal squatter resettlement project mentioned above, and provided recommendations for alternative strategies such as on-site upgrading.

Our most recent communication with the Mayor came as a pat on the back. Based on our recommendations, she has, instead of relocating, decided to upgrade two of the four large coastal squatter settlements of San Fernando. This thesis follows up on the initial study, and explores the broader issues related to the housing situation in San Fernando. It looks into how the City of San Fernando has been affected by the decentralization initiatives that have redefined its institutional roles and responsibilities.

This document is intended to directly benefit the local government of San Fernando. The encouraging response and positive feedback from Mayor Ortega is indicative of the fact that she is open to ideas and suggestions. We hope that this research will help identify some of the potential areas with scope for more comprehensive action in the housing sector of the city. In addition, we hope that it will help the shelter planning agencies of the Philippines understand some of the limitations of their institutional mechanisms, and the real objectives of the central government’s decentralization initiatives.

Objectives of the Study

By using San Fernando as a case of a secondary city, this thesis seeks to illustrate some of the problems associated with decentralization in practice. The objectives of this thesis are twofold:

1. To assist the local government in understanding the limitations of its current approach to housing. The housing market of San Fernando is analyzed to highlight what elements of the bigger picture the local government is missing.

2. To understand why the local government of San Fernando is constrained to its current "quick fix" approach to housing. The analysis shows that the current institutional framework and the legislative structure, both outcomes of the recent decentralization initiatives in the Philippines, along with some other external factors, contribute to this shortsighted approach.

Limitations

This study is limited to one sector of service provision in one city of the Philippines. Although we have used our analysis of this case to draw broader conclusions regarding the impact (or potential implications) of decentralization, we understand the limitations of such an approach. More case-specific studies are required in order to make substantive conclusions. In other words, this thesis is more an effort to bring out the shortcomings of widely-practiced ‘fashions,’ rather than an attempt to find the correct solution to the current situation in San Fernando or the Philippines.
Chapter Outline

In order to place the case of San Fernando in an international context, the first section of this thesis provides a primer on the academic literature on decentralization and housing policy debates over the past four decades. Chapter 2 looks at the changes in development policy that have resulted in the growing emphasis on decentralization and better local governance. Chapter 3 focuses on the evolving trends in housing the poor that led to the adoption of sites-and-services and upgrading projects, and the emphasis on government as the “facilitator” rather than the “provider” of housing. These two chapters are for the benefit of those readers who are unfamiliar with the literature on housing and decentralization. For the others, it may be advisable to move straight on to Chapter 4.

Chapter 4 discusses the evolution of the Philippine government’s institutional structure, the catalysts for reform that led to the recent decentralization policies, and a detailed explanation of the housing sector of the country, including the division of responsibilities among the different tiers of authority.

The case study of San Fernando is covered in Chapter 5, which is divided into three sections. Section A provides the basic socio-economic profile of San Fernando that includes the local government’s economic development plans, and the involvement of international assistance agencies in the city. Section B describes the current state of San Fernando’s housing sector, identifies the major issues concerning the government, and some of the factors that we believe are constraining the supply of housing. Section C explains the local government’s response to the current housing situation, and the political, and institutional dynamics behind this approach. It essentially illustrates how heightened expectations placed on the local government through decentralization, combined with constraints in institutional capacity and autonomy, have resulted in potentially hazardous (and undesirable) outcomes.

Finally, Chapter 6 takes a step back from the city-specific case to draw broader conclusions about the limitations of decentralization in practice. It illustrates how and why secondary cities such as San Fernando often fail to realize the goals of decentralization. Chapter 7 follows, with some recommendations for local and national governments, as well as international agencies, to address these problems.
Chapter 2

DECENTRALIZATION
Introduction

The Philippines is one among many countries in Southeast Asia that decentralized its governance structure during the last decade. In 1991, Republic Act 7160, better known as the Local Government Code of 1991, was passed and incorporated into the Philippine constitution. The Code, hailed as “the most revolutionary local government reform law in Asia” (Kingsley and Mikelsons, 1991), entailed the devolution of many functions to local governments. These include provision of infrastructure, social welfare, community health services, low-income housing, tourism development, and reclassification of agricultural lands. In addition, the local tax base was widened, giving local governments greater flexibility in establishing tax rates. This decentralization initiative, which dismantled the centuries-old centralized system of governance in the Philippines, was the product of a series of changes in politics and governance, both domestic and international.

Over the past five decades, the development of ideas and policies in urban planning and governance worldwide reveal an interesting progression: from an emphasis on central planning in the 1950s and 60s, to projects in housing and infrastructure targeted to the poor during the 1970s, to city-wide urban management activities in the 1980s, to an increasing emphasis on strengthening local governments in the 1990s (McCarney (i), 1996). Decentralization is one of the subjects that has attracted increasing attention in the development literature during the 1980s and 1990s, and continues to receive growing attention in the 21st century.

This chapter lays out the global context of the increasing emphasis on decentralization: why the turnaround occurred, from a strong emphasis on centralized systems of governance to the exact opposite, and what decentralization was expected to achieve. Besides providing an overview of the literature on decentralization, this chapter will also provide the background necessary to place the decentralization initiatives of the Philippines, and the new role of San Fernando, within an international context.

Development Literature: The Changing Trends in Governance

In the 1950s, after World War II, economists tended to dominate the development debates. Planners, influenced by the economists, interpreted development as “synonymous with growth and in turn with industrialization and productivity.” This was based on the assumption that the benefits of growth would “trickle down” to the poor (Bryant and White, 1982). International agencies such as the World Bank began to prescribe centralized planning as “a way of promoting 'modernization,' accelerating social and political change, generating employment, and mobilizing capital for further investment” (Rondinelli and Cheema, 1983). Central planning was widely adopted in nearly all independent states. This partly reflected from the Soviet Union’s apparent success with centralized planning, and partly because of pressure from international assistance agencies who insisted on national development plans as a condition for grants and loans.

By the 1960s, academics and planners began to argue that centralization could not achieve these goals. Income disparities were growing, living conditions of the poor were getting worse, and economic growth remained sluggish in most developing countries (Rondinelli and Cheema,
During the 1970s, a growing interest in decentralization came from the realization that central control and management did not ensure rapid economic growth, and that it was inappropriate for developing countries to blindly follow prescriptions of long-range planning made by economic theorists and international assistance organizations.

The directions and priorities of development policy shifted drastically in the 1970s. Many of the basic premises of development theory came into question. Although the per capita income of Third World countries had increased by 50 percent since 1960, this growth was found to be “unequally distributed among countries, regions within countries, and socio-economic groups,” calling into question the idea of “aggregate growth as a social objective” (Chenery, 1979). There was widespread recognition that “development requires a basic transformation in social, economic, and political structures that enables poor people to help themselves” (Rondinelli and Cheema, 1983). Central planning did not permit public participation required in the economic, social, and political processes for greater equity in the distribution of income and wealth. According to a 1974 World Bank publication:

“... discussions of economic development reflect an increasing concern with widespread poverty in underdeveloped countries. The fact of poverty is not new... what is new is the suspicion that economic growth by itself may not solve or even alleviate the problem within any ‘reasonable’ time period... mechanisms which promote economic growth also promote economic concentration, and a worsening position of lower-income groups.”

(Ahuwalia, 1974)

Although growth was still considered a problem for the least developed countries, the focus of development agencies shifted to the management of “structural changes required both to sustain growth and to improve its distribution” (Chenery, 1979).

In the 1970s, international agencies and developing country governments shifted their attention to the poor. It was an era characterized by a significant realignment of the kinds of projects financed by the World Bank. The Bank diversified its allocation of funds from projects of basic economic infrastructure towards projects explicitly devoted to the alleviation of poverty in developing countries. While expanding the amounts of its development lending, particularly after 1973, the Bank was also becoming “the world’s largest antipoverty agency” (Ayres, 1983). The growth-with-equity policies adopted in many countries in the 1970s highlighted the inconsistencies between central control over planning and administration and the widespread participation and equitable distribution of benefits they were attempting to achieve. Partly as a reaction against the negative impacts of centralized planning, and partly as result of trying to formulate better infrastructure and housing projects, local governments began to get increased attention.

Building on Ford Foundation’s Urban Project in Calcutta, India in the early 1970s that, among other things, addressed urban management and local governments, the emphasis in the 1980s shifted to local governance and citywide urban management schemes. This decade saw development agencies and developing countries placing strong emphasis on dismantling the power structures of highly centralized systems of planning and governance. The cause of decentralization was advanced on the assumption that
“a decentralized mode of policy and program implementation is conducive to more
effective coordination and consistency, greater access to governmental activities,
increased involvement of the people in the development process, more efficient delivery
of public services for meeting basic human needs and increased accountability of
government agencies.” (Mathur, 1983)

This trend continued into the 1990s, and has now evolved into an emphasis on strengthening
local governments in the hope of achieving “good governance” (McCarney (ii), 1996). Within
the last decade, many countries in the developing world have made efforts towards greater
democratization through decentralization. According to the 1999 World Development Report:

“some 95 percent of democracies now have elected sub-national governments, and
countries everywhere – large and small, rich and poor – are devolving political, fiscal
and administrative powers to sub-national tiers of government.”

The Concept of Decentralization

Administrative decentralization, i.e. transfer of power from central governments to local
government units, may be classified into four primary categories, on the type of organization and
the amount of power transferred (Dillinger, 1994).

1. Deconcentration is defined as a transfer of power to local administrative offices of the central government. Actual
   control is maintained at the central government, but some of the decision-making powers are given the staff of
   regional offices.
2. Delegation is the transfer of power to parastatals.
3. Devolution is the transfer of power to subnational political entities – autonomous or semi-autonomous local
   government units.
4. Privatization is the transfer of power (and responsibility) to private entities. Regulatory control may still be maintained
   by central government, but the government takes on none of the risk or financial burden.

These different forms of decentralization can be distinguished primarily by the extent to which
the authority to plan, decide and manage is transferred from the central government to other
organizations and the amount of autonomy the “decentralized organizations” have in carrying out
their tasks.

The term decentralization, however, is used quite loosely, and means many different things to
different people. For instance, the 1999 World Development Report defines decentralization as
“the transfer of political, fiscal and administrative powers to sub-national levels of government.”
In this thesis, decentralization has been broadly defined to mean delegation and/or devolution,
i.e., the transfer of planning, decision-making, or administrative authority from the central
government to its field organizations, local administrative units, semi-autonomous and parastatal
organizations, local governments and NGOs.
Forces Behind Decentralization

As mentioned earlier in this chapter, many countries in the developing world are currently undertaking extensive state reform. This includes decentralization of state structures and functions, reorganization of government and civil services, and steps towards democratization. This reform process is changing the nature of urban politics and local administration, emphasizing the need to address local government more specifically. A number of global, national and local forces are responsible for the growing importance of local governments and decentralization in development initiatives.

Global Forces

Democratization: As mentioned briefly earlier, many countries in the developing world are opting out of authoritarian single party political systems and military dictatorships. Decentralization is seen as a move towards democratization. The devolution of decision-making powers to bodies closer to the people is seen as more representative, and more democratic. According to the 1999 World Development Report, a government has decentralized if “the country contains autonomous elected subnational governments capable of taking binding decisions in at least some policy areas. Decentralization may involve bringing such governments into existence. Or it may consist of expanding the resources and responsibilities of existing subnational governments.”

Globalization: Globalization has brought added attention to the importance of local governments too. New trading blocs have furthered the global connection of cities, and are putting increased pressure on local governments to provide a high standard of services, efficiencies, and quality of life, to compete for foreign investment.

Pressure from international agencies: Governments in developing countries are under increasing pressure from international donor agencies, such as the World Bank and the International Monetary Fund (IMF), to decentralize their governments to better deal with the growing disparities in income and wealth among regions. Funds for decentralization often come as a result of spending pressures on donor agencies, “even if recipient governments do not have the capacity to ensure that the funds will yield sustainable benefits” (Smoke, 2000).

Osborne and Gaebler (1992) describe the role of governments as “catalytic” – concentrating their efforts on “steering rather than rowing”.¹ They argue that “flattening of hierarchies” and bringing decentralized institutions into the decision-making process create a number of advantages, such as increased flexibility to respond to change, greater effectiveness, and the ability to generate greater commitment, accountability and productivity. This idea has echoes of the “facilitating” and “enabling” role prescribed for local governments by the international agencies (McCarney (i), 1996).

Emerging ideas in academia: Ideas developed and propagated, primarily as a reaction against centralist policies, have resulted in a proliferation of pro-decentralization literature. Over the last four decades a large body of literature on decentralization has emerged that reviews various aspects of interventions and reforms. Just as any other fashionable idea, decentralization has got

¹ Cited from McCarney (i), 1996.
linked with successful governance, and many governments in Asia (e.g. Philippines, Indonesia) have responded by decentralizing planning and administration.

National Forces

National debt: Persisting global debt patterns in developing have forced deep cuts in spending on urban infrastructure. Debt-ridden governments throughout the world are examining ways of reforming the state, or “reinventing” themselves. As national and regional government spending and programming becomes harder to justify, the “less government” movement, aimed at greater local government responsibility and accountability, is gaining support (McCarney (i), 1996).

Political legitimacy: In an era of drastic political change, the national elite in many countries desire to portray greater political legitimacy. In the Philippines, for example, decentralization began to be institutionalized soon after the fall of an authoritarian regime in 1986. The new president needed to make deliberate gestures towards democratization. Decentralization, and bringing decision-making powers closer to the people, is one way of getting this political mileage.

Population growth and increased urbanization: The rapid rate of growth in the developing world is well documented. Over half of the developing world will be urbanized by the year 2020, and the majority of the world’s largest cities will be found in the developing world (UNCHS, 1987; World Bank, 1995). The demand for infrastructure services is increasing along with this urbanization, and central governments cannot keep up. Decentralization is a means to involve local governments to share responsibility.

Need to reduce central government responsibility: In some cases, decentralization was seen as a convenient way for national leaders to rid themselves of responsibility (Rondinelli and Cheema, 1983). Prud’homme (1995), for example, characterized decentralization in the Third World as “a political strategy by ruling elites to retain most of their power by relinquishing some of it.”

Need for increased efficiency: Centralized bureaucracies throughout the world have become notorious for their slow response to pressing social and economic problems. Increased efficiency in planning, governance, and service delivery are becoming a necessity. Academics and professionals see decentralization as a way of achieving these gains.

Local Forces

Complexity of service needs: As cities in the Third World continue to urbanize and grow rapidly, the service delivery needs are becoming increasingly complex. Commercial and business needs are competing with the needs of the people to capture scarce resources. The added facts of local service failures and deficiencies compound the problem. For example, it is estimated that “at least 170 million people in urban areas lack a source of potable water near their homes, and the water provided to those who have access is often polluted” (World Bank, 1995). Central governments do not have the detailed information necessary to make informed decisions about the distribution of services within localities. Local governments, by virtue of being closer to the people, are better equipped to make decisions about how resources should be allocated.
Need for greater participation: In response to rapid urbanization and population growth, NGOs and international agencies are pressurizing governments to institutionalize participation, and increase the representation of ethnic, regional, religious, or tribal groups. Political analysts suggest that decentralization stems from “the need of national political leaders to accommodate or deflect increasingly strident demands for power sharing by groups that have traditionally been excluded from it.” They attribute the increase in political opposition to (i) the failure of the centralized state, (ii) the relative absence of war and civil unrest (and consequently, a decline in the acceptance of strong authoritarian rule), and (iii) the emergence of the educated middle-classes (and the consequent decline of traditional patron-client relationships between the government and the governed) (Dillinger, 1994).

Growth of urban civil society: In response to the state incapacity to address these local problems, organizations in civil society, such as NGOs and cooperatives, have flourished. These groups are no longer simply striving for subsistence needs, but rather, exhibiting features of advanced growth, by engaging in organized political and economic-based struggles. They possess a considerable power bloc in the urban centers. This local force has led governments to reconsider the nature of politics at the local level and reexamine local governance as a significant tier in government (McCarney (i), 1996).

Problems Associated with Decentralization

It must be understood that decentralization is not an end in itself. Even the strongest advocates of decentralization recognize that it is not a panacea for the social and economic ills of the poor and will not change political and social relationships that have obstructed participation in the past. According to the 1999 World Development Report:

“Decentralization itself is neither good nor bad. It is a means to an end, often imposed by political reality. The issue is whether it is successful or not. Successful decentralization improves the efficiency and responsiveness of the public sector while accommodating potentially explosive political forces. Unsuccessful decentralization threatens economic and political stability and disrupts the delivery of public services.”

The obstacles to decentralization are overwhelming. Most of the decentralization policies that are now being tried in developing countries either have been ineffectively implemented or have produced disappointing results. Furthermore, none of the over-200 ongoing experiments in decentralization around the world has the length of history that would permit a proper ex post evaluation (Dillinger, 1994). Even the little experience with attempting to implement decentralization policies that exists indicates that not all of the alleged benefits materialize. As Dillinger (1994) has pointed out,

“...the decentralization now occurring is not a carefully designed sequence of reforms aimed at improving the efficiency of public service delivery; it appears to be a reluctant and disorderly series of concessions by central governments attempting to maintain political stability.”
We do not intend to go into a detailed discussion of the limitations of decentralization here. There is a vast expanse of literature on that. Hence, the following section briefly outlines some of the hurdles facing decentralization.

Case-specificity
Models of decentralization are often exported from one country to another without regard for local political traditions, regulatory frameworks, or property rights. Experience has shown that decentralization should be highly case-specific. It is very difficult to make generalized conclusions that can be replicated without regard to the context of application. As Prud’homme (1995) has appropriately remarked:

"Decentralization measures are like some potent drugs: when prescribed for the relevant illness, at the appropriate moment and in the right dose, they can have the desired salutary effect; but in the wrong circumstances, they can harm rather than heal."

Limited Capacity
The ideals embodied in decentralization policy can only be achieved if is implemented in an environment of technical competency and fiscal capacity of local administrators, working with local politicians politically committed to decentralize, together with participation of the people. Capacity constraints may inhibit decentralization. The policy implication of this view is that capacity building should precede decentralization. A competing hypothesis to this is that shifting responsibilities may provide the “incentive for public officials to invest in capacity building” (Litvack, 1998). Neither of these, however, is quick or easy to achieve.

Perverse Incentives
Besides the lack of technical knowledge on the part of local government, failures in urban service delivery are also the result of constraints and perverse incentives confronting local personnel, and their political leadership. These, in turn, are inadvertent results of problems in the relationship between central and local government. Even when the structural and administrative aspects of decentralization are in place, local governments are not necessarily effective, or representative (McCarney (ii), 1986).

Decentralization does not automatically instill a system of local government that is accountable and responsive to the needs and demands of the local citizens. On the contrary, giving local governments excessive decision-making autonomy may simply free up government officials from accountability (Smoke, 1999).

In countries where local governance has been dominated by “small traditional elites,” broadening local participation is no simple matter (Smoke, 1999).

“It is conceivable, even likely in many countries, that power at the local levels is more concentrated, more elitist and applied more ruthlessly against the poor than at the center. Thus, greater decentralization does not necessarily imply greater democracy let alone 'power to the people.' It all depends on the circumstances under which decentralization occurs.” (Rondinelli and Cheema, 1983)²

² Cited from Griffin, “Economic Development.”
Recent Research

There is now a new body of literature emerging that looks at the limitations of decentralization, and tries to find strategies to make decentralization efforts successful. According to one of the World Bank’s more recent publications, “Rethinking Decentralization in Developing Countries” (1998), acknowledges that,

“much of the discussion of decentralization reflects a curious combination of strong preconceived beliefs and limited empirical evidence. But ... the best design will vary depending on circumstances and institutions, and that this complexity has sometimes been overlooked in the haste to offer policy advice.”

It stresses on the adoption of “asymmetric decentralization” policies in response to the economic, social and demographic diversity among, and within, countries:

“Given such diversity...’one size fits all’ is definitely not true for decentralization. Different instruments may have very different effects in different circumstances, and very different approaches may be needed to achieve similar results.” (Litvack, 1998)

There is growing recognition of the fact that subnational governments are not as “similar” as they have been assumed to be in the past. Local governments, particularly in large cities, typically have greater capacity and staffing to manage and finance service delivery than do their counterparts in smaller provincial cities (World Bank, 1998).

“Treating those with weak capacity as if they can handle new fiscal responsibilities invites failure. Providing technical assistance to those that do not need it wastes resources.” (Smoke, 2000)

In this context, the Bank’s concept of asymmetric decentralization relies on the decentralization of responsibilities that are feasible, rather than an “all or nothing” approach.

Limitations in the Literature on Decentralization

Given the vast expanse of writing on decentralization, one might be tempted to conclude that its content could generate useful guidelines for designing and implementing decentralization strategies in the future. However, this is not the case. This, according to Cohen and Peterson (1996), is because of methodological problems such as:

“... the careless use of conceptual definitions and terms, misconceptions and unrealistic expectations, unsystematic presentations, and over-emphasis on cases of failure, lack of comparability among diverse case studies, neglect of historical patterns that generate complexity, inappropriate and naive assumptions....”

For instance, the tendency by some specialists to simplistically argue that a democracy is essential for effective decentralization is exemplified by the following two statements:

“Decentralization is a political process, not an administrative option, and simply delegating responsibilities to out-posted central ministry officials without putting them
under the control of centrally elected leaders will not result in the desired improvements...” (1993 UNDP Workshop on Decentralization)

"...a government has not decentralized unless the country contains autonomous elected subnational governments capable of taking binding decisions in at least some policy areas.” (1999 World Development Report)

These assertions, besides making idealistic assumptions about people-centered development, also confuse political and administrative forms of decentralization. Clearly, democratic governance facilitates a wider range of decentralization strategies. But just because a country is highly centralized does not mean that it is unable to effectively decentralize service provision through deconcentration. In sum, "democratization can facilitate political decentralization strategies, but its absence does not necessarily mean that such strategies cannot be efficient or effective" (Cohen and Peterson, 1996).

Another important limitation of the decentralization literature is its lack of emphasis on urban housing delivery. The vast expanse of writing and research on decentralization typically focuses on fiscal reforms and delivery of urban services, but close to nothing has been said with respect to the housing sector. Urban service delivery is typically includes the water, sanitation, and power sectors and other major infrastructure such as roads and highways. Even though housing is one of the most important aspects of urban management in the rapidly growing urban areas of today, very little has been written about decentralization of housing functions. As a result, some governments, such as the Philippines, have, or are in the process of, decentralizing the housing sector without a clear understanding the real implications of such efforts.

Finally, despite the widespread emphasis on decentralization and its benefits in academia, we were unable to find city-specific studies that evaluated decentralization policies (in practice) from a secondary local government’s perspective. The substance of the matter is usually very generalized, based on cross-country or countrywide analysis. The few studies that are available on a city scale typically focus on capital cities or metropolitan areas of developing countries, which in turn have more financial and technical resources than other areas.

Summary

Although the recent decentralization movement in the Philippines has been hailed as “revolutionary” and assessed as “fairly successful” (McCarney (i), 1996), our field study in the country revealed that this is not the case in some sectors. The city of San Fernando, in the La Union province of the Philippines, exemplifies some of the constraints that decentralized local governments face in the housing sector. Since this thesis looks at the housing sector of the Philippines, it is important to understand how theories and trends in the housing sector have evolved over the last four decades in the international arena. The debate on housing policy has close linkages with the changing trends in governance. Together they provide a clearer picture of the development debate, which is important to understand, in order to be able to draw substantive conclusions about our specific case.

3 Cited from Cohen and Peterson, 1996.
Chapter 3

HOUSING IN DEVELOPING COUNTRIES
Introduction

Shelter planning in the Philippines was the responsibility of the central government until the passage of the Local Government Code of 1991 (RA 7160)\(^1\) and the Urban Development and Housing Act (UDHA) of April, 1992 (RA 7279). These two laws mandated local government units to implement programs and projects in low-cost housing and other mass-dwellings for the underprivileged and homeless (HLURB (i), 1998). The legislation, primarily a response to the increasingly “visible” housing problems in Manila and other large cities of the Philippines that were faced with increased squatting in the 70s and 80s, was applied on a national scale.

The Philippine Government’s current approach in the housing sector is “to reduce the government’s role as a direct producer of housing and convert it into one of facilitating housing production by the private sector (formal and informal), as well as focussing subsidies more tightly on the poor” (Kingsley and Mikelsons, 1991). These policy objectives are very much in line with the ideas propagated by international debates on development policy during the 1990s. However, the projects that are being implemented in practice, at least in San Fernando, are essentially inconsistent with these objectives.

The issues facing the housing sector of San Fernando are derived from the legislation passed in 1991, which gave to local governments both responsibility and some access to resources for the housing sector. The legislation gave the same rights and responsibilities to a multiplicity of localities of many different sizes, facing a wide range of circumstances and with very different access to technical skills. The city of San Fernando, and all other towns of similar size and in similar places in the urban hierarchy, was faced with an expansion of its role, but was equipped with a knowledge base with limited previous experience in housing and urban planning. That knowledge base has defined both the problems being identified and the solutions being considered currently by San Fernando’s officials.

Prior to the legislation, San Fernando, with a growth rate of 2.42 percent in 1990 (Abad, 1999) and squatters comprising less than 8 percent of the city’s population, did not view squatting as a serious problem. The Code brought with it the legal obligation of local governments to address the squatting problem, and financial resources to undertake housing projects the poor. This has led the local government to undertake projects that would not only have been deemed unnecessary in the past, but are also inappropriate in the present context.

The local government’s approach to the housing sector in San Fernando needs to be seen in the context of the development of the housing trends and policies implemented in developing countries over the past four decades. In our response to their ideas, we were equipped as urban planning students with a second hand familiarity with a much wider range of ideas (policies and solutions) which have been tried and subsequently often modified or abandoned over the past 50 years. This chapter sets out to explain how we viewed the initial proposals in the light of what we knew of past experience elsewhere with low income housing policy, resettlement and squatter housing.

\(^{1}\) The Local Government Code defines the role and jurisdiction of the decentralized local governments.
Housing Policy in Developing Countries

Policy on housing in developing countries over the last four decades has typically focused on the “most immediate” and “visible” housing problems in urban areas – those of the poor, living in unauthorized housing on pockets of undeveloped or “marginal” land, or in slum and tenement housing (Rakodi, 1992). The Global Report on Human Settlements 1986 (UNCHS) indicates that in many cities of the developing world, 40-50% of the population lives in slums and informal settlements, also termed as “irregular settlements” (see Table I).

<table>
<thead>
<tr>
<th>Year</th>
<th>City</th>
<th>Irregular settlements</th>
<th>Settlement type</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Bangkok</td>
<td>8%-20%</td>
<td>Slums, underserviced settlements</td>
</tr>
<tr>
<td>1981</td>
<td>Delhi</td>
<td>36%</td>
<td>Irregular settlements</td>
</tr>
<tr>
<td>1983</td>
<td>Bombay</td>
<td>40%</td>
<td>Irregular settlements</td>
</tr>
<tr>
<td></td>
<td>Calcutta</td>
<td>42%</td>
<td>Rental “bastees”, refugee colonies</td>
</tr>
<tr>
<td>1987</td>
<td>Hyderabad</td>
<td>30%</td>
<td>Squatters</td>
</tr>
<tr>
<td></td>
<td>Bhopal</td>
<td>27%</td>
<td>Squatters</td>
</tr>
<tr>
<td>1981</td>
<td>Jaipur</td>
<td>42%</td>
<td>Irregular settlements</td>
</tr>
<tr>
<td></td>
<td>Dhaka</td>
<td>50%</td>
<td>Slums, squatters</td>
</tr>
<tr>
<td></td>
<td>Manila</td>
<td>40%</td>
<td>Irregular/underserviced settlements</td>
</tr>
</tbody>
</table>

The definition of “irregular settlements,” however, is fuzzy. It includes squatters settlements (established through illegal occupation of land), slums (underserviced or dilapidated and overcrowded settlements), and other forms of informal housing. Besides, different authors used different terms, and different countries define informal settlements by virtue of their comparison with the set national (and country-specific) “standards.” Housing that does not meet these standards is typically branded as “informal.” While not all informal settlements have unsatisfactory living conditions, they are usually inadequately served with essential infrastructure. Extremely high population densities and room occupancy rates, although not proof of inadequate housing, usually do indicate an insufficiency in the supply of formal housing. Even as the fairly recent attitude of ‘slum eradication’ is slowly transforming to ‘slum upgradation,’ the very fact that they need to be ‘upgraded’ implies that they are lacking, or at least considered so by the authorities.

Much like other development-related policies, policy responses to informal housing are driven by influential pressure and aid availability from donor agencies. In recent years, many international agencies, such as the World Bank and the UN, have adopted the notion that governments should “facilitate” or “enable” rather than deliver shelter and urban services (UNCHS 1987). This, when placed in context of the increasing emphasis on decentralization, reflects a broader trend to improve local government, not so much as the “provider” of housing and urban services, but as the body best equipped to create an “enabling” environment to facilitate local communities and the private sector in such efforts.

2 Comparisons are difficult to make since certain authors use the term ‘irregular settlements’ for irregular land occupation and others to underserviced or dilapidated and overcrowded settlements, but this does give a rough idea of how grave the problem of irregular settlements is in many developing country cities.
Evolution of Housing Policy

Pre-World War II: Indifference towards Informal Settlements
In the earliest stage of urbanization, governments were fairly indifferent to migration from rural to urban areas. Squatting or informal housing was a common way for low and moderate income to meet their housing needs. Since it was easier to squat on public land, an asset that was available in abundance in many parts of Asia as a result of colonial rule, squatting typically occurred on public land holdings. Industrialization, occurring during the early decades of this century, required cheap labor. Squatting lowered housing costs, and muted the wage demands of the urban poor. As a result, many governments often turned a blind eye to squatter settlements even though they were grossly 'substandard' by building codes (Doebele, 1987). There may have also been political considerations which made governments sympathetic to squatting, which, although amounting to “illegal seizure of property,” may have been considered “a spontaneous act of redistributive justice” (De Soto, 1989).

Rapid urbanization following World War II resulted in growth rates averaging 5 to 7 percent in the urbanizing areas of the world. Informal settlements experienced rates double that (Palmer and Patton, 1988). It was then that this segment of the urban population began to attract increasing attention. However, this was something that happened most visibly in the large cities.

The current situation of San Fernando is comparable with the smaller cities of that period, with relatively slow growth rates, that did not view squatting as a major problem. The government’s approach to squatters in San Fernando too was one of relative indifference, until the legislation requiring local governments to address squatting was passed.

Post-World War II to the Mid-1960s: Informal Settlements as Undesirable
In the late 1950s and early 1960s, many of the urban elite began to develop fear, not only of crime and disease, but also of the likelihood of a revolution by the uncontrollable masses in their capital cities (Doebele, 1987). Migrants and urban squatters began to be considered a “burden to the existing social structure and a potential threat to social and political relations” (Palmer and Patton, 1988). Housing policy was directed more at protecting the formally developed areas of cities and existing social institutions, rather than finding a solution to the housing problem of the migrants. It was aimed at discouraging urban migrants, preventing squatter settlements, providing high-rise alternative housing, and removing informal settlements. This included demolishing slums (especially near the centers of government and wealthy residential areas); building minimum-standard subsidized public housing for those who could not be dislodged from the city (using European and American models); and for the long run, pursuing programs of decentralized development and rural improvement to stem and divert the migrant flow at the source (Doebele, 1987).

Removal of “urban squalor” included removal of low-quality housing, and construction of more high-rise replacement apartments. This approach particularly appealed to politicians who

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3 According to De Soto (1989), “it is easier to invade state land than private land for, when no particular individual is affected, there is less incentive to react.”
associated high-rises with “modernity” and recognized the political mileage they could gain from such visible projects. Motivations underlying these policies include both, “do-goodism” and calculating self-interest. Some believed it was “humanistic” to save the “poor dears” from their squalid existence by giving them a chance to live a decent life in a healthy environment. “On the other hand, the fight for turf, the crude economic interests, and the desire to preserve the city as the citadel of the privileged – keeping out the “riff-raff” along with their unsightly settlements – undoubtedly played a large role” in addressing squatters (Perlman, 1976). Some countries such as South Africa and the Philippines, made squatting a “criminal offence” subject to severe penalties and sometimes, even imprisonment (Yamamoto, 1996).

The lack of acknowledgment of informal housing led to another problem: a gross underestimation of real housing supply. Since housing was defined as “authorized, legal housing of an approved standard produced by the formal construction sector,” that supplied by the so-called informal or unconventional sector without official approval under land, planning or building regulations, was largely ignored. The apparent deficit thereby revealed is referred to, misleadingly, as “housing shortage” (Rakodi, 1992). It is interesting to note that this problem is prevalent even today in many cities of developing countries. “Housing shortage” is a term commonly used, both by academics/professionals as well as politicians, to describe housing problems. In San Fernando, the city officials often refer to the issue of a “severe housing shortage,” even when the actual number of ‘homeless’ people is minimal. This is a common feature almost all developing countries.

By and large, policies in response to the so-called “housing shortage” did not work. Public housing was too expensive, and did not reach most of the rapidly growing populations. Despite large subsidies, apartment buildings often went unoccupied for long periods, often because of poor location, inadequate infrastructure, or unaffordable rents. As a result, zoning and building standards were widely flouted, and squatter settlements began to proliferate. Informal, illegal, or unregistered housing became the main source of housing for the poor in urban areas of developing countries (Mayo and Gross, 1986).

Even in cases where low-income families actually moved into subsidized projects, the mismatch between cost and financial resources often resulted in massive defaults on monthly payments. Either that, or the beneficiaries ended up selling their subsidized units to the middle- and upper income groups, believing that “liquid assets would be of more benefit to them in their struggle for existence than the subsidy-as-housing being offered by the government” (Peattie, 1982).

As the mid-1960s approached, however, it was becoming clear that policies aimed at replacing poor-quality housing were not working, public housing was not an appropriate way, either culturally or economically, to house the poor.

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4 Housing policies of this period in most developing countries followed the model of industrial nations: relying on heavily subsidized public housing with high standards of construction and infrastructure; zoning and building standards that discouraged housing of lower quality; and, destruction of slums and squatter settlements in the name of “law and order” or “urban renewal” (Mayo and Gross, 1986). Even in the US, large-scale urban renewal programs of the 1960s dispossessed over 700,000 families, most of whom were poor. This was a period when discriminatory practices were rampant, and many officials used these so-called ‘development’ programs “to clear not only what they saw as substandard housing, but also what they saw as substandard people… The poor were paying the major costs of redevelopment” (Peattie, 1987).
Mid-1960s to Mid-1970s: Discovery of Sites-and-Services and Upgrading Schemes
While governments were struggling with this dilemma, a number of persons such as Turner, Mangin, and Leeds (Peattie, 1982) began to publicize the notion that squatter settlements should not be viewed as a ‘problem’, but rather, as a ‘solution’ to “housing shortage.” Charles Abrams, another major social analyst of the time, saw the problem more comprehensively and proposed provision of land and tenure security for the urban poor. Together, they introduced a completely different perspective of squatter settlements and their inhabitants. According to them, the vast informal settlements surrounding major cities in developing countries were “not ‘rings of misery’, nor ‘creeping cancers’, but evolving communities.” They were not housing in deterioration, but rather “housing in the process of improvement,” “a stock in progress, on the way to becoming adequate through continuous investment by the individual household,” affording great advantages to those with unstable or irregular incomes. Their residents were not demoralized and parasitic; they were “active, organized and self-mobilizing” (Peattie, 1982), provided a foothold in the city for new residents and helped them to adapt to the new urban environment (Palmer and Patton, 1988).

Observers argued that the needs of the user should be at the heart of housing policies, that users should decide what they need and how it should be provided. In other words, the government was to be the facilitator of self-help housing. This notion continued to gain popularity over the next three decades, and is the basis of shelter policies currently being adopted by many developing country governments, including the Philippines. Turner’s phrase “freedom to build” asserted that the poor could become homeowners, if provided with government assistance in acquiring materials and security of tenure. With a source of capital, they could gradually improve their living conditions (Palmer and Patton, 1988).

During the late 1960s and early 1970s, many governments began to build on the success of informal housing, introduced sites-and-services and slum upgrading projects. Wider shifts in development policy, and concern with the formulation of the Redistribution with Growth and basic needs approaches, underlay and reinforced attention paid to the informal sector housing production as a research focus (Rakodi, 1992). The USAID, UNDP and other international organizations started initiating projects using the theme of “progressive self-development” or “autonomous housing.” In 1972, the World Bank, with its major resources of credit, rapidly made “sites-and-services” a global program, using its financial power to steer policies towards “affordability, cost recovery, and replicability” (Pugh, 1991, Doebele 1987). The 1972 Urbanization Sector Working Paper of the World Bank advocated (i) low cost solutions to housing to make shelter more affordable; (ii) removal of subsidies; (iii) use of technical assistance to increase consciousness in urban planning; and (iv) self-financing programs that could be replicable (Jones and Ward, 1994). These projects tried to set design standards on the basis of what people could and would pay, rather than some arbitrary notion of “housing need” (Mayo and Gross, 1986).

Mid-1970s to Mid-1980s: A More Balanced View of Potential Solutions
In the early 1970s, Turner’s ideas came to be widely accepted. His ideas attracted attention in international donor agencies as well as from influential idea brokers in the urban sector such as Barbara Ward, Lloyd Rodwin and Constantine Doxiades. Policy makers seized upon this vision and tried to translate it into public policy. By organizing, regularizing, and supporting these self-
improving processes, they sought to create “a system having all of the dynamism of the current situation, but channeled and planned in a manner which will eliminate the disorder and irregularity of uncontrolled settlements” (Peattie, 1982). The result was the concept of sites-and-services projects.

This was the period when the World Bank was seeking ways to implement pro-poor policies. Its President, Robert McNamara, was trying “to reorient the World Bank towards a more explicit concern with poverty alleviation,” and their sites-and-services and slum upgrading programs incorporated the notion that informal housing or self-help housing was indeed a contribution to housing supply.

By the mid-1970s, the literature on informal housing as a solution as well as a problem was growing rapidly, and international agencies were providing substantial levels of assistance to developing countries. The 1976 UN Habitat Conference on Human Settlements passed resolutions proclaiming that squatter settlements could no longer be considered an isolated and temporary phenomenon and called on governments to upgrade spontaneous settlements and integrate their residents into the national fabric. The focus was on widespread application and analysis of the sites-and-services model, squatter upgrading, and other gradual improvement efforts. The reasoning was that the government alone could not solve the housing problem, but with government and professional assistance, people could improve their living conditions, and that homeownership for the poor was an achievable goal. These years witnessed an outpour of studies of projects financed by the World Bank, UN and AID.

However, as land-value continued to rise, problems in cost recovery and replicability started to become more apparent. Devalued loan repayments from participants in sites-and-services projects did not allow effective recycling of funds. Recognizing this, the World Bank began to push for greater emphasis on legalization/formalization/regularization and upgradation at the locale, and on upgrading existing housing. This is not to say that sites-and-services schemes were abandoned. On the contrary, they continued to be seen as potentially viable ways to address shelter shortages.

The outlook of upgrading sought to give people land title, provide easy access to credit, and technical assistance, helping them to be “agents of their own self-improvement.” The logic underlying the formalization policy was that if the informal sector could perform so well in providing housing and income-earning opportunities for the poor, despite government harassment, discrimination, and indifference, it might be able to perform even better if granted legal recognition and government assistance (Sanyal, 1996).

The Tondo Foreshore Project in Metropolitan Manila, initiated by the Philippine Government in 1974 and financed by the World Bank, is a well-known experience with upgrading. Not only did it provide the Bank with one of its earliest experiences in upgrading, but it also was one of the first cases of upgrading and resettlement in which the local community played an active part. However, it highlights the pressure of international organizations such as the Bank on developing country governments to undertake upgrading and sites-and-services projects. A precondition for the loan from the Bank was that the Philippine Government would “increase its capacity to plan and implement similar upgrading and sites-and-services projects in other parts of Manila and in
other cities of the Philippines” (The World Bank, 1976). This project, although widely recognized for its success, was not so much a shift in beliefs and attitudes of the government towards squatters. Instead, government saw it as a means to address the problems associated with one of the “worst slums” of Manila at the time. This is clear from the fact that in 1975, the Marcos government issued a constitutional decree that penalized squatters.

Mid-1980s to Mid-1990s: Understanding the limitations of Upgrading/Sites-and-services Projects
Following a decade or so of ‘learning by doing’ experience with sites and services, and in situ slum upgrading projects, the World Bank identified a number of difficulties associated with such projects. First, it was realized that the principles of “affordability, cost recovery, and replicability” often led project planners to use rules of thumb for standards of affordability and design. For instance, the assumption that low- to middle-income households could spend 20 to 25 percent of their incomes on housing and related services was used in nearly three-quarters of the sites-and-services projects financed by the World Bank between 1972 and 1984, regardless of the country’s income level or the incomes of the target population (Mayo and Gross, 1986). Such rules of thumb were found to be inconsistent with what people actually spent on housing, and had the effect of either excluding the intended beneficiaries, or requiring subsidies of a scale that could not be replicated.

Second, since the programs did nothing to stem migration, and were not on a scale immense enough to make supply equal to demand, urban land prices continued to rise. With the inflation in land cost came the problems of acquiring land for sites-and-services and upgrading projects. To minimize costs, governments bought land relatively far from city centers, removed from job potentials. As a result, many rehoused urban dwellers sublet or sold their units and returned to their original homes to be nearer employment opportunities.

Third, although successful upgrading in slums made housing in such areas more desirable, thereby benefiting those who received title, it also had the potential of harming tenants who may face higher rents because of the extra amenities provided. Another problem of tenure regularization that was recognized was its tendency to facilitate “downward raiding” or “buying-out” of lower-income precincts by the middle class (Pugh, 1991).

Besides, the Bank recognized that the nature of housing was “too complicated and too one-sided to be fitted into a simple theory of affordability, cost recovery, and replicability.” The international debt crises of the 1980s revealed that housing is particularly vulnerable to economic fluctuations. Governments, besides cutting back expenditure on housing projects, also adopted policies aimed at increasing interest rates. This had adverse effects upon those households, which

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5 In early days of urbanization, the poor were often able to stake out well-suited areas by invasion and squatting, which in spite of their favorable locations, were not attractive to the middle class because the cloudiness of title made investment risky.

6 Recessions make building unprofitable. As household incomes decrease, defaults occur in loan repayments. Low-income households increase their occupancy rates as they attempt to economize on housing. At the same time, demographic growth and urban-rural migration continue to exert an increasing pressure on demand for housing. Governments become more cautious and restrictive in their expenditure. Housing is often selected as a significant target for cutbacks in expenditure, because it is politically easier to cut capital expenditure compared with recurrent expenditure. Meanwhile housing finance institutions become more exposed to risks of default on loan repayments and insufficiencies of savings deposits to maintain levels of lending (Pugh, 1991).
held mortgages for home purchase. Faced with higher interest payments on mortgages, and
sometimes lower incomes, their housing expense-to-income ratio increased. This economic
change had repercussion effects throughout the housing system (Pugh, 1991).

This highlighted that housing needs to be seen as part of a larger macroeconomic system, instead
of from a project-by-project basis. This changing awareness reflects a broader paradigm shift
away from large-scale urban projects, with the government playing the role of the principle
provider, towards a role to facilitate equitable and replicable urban-development processes
(Jones and Ward, 1994). According to a report by the Urban Management Program (1996):

“Urban authorities almost always plan out land and housing development projects with
reference to a sequential model of “planning – servicing – construction – occupancy”,
while in reality, most settlements are formed through the reverse process of “occupancy
– construction – servicing”, with planning coming in much later.”

Although the basic objectives of the Bank as well as other international assistance agencies has
all along been fostering development and improving the living conditions of the poor, they have
been criticized because of their tendency “to apply identical remedies, as doctrine, irrespective of
a country’s circumstances, with the result that programs continued to be supported and promoted
even after it was clear that they do not work” (Jones and Ward, 1994).

Summary

The shifting emphasis, from forced relocation to upgrading, from pre-built housing to self-help
housing projects for the poor, is evident from the transformation of the World Bank’s (and other
international assistance agencies’) policy objectives over the last four decades. As discussed
above, the chronological pattern in housing policy was a progression from the construction of
public housing, i.e., complete dwellings for rent or sale, to the provision of serviced lots, to the
upgrading of unauthorized areas (Rakodi, 1992). Besides the changing role of government in the
housing sector – from a “provider” to an “enabler” – there is also a growing emphasis on the
importance of local government in this sector.

Despite all the literature on housing policy, the past and the current trends, and the lessons that
they bring out, there is no country in the developing world that has been able to tackle its
housing sector successfully. What is worse is the fact that many governments continue to tread
on paths seen to be disastrous from past experience.

There is a vast expanse of literature on decentralization, and on housing. However, we were
unable to find anything substantial that dealt specifically with decentralization of the housing
sector. We found no clear documentation of past and current experiences, or the possible hazards
and limitations involved in the process. In the case of the Philippines, it appears that the effort to
decentralize the housing sector has caused more problems than it has solved, at least in small
cities such as San Fernando.

Although the housing policy of the Philippines explicitly aims to “facilitate rather than provide
housing,” in tune with the current views of academics and donor agencies alike, our study of the
city of San Fernando revealed some of its shortcomings in practice. The strong emphasis on resettlement and socialized housing programs advocated by international assistance agencies such as the World Bank (with reference to the Tondo Foreshore upgrading project) during the 1970s and 80s, was adopted by central housing agencies of the Philippines during the 1980s, and has continued into the new millennium. Alongside, the passage of the Local Government Code in 1991 devolved the responsibility to implement low-income housing and resettlement programs to the local governments. Together, however, these two policies have led to a situation where, unfortunately, the LGUs see themselves as direct providers of housing for the poor, much in contrast to the basic objectives underlying the policy reforms.

The next chapter will look at how decentralization has affected the institutional structure of the Philippines, and its housing sector. This in turn will allow for a detailed evaluation of the case of San Fernando, and the local government’s approach to housing.
Introduction

The Philippines has experienced centuries of western colonization. The colonizers – Spain and the United States of America – besides influencing the country’s language and religion, also played an important role in the evolution of the country’s governance structure. Prior to colonization, the country was based on a decentralized system of governance, comprising of many small village governments headed by their Sultans. The Spanish colonizers introduced a highly centralized government, which lasted for over four centuries, and continued even after the country gained independence in 1946. The passage of the Local Government Code in 1991 (the culmination of a series of social and political changes in the country), marked the first serious effort to devolve responsibilities to local government institutions in the Philippines since colonization.

This chapter will provide a brief history of the institutional structure of the Philippine government, and then go on to describe the current institutional framework of the housing sector. The discussion of the institutional framework is intended to provide an understanding of the (institutional) dynamics that affect housing policy and implementation in San Fernando.

Evolution of the Philippine Institutional Structure

History
Prior to the invasion of the Philippines by the Spaniards in 1521, the country had a communal type economy comprising of many small village governments (called barangays) each headed by a Sultan. The Spaniards centralized the governing structure of the country, and established provinces, cities and municipalities, with Manila as the capital. The barangays became barrios, and the powers of the sultan were eroded. According to the new hierarchy, the provinces supervised the lower levels of government. The heads of local units became mere collectors of tribute for the central government. The bureaucratic form of administration introduced although did not necessarily make for efficient government, it did serve the interests of the colonizers. Commerce, land and politics became the preserve of the Spaniards, together with the few Filipinos co-opted into the system. The natives were reduced to the status of feudal vassals (Tapales, 1996).

The Filipinos won a revolution against Spain in 1898. The Filipino revolutionary government, which existed briefly after the Spaniards left, tried, unsuccessfully, to break up the centralized system of governance and give more powers to the local units. However, the Americans entered the country that year, by virtue of their victory in the Spanish-American war and the Treaty of Paris. The American colonizers were able to woo the Filipinos through the introduction of a public school system, party politics, and a civil service. An American-inspired constitution was drafted in 1935, and independence was to be granted after a transition period of 10 years deemed essential for the Filipinos to govern themselves fully. During World War II, the Japanese invaded the Philippines, but this colonization was short-lived. The war left the country devastated, but the Philippines gained their promised independence from the US in 1946 (Tapales, 1996).
After World War II, an independent republic was inaugurated. The government structure continued to be highly centralized, and consisted of three independent but co-equal branches – the legislature, the executive and the judiciary. The legislature was bicameral; the political system had a two-party basis with elections every four years (McCarney (i), 1996). The 1935 constitution allowed the President to declare martial law when he/she considered it to be in the national interest. In 1972, President Ferdinand Marcos used this power to stay in office beyond his maximum eight-year term. He ratified a new constitution that ensured a unicameral legislature. The Marcos dictatorship lasted for fourteen years.

The Marcos regime laid the foundation for decentralization in the Philippines. A regional development plan was established in the Philippines in 1972. The objective of this Reorganization Plan was to decentralize policymaking and implementation to regional levels with line agency activities coordinated by the National Economic and Development Authority (NEDA) (Mathur, 1983). This regional development divided the country into 11 (now 14) ethno-geographic regions, each with an administrative center, from where national agencies would operate.

A Regional Development Council (RDC) was established in each region to spearhead the planning functions. RDCs comprised of provincial governors, city mayors, regional directors of central ministries, managers of sub-regional authorities, and the regional director of NEDA. The RDCs were supposed to do a comprehensive survey of regional resources, specify regional goals and objectives, extend technical assistance and expertise in planning, and coordinate local, regional and national planning efforts. Development plans were to be funded by national ministries and local governments in the region (Mathur, 1983). A Local Government Code was passed in the legislature in 1983, outlining the responsibilities of local governments.

The assassination of opposition leader Benigno Aquino in 1983, led to the “people-power revolution”, which propelled Corazon Aquino (widow of Benigno) to the presidency in 1986. The revolution was supported by millions of people, and gave rise to hopes of a better, more democratic government. A new constitution was drafted which restored democratic institutions, such as regular elections and a party system to the country. The democratic space was expanded further by the institutionalization of NGO-participation in the system of governance. The “people power revolution” and the election of Corazon Aquino to the presidency triggered significant reforms in the government.

In 1988, President Aquino established the Cabinet Action Committee on Decentralization and the Pilot Decentralization Project. Governors of four provinces were given lump-sum allocations of money to spend according to priorities determined by their own governments (Kingsley and Mikelsons, 1991).

A new Cabinet Decentralization Implementing Team was set up in 1990 to manage the process of decentralization more forcefully. This focused on amending the Local Government Code of 1983. In 1991, Republic Act 7160, better known as the Local Government Code of 1991, was passed, dismantling the centuries-old centralized system of governance. The Code, hailed as “the most revolutionary local government reform law in Asia” (Kingsley and Mikelsons, 1991), entailed the following:
(i) Devolution of functions to LGUs such as –
- Construction, improvement, rehabilitation, repair, and maintenance of all infrastructure facilities intended primarily to service the needs of the residents.
- Reclassification or conversion of agricultural lands and provide for the manner of their disposition (although there are some limits on the amounts that can be reclassified);
- Social welfare services, field and community health services;
- Implementation of low-income housing programs (with some limitations);
- Development of tourism facilities;
- Development of extension services linked to agriculture and fisheries

(ii) Changes in the Operations of National Agencies –
- Transfer affected staff to LGU payrolls (with provision that compensation will not be reduced as a result);
- Set guidelines and standards for LGU performance, and continue to monitor LGU compliance;
- Provide direct technical assistance or supervision only upon order of the President based on findings that the performance of a particular LGU has not been adequate.

(iii) Local Taxes –
- Local tax base widened;
- Greater flexibility in establishing tax rates;
- Fix property tax assessment levels as a function of the current market value of the current market value of real property. LGU to retain all property tax revenues collected.

Current Structure of Government
The 1987 constitution (currently in place), and the Local Government Code of 1991 dictate the institutional framework of the Philippine government. The President and the Vice-President are elected for six years with no opportunity for re-election. The present Philippines congress is bicameral, with a 24-member Senate whose members are elected at large for a term of six years. The House of Representatives has members elected for three years by district.

The Philippines has many local government units, not only in number but also in layers of authority. There are 76 provinces (intermediate levels of local government, similar to American counties); 1,543 municipalities (basic units of government, similar to the boroughs of England); 39 component cities (more autonomous than municipalities, but under the supervision of the province); 25 highly urbanized cities (autonomous from the province); and 41,988 barangays or village governments (or “sub-municipal levels,” which do not exist in most countries) (Tapales, 1996).

Municipalities are typically reclassified as component cities when their population exceeds 100,000 and their annual incomes exceed P10 million. San Fernando is one such example. After 212 years of being a municipality, the President declared it a “component city” in 1998. Component cities may then be reclassified as Highly Urbanized Cities when their population exceeds 150,000 and their annual incomes exceed P30 million. All cities are given charters by the Congress.
All units of local government have elected legislative and executive officers. The governor is the Chief Executive Officer for the province, the Mayor for cities and municipalities, the Barangay Chairman (or Captain) for the barangays. Under the Local Government Code, all elected local government officials hold office for three years in local elections that are synchronized with national elections. The institutional framework of the various levels of government in the Philippines is illustrated in Figures 2, 3, 4 and 5.

As mentioned in Chapter 1, this thesis is an attempt to understand the impact of decentralization policies on a particular sector of service delivery. The housing sector of the Philippines is studied as an example. The following section delves into the evolution of housing policies in the country, and the series of experiences that led to the current approach to housing by both, national and local governments.

**The Housing Sector in the Philippines**

The housing sector of the Philippines has been getting greater attention in the last two decades. One of the responsibilities devolved to local governments, as part of the decentralization initiatives of the Philippines, was the implementation of housing and resettlement programs for the low-income groups. As a result, many local governments are now addressing their new responsibilities in the housing sector by prioritizing such programs on their development agendas.

The recent emphasis of the Philippine constitution on the role of the government as a “facilitator” rather than the “provider” of housing is very much in line with current opinions being promoted by international organizations. However, this is the result of a series of experiences that have transformed the government’s attitudes towards housing.

**History**

For more than two decades after gaining independence in 1947, the housing sector of the Philippines did not receive any attention by the government. Rapid urbanization in the late 1960s (and early 1970s) resulted in serious housing problems in Manila and other cities of the country. Manila’s poor totalled 1.5 million, equalling nearly one half of the nation’s urban poor. Squatting was becoming widespread, and the unsanitary living conditions in slums led to frequent outbreaks of epidemics (World bank, 1976). In an attempt to address the growing squatter problem in Manila and other cities of the Philippines, a housing program was included in the Four-Year Economic Development Plan (1971-74) under President Marcos. The plan proposed allocation of funds for several housing projects and drafted some guidelines for a broad national housing policy. Thereafter, the Sicat Plan (1972-75) called for the national housing program to specify the role of the government in housing. In 1973, the Philippine Constitution named housing as one of the state’s responsibilities. However, these plans simply remained on paper because the government was not really obligated to implement them (Struyk and Turner, 1986).
Figure 2. Local Government Units in the Philippines

*Note: Cities which do not qualify in terms of income and population as highly urbanized, and therefore are not autonomous from the province.

Source: McCarney (i), 1996.
Figure 3. Local Government Units in the Philippines: THE PROVINCE

MANDATORY PROVINCIAL OFFICIALS
- Governor
- Vice Governor
- Provincial Board
- Provincial Administrator
- Budget Officer
- Legal Officer
- Treasurer
- Assessor
- Accountant
- Planning & Dev. Coordinator
- Social Welfare Dev. Officer
- Engineer
- General Services Officer
- Agriculturist
- Veterinarian
- Health Officer

OPTIONAL OFFICIALS
- Information Officer
- Population Officer
- Architect
- Cooperative Officer
- Environmental & Natural Resources Officer

NATIONAL GOVERNMENT OFFICIALS
- Superintendent of Schools
- Commander, Philippines Constabulary

Source: McCarney (i), 1996.
Figure 4. Local Government Units in the Philippines: THE CITY

Mandatory City Officials:
- Mayor
- Vice Mayor
- City Council
- City Administrator
- Budget Officer
- Legal Officer
- Treasurer
- Assessor
- Accountant
- Planning & Dev. Coordinator
- Social Welfare Dev. Officer
- Engineer
- Civil Registrar
- Health Officer
- Veterinarian
- General Services Officer

Optional City Officials:
- Information Officer
- Population Officer
- Architect
- Cooperative Officer
- Environmental & Natural Resources Officer

National Government Officials:
- Superintendent of Schools
- Superintendent National Police

Source: McCarney (i), 1996.
Figure 5. Local Government Units in the Philippines: THE CITY

MANDATORY OFFICIALS

- Health Officer
- Budget Officer
- Assessor
- Accountant
- Planning & Dev. Coordinator

OPTIONAL OFFICIALS

- Information Officer
- Social Welfare Dev. Officer
- Architect
- Agriculturist
- Environmental & Natural Resources Officer

NATIONAL GOVERNMENT OFFICIALS

- Education
- Superintendent National Police

Source: McCarney (i), 1996.
In 1974, the national government initiated the Tondo Foreshore upgrading project, and requested the World Bank for financial assistance. The Tondo Foreshore Development Authority (TFDA) was established, responsible for executing the program in Tondo, considered at the time to be one of Manila’s “worst slums.” The project was to cover 180 hectares of land, and house a population of 27,500 families in 17,500 structures. According to the World Bank Project Report (1976), this was the first attempt to tackle the major housing problems of Metropolitan Manila, and if successful, was to “demonstrate the practicality of the approach for upgrading the standards of living of the 3.2 million persons estimated to be living at or below minimum subsistence level there and in other fast growing areas of the Philippines.”

Until then, the Government’s main response to the perceived problem of squatting had been a series of “ad hoc projects, generally involving major relocations to distant sites, which (had) not been very successful” due to lack of employment opportunities and inadequate infrastructure services (World Bank, 1976). Although in tune with the Bank’s emphasis on upgrading blighted areas, it is important to note that the Tondo Foreshore project, in no way signified a change in the attitudes of the government towards the squatters. This is because a year after the initiation of the Tondo Foreshore Project, in 1975, the Marcos government issued Presidential Decree 772 that penalized those who, “by use of force, intimidation or threat, or in the absence of the owner, occupied land.” The penalty for squatting ranged from P1000 to P5000, or imprisonment from 6 months to 1 year (Yamamoto, 1996).

By 1974, seven government agencies were directly responsible for different housing and resettlement functions and another 13 government departments or agencies indirectly involved in the provision of housing and related services. The fragmentation of authority in multiple government agencies came to be seen as one of the major obstacles to national housing programs in the country. Budgeting of resources for many of the agencies had not been systematic and discontinuous, and municipal governments had little authority or responsibility for programming and implementation. In 1975, most of the existing agencies directly dealing with housing (including TFDA) were dissolved and integrated into the National Housing Authority (NHA). The scope of NHA’s mandate included the delineation and implementation of a comprehensive and integrated national housing program (Struyk and Turner, 1986).

In 1982, in order to attract private investors into its Social Housing Program, the Parliament passed a law BP 220 authorizing the Ministry of Human Settlements to liberalize land development and building standards. This was an attempt to allow both the NHA and private developers to undertake subdivision projects for low-income groups. However, the Social Housing Program failed to attract the participation of private developers, mainly due to risk factors and also the absence of long-term credit facilities geared to the poor. Following the Special Housing Code for Low Income Housing of 1982, the 1987-1992 Development Plan “reaffirmed the importance of regularization” (Durand-Lasserve, 1996).

Shelter planning remained the responsibility of NHA until the passage of the Local Government Code of 1991 (RA 7160) and the Urban Development and Housing Act (UDHA) of April, 1992.

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1 The Tondo was the largest slum which developed shortly after reclamation of that land in the 1940s.
2 The Local Government Code defines the role and jurisdiction of the decentralized local governments.
These two laws mandate that local government units should implement programs and projects in low-cost housing and other mass-dwellings especially for the underprivileged and homeless (HLURB (i), 1998).

Current Structure of Housing Sector
The institutional framework put in place through the UDHA of 1992 is currently in place. The UDHA provides the guidelines for socialized housing to be implemented by local governments. It requires the provision of relocation sites for all those displaced by government projects. Prior to this, as indicated in PD722, squatting was seen as a criminal offense. The UDHA also limits evictions, sets guidelines for how they should be carried out, and most important, makes evictions clearly illegal in the absence of relocation. However, the law is only applicable to those squatters who constructed their structures after the Act’s effective date, March 28, 1992 (Yamamoto, 1997). It states that the local government unit should:

“...in coordination with the NHA, implement the relocation and resettlement of persons living in danger areas...” and “prevent the construction of any kind of illegal dwelling units or structures within their respective localities...,” or else, “be liable to administrative sanctions under existing laws, and to penal sanctions provided for in this Act.”

The United States Agency for International development (USAID) was directly involved in the restructuring of Shelter Planning in the Philippines in 1991. Its aim was to:

“... reduce the government’s role as direct producer of housing and convert it more to one of facilitating housing production by the private sector (formal and informal) as well as focusing available subsidies more tightly on the poor.” (Kingsley and Mikelsons, 1991)

After the passage of the UDHA, the NHA was no longer the dominant housing agency. The Housing and Urban Development Coordinating Council (HUDCC), under the Office of the President, took on the role of coordinating national housing policy. It was also to lead the effort to provide local government units with the necessary support for formulation of standards and guidelines, as well as technical assistance, on all aspects of the housing sector. Table II shows the national shelter agencies that are currently under the HUDCC umbrella, and other central agencies responsible for shelter and related infrastructure.

Although the Local Government Code of 1991 devolved the responsibility of implementing low-income housing projects to the Local Government Units, most of the regulatory control is still maintained by the national agencies. For example, HLURB is the sole regulatory body for

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5 RA 7279, Sec. 29:
“Resettlement – within 2 years of the effectivity of this act, local government units in coordination with the NHA shall implement the relocation and resettlement of persons living in danger areas such as esteros, railroad tracks, garbage dumps, riverbanks, shorelines, waterways, and other public places such as sidewalks, roads, parks and playgrounds. The local government unit, in coordination with the NHA, shall provide relocation or resettlement sites with basic services and facilities and access to employment and livelihood opportunities sufficient to meet the basic needs of the affected families.”

RA 7279, Sec 30:
“After the effectivity of this act, the barangay, municipal or city government units shall prevent the construction of any kind of illegal dwelling units or structures within their respective localities. The head of any local government unit concerned, who allows, abets, or otherwise tolerates the construction of any structure in violation of this section shall be liable to administrative sanctions under existing laws, and to penal sanctions provided for in this Act.”
housing and land development in the Philippines. All efforts for land classification and permitting must go through this office.

Table II: National Agencies for the Housing Sector

<table>
<thead>
<tr>
<th>HOUSING AGENCIES UNDER HUDCC</th>
<th>National Housing Authority (NHA)</th>
<th>Responsible for direct government housing production programs for low-income households; provides technical assistance to local government in housing projects.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Housing and Land Use Regulatory Board (HLURB)</td>
<td>Administers land development regulations and coordinates and supervises local physical planning.</td>
</tr>
<tr>
<td></td>
<td>Home Insurance Guarantee Corporation (HIGC)</td>
<td>Provides various housing insurance and loan guarantees related to housing.</td>
</tr>
<tr>
<td></td>
<td>National Home Mortgage and Finance Corporation (NHMFC)</td>
<td>Provides long-term mortgage financing for home purchases.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER CENTRAL AGENCIES RESPONSIBLE FOR LOCAL SHELTER AND RELATED INFRASTRUCTURE</th>
<th>Department of Public Works and Highways (DPWH)</th>
<th>Builds most of the infrastructure in the nation.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Power Corporation (NPCOR)</td>
<td>Generates electricity, which is distributed through the grids of the National Electrification Administration (NEA).</td>
</tr>
<tr>
<td></td>
<td>Bureau of Lands (BL) of the Department of Justice (DOJ)</td>
<td>Responsible for regulating private land registration and transfer.</td>
</tr>
<tr>
<td></td>
<td>Land Management Bureau (LMB) of the Dept. of Environment and Natural Resources (DENR)</td>
<td>Responsible for inventorying and managing nationally owned public lands.</td>
</tr>
</tbody>
</table>

Despite the reforms and policies set forth in the UDHA, squatting continued to be growing concern for many cities in the country. In 1993, under the Ramos administration, Executive Order 129 was issued, in an attempt to curtail the activities of professional squatting⁴ and professional squatting syndicates⁵, intensifying the drive against them.

It should be noted here that some NGOs and activists for the urban poor were also classified as squatting syndicates and persecuted by the Philippine government. Kasama, an NGO that organized the informal communities in the “reclamation” (Manila’s waterfront), was branded a syndicate because it collected a membership fee of one peso per week from each household. The organization was lobbying for security of tenure for the residents. The leader of Kasama, Mr. Ka Maning, was assassinated in 1989.⁶

Summary

The Local Government Code of 1991, which led to the new institutional structure of the Philippine government has been hailed as “revolutionary” and “successful” (McCarney (i), 1996). Although the basic ideology underlying this reform in governance is sound, its success in

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⁴ Executive Order 129, Section 1.1: 
“Professional Squatters refers to individuals or groups who occupy lands without express consent of the landowner and who have sufficient income for legitimate housing. The term shall also apply to persons, who have previously been awarded homelots or housing units by the government but who sold, leased or transferred the same and settled illegally in the same place or in another urban area, as non-bonafide occupants and intruders of lands reserved for socialized housing. The term shall not apply to individuals or groups who simply rent land and housing from professional squatters or squatting syndicates.”

⁵ Executive Order 129, Section 1.2: 
“Squatting syndicates refers to groups of persons engaged in the illegal business of squatter housing for profit or gain.”

⁶ Westfall, Mathew. On Borrowed Land (Video), 1990.
practice (at least in the housing sector) is limited. According to a study conducted in San Fernando (Abad, 1999):

"Acclaimed by both urban poor groups and advocates as an important milestone in the promotion of the rights of the urban poor, UDHA subsequently became the legal framework governing programs and policies on the urban poor and the provision of socialized housing. Consistent with the principles of devolution of power and decentralization of service delivery functions of government, UDHA charged the local government units as implementers of socialized housing programs. Policymakers envisioned that LGU participation would facilitate the implementation of the law. However, results from more than five years of UDHA implementation are not encouraging."

Our field study in San Fernando, one of the small, provincial cities of the Philippines, reinforced this fact. Decentralization of the housing sector seems to be causing more problems than it claims to be solving in San Fernando. The reasons behind this apparent failure can provide valuable lessons for future decentralization and housing policy worldwide.

The next chapter is a case study of San Fernando’s housing sector. We will look at how the government is addressing the perceived ‘problems’ in housing, the inherent complications of this approach, and the dynamic forces behind the whole situation.
Chapter 5

SAN FERNANDO: A CASE STUDY
Introduction

This chapter is an analysis of the housing sector of the city of San Fernando, La Union which illustrates some of the constraints that decentralized local government units face in practice. Since documented information on San Fernando is extremely limited, we start by laying out our major sources of information. This is followed by a discussion of the case, which is divided into three sections.

Section A of this chapter, paints a broad picture of the city in order to place it in context for the subsequent discussion. It provides an overall profile of the city of San Fernando, including some basic socioeconomic data, a brief discussion of economic development activities, and donor agency involvement in the city. Section B focuses more closely on the housing sector of San Fernando and provides an describes of the dynamics of the housing market. Here we illustrate the housing characteristics of the population sub-groups, different aspects of the housing market, and constraints in the overall housing delivery system. Section C analyzes the local government’s response to the current housing situation in San Fernando. Here we explain the local government’s current approach to housing, its limitations, and the forces that mold the local government agenda setting process.

Sources of Information

As mentioned in Chapter 1, our research team conducted a field study in San Fernando during the summer of 1999. Upon our arrival in San Fernando, we found little documented information about the housing sector of San Fernando. Hence, the primary source of San Fernando-specific information used in this thesis is from our field study. The aim of our fieldwork was to evaluate the current government plans for housing and resettlement by better understanding the preferences and priorities of the residents of coastal squatter communities targeted for resettlement.

In order to do so, our research team conducted surveys and field interviews in two settlements of San Fernando: one, a coastal community slated for resettlement in Catbangen barangay (to get an idea of the needs and preferences of the locals), and the other, a community resettled in 1998 by the NHA in Sagayad barangay (to assess what aspects of the city’s resettlement experience initiative had been successful and which had not). First-hand information about their needs, perceptions of ownership, expenditure on house construction etc. was gathered through interviews carried out across a random sample of households. The sample size was approximately 30 percent of the total number of households, i.e. 20-30 households, in each settlement. In addition, we conducted a written survey of all the households (about 100 in each settlement) to get a basic idea of family incomes, household characteristics etc.

We also conducted a series of interviews with city officials, heads of the regional shelter agencies, and some low-income communities. In December, 1999, we furnished the Mayor with a report that included a detailed analysis of these two communities to assess the feasibility of the housing and resettlement projects proposed by the government. Recommendations were made regarding possible alternative strategies to deal with squatters in the city. This report, called
“Housing in San Fernando: A Study of Past and Future Resettlement Programs,” is summarized in Annex 1, and used as a major source of information in this case study.

The one other analytical study of the housing situation in San Fernando available to us is a study carried out by Henedina Razon-Abad (Dina Abad) titled “Strengthening the National Government - Local Government Relationship: Case Study on Socialized Housing.” Abad’s report was one of five case studies carried out by the Ford Foundation to evaluate the relative success of the shelter planning initiatives of the central government in the Philippines. It documents demographic data about the squatter population of San Fernando, together with statistical projections of housing needs in the city. Incidentally, this was also the only analytical documentation of the housing situation of San Fernando available to the city government prior to our research (mentioned above).

Apart from these, we used census data from the National Statistics Office to compile a profile of the housing sector of San Fernando. The census documents province-wide or region-wide data, provides demographic information, and also some basic facts about the number and type of housing units in the city.

Finally, some useful references were made from the report prepared by the City of San Fernando for the World Bank in 1999 for its participation in the City Development Strategy. Most of the data in this, however, is based on Abad’s report mentioned above.
A. THE SOCIOECONOMIC CONTEXT OF THE CASE

The City Profile

Located about 270 kilometers north-northwest of Manila, San Fernando is the capital of La Union province (see Figure 1). The city stretches along the shores of Lingayen Gulf and the San Fernando Bay in the west, and is bounded in the east by Baguio and Naguilian town, in the north by San Juan and in the south by Bauang. It has 59 barangays (villages) covering a total land area of 10,272 hectares. Of these, 24 barangays are urban; the others are rural (see Figure 6). While the city’s land area is only 7 percent of La Union, the city supports more than 15 percent of the province’s population.

San Fernando evolved from a rustic area called “Pindangan” – a place to dry fish – in 1759, to a municipality in 1786, under Spanish rule. After 212 years of being a municipality, the President declared it a “component city” in February 1998. The local government’s vision for San Fernando is one of “a radiant, dynamic city,” “a springboard of economic progress,” “a model for innovative development,” and “the center of health, education, finance and governance” for Region 1 (CDS, 1999). It is preparing the city to be the regional economic capital in the future.

By virtue of being the capital of the province, San Fernando is also the administrative center for Region I. It is the site for all the regional offices of national government agencies. San Fernando is also the region’s center for education, finance, health, commerce, and trade. As result of the city’s transportation infrastructure, including an international seaport, newly re-opened airport, and well developed road network, San Fernando is also emerging as a major transportation hub in the North of the country. However, existing land uses show that the city is still predominantly agricultural, and its urbanization is primarily driven by its location as a regional center.

Population

According to the 1995 Census, San Fernando had a total population of 91,943 belonging to 18,469 households with an average of 5 members per household. The city’s population density averages 860 persons per square kilometer, roughly 3 times the national average of 252.5 persons per square kilometer (UNCHS, 1996).

Urbanization

In 1995, the urban population of the city accounted for 51.18 percent of the city’s total population (NSO, 1995). This is close to the national urban population figure, 48.8 percent (UNCHS, 1996). The pace of urbanization in the city slowed down to an average of 1.37 percent for the period 1990-1995, as compared to 6.8 percent during 1980-1990 (Abad, 1999).

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1 Defined in Chapter 4.
2 The Philippines is divided into 14 regions. San Fernando falls under Region I.
3 This is the only operational seaport in the region, located approximately 3km from the city center.
4 The San Fernando airport is currently used for domestic flights within the Philippines. However the President of the Philippines plans to expand it into an international airport as part of the Poro Point Special Economic and Freeport Zone project.
Figure 6:
CITY OF SAN FERNANDO
URBAN BARANGAYS
Migration Trends
Being a regional center, San Fernando attracts migrants from many of the adjacent provinces and cities. In-migrants coming from other provinces comprised 2.9 percent of the total population of San Fernando in 1995, while in-migrants coming from other municipalities within La Union province were recorded at 1.21 percent (Abad, 1999).

Literacy Rate
The literacy rate of San Fernando is 99.05 percent (Abad, 1999), the highest in the province, and higher than the national literacy rate which is 95.0 percent (World Bank, 1999). This is attributed to the city being the educational hub of the region.

Employment
Since San Fernando is a regional and administrative center, the city has a high employment rate of 95 percent. Males (64%) dominate the labor force. Of those employed, 41 percent are in the agricultural sector. The other 59 percent are employed in various non-agricultural activities, such as government services, crafts’ industries, and industrial and professional sectors. The data reveals that despite the increasing urbanization and commercialization of the city, agriculture continues to absorb a large percentage of the labor force, and much of the city remains rural in character.

Existing Land Use
A narrow range of mountains running north to south forms the eastern interior of San Fernando. Of its 59 barangays, 20 are coastal, 15 are predominantly upland, while 24 are purely lowland. Agricultural and forestlands cover around 92 percent of the total land area, while the only 6.58 percent is built-up (see Table III).

<table>
<thead>
<tr>
<th>Table III: Existing Land Use of San Fernando</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Use Categories</td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Swampy Land</td>
</tr>
<tr>
<td>Forest</td>
</tr>
<tr>
<td>Residential</td>
</tr>
<tr>
<td>Commercial</td>
</tr>
<tr>
<td>Industrial</td>
</tr>
<tr>
<td>Institutional</td>
</tr>
</tbody>
</table>

Source: Office of City Assessor (Cited from Abad, 1999)

Economic Development in San Fernando

The local government of San Fernando is gearing the city towards a strategic role in the development of the region. Several major development projects are under consideration in San Fernando. The first is the conversion of a former US military base at Poro Point (see Figure 7), into an international resort and free trade zone, known as the Poro Point Special Economic and Freeport Zone. This effort is being led by the Bases Conversion Development Authority and the John Hay Poro Point Development Corporation. The project is expected to “catalyze and accelerate economic development in Region 1.”

5 This is based on national census data, but the definition of ‘labor force’ and who gets included in this categorization is unclear.
6 BCDA is accountable directly to the Office of the President of the Philippines.
As envisioned in the masterplan, the development at Poro Point is expected to propel the city of San Fernando into “a dynamic and vigorous “growth center” of Northern Luzon through the establishment of a mixed-light industrial, commercial, and tourism estate” (Abad, 1999). If this plan materializes, it is expected to bring both more tourist cruises and agro-industrial cargo. The development plan is projected to generate approximately 2,000 construction jobs initially, and 14,000 permanent jobs upon completion. All of these developments will drastically increase immigration, and will immensely impact on the city’s resources, utilities and services. A planned reclamation site east of San Fernando Bay is expected to affect 300 fisherfolk families living in the proposed area. Recognizing this, the masterplan states that affected families shall be compensated and assisted in finding jobs.

The second major development project planned is a coastal boulevard that links downtown San Fernando to the new development at Poro Point. This is an initiative of the local government. The coastal boulevard is expected to help San Fernando capitalize on increased tourism at Poro.
Point, and also help to develop the waterfront. The project is still in its preliminary stages, and the local government is currently trying to attract investors. This is expected to dislocate about 900 squatter families\(^7\) living along the coast.

Both these development plans aim at making San Fernando the regional economic capital in the next decade. This implies more job opportunities, in-migration from neighboring cities, and a subsequent rise in the growth rate. Although economic development is important for the growth and progress of any city, sufficient infrastructure provision is critical for its smooth functioning. These projects threaten to impact the housing market not only by displacing current squatter communities, but also by attracting more migrants from neighboring areas.

The local government of San Fernando is aggressively pursuing development initiatives in several sectors. Under the leadership of the newly elected mayor, Mayor Mary Jane Ortega, the city government has identified shelter and housing as one of its priority action areas for the next six years (CDS, 1999).

**International Donor Agency Involvement in San Fernando**

In the recent past, San Fernando has been involved in various urban development and renewal programs of international organizations such as the World Bank and the Canadian International Development Agency (CDS, 1999). As mentioned in Chapter 1, San Fernando was one among the seven cities selected in the Philippines for the World Bank’s City Development Strategy project. This project aims to promote sustainable cities and towns, by recognizing the growing importance of cities and local governments in achieving development objectives.

In 1998, the Ford Foundation funded a study of housing in San Fernando as part of a program to evaluate the relative success of central government housing initiatives in the Philippines. The “Socialized Housing Report,” written by Dina Abad\(^8\) of the Ateneo School of Government in Manila, was part of this study.

The Canadian International Development Agency is currently assisting the local government of San Fernando to prepare strategic land use plans for the city. During our visit to the city in the summer of 1999, we were unable to find out how much progress has been made on the land-use plans thus far.

**Summary**

This section provided a brief overview of the city of San Fernando, its development initiatives, and its increasing involvement with bilateral and multilateral agencies in development efforts. The next section takes an in-depth look at the housing sector of San Fernando, to understand the dynamics of the city’s housing market, and identify the constraints in the system.

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\(^7\) It is not clear whether this figure includes the families expected to be dislocated by the Poro Point project.

\(^8\) This report is one of the primary sources of information about housing in San Fernando, and is referenced repeatedly in this thesis.
B. OVERVIEW OF HOUSING IN SAN FERNANDO

This section summarizes the various aspects of the housing market in San Fernando. The information is classified under the following categories: housing stock, housing characteristics by population group, land supply constraints, and financing mechanisms. This is followed by an analysis of what we believe to be some of the reasons why people are squatting.

Housing Stock

Abad’s study, based on the 1995 census, indicates that the total number of households\(^1\) in San Fernando was 18,469, with an average of five members per household. The report projects that, by the year 2006, the city’s total number of households will increase by 17.15 percent (Table IV).

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Number of Households</th>
<th>Expected no. of dwellings</th>
<th>Expected no. of shared HH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>91,943</td>
<td>18,469</td>
<td>16,979</td>
<td>1,490</td>
</tr>
<tr>
<td>1996</td>
<td>93,409</td>
<td>18,756</td>
<td>17,242</td>
<td>1,514</td>
</tr>
<tr>
<td>1997</td>
<td>94,889</td>
<td>19,054</td>
<td>17,516</td>
<td>1,538</td>
</tr>
<tr>
<td>1998</td>
<td>96,413</td>
<td>19,360</td>
<td>17,798</td>
<td>1,562</td>
</tr>
<tr>
<td>1999</td>
<td>97,591</td>
<td>19,669</td>
<td>18,082</td>
<td>1,587</td>
</tr>
<tr>
<td>2000</td>
<td>99,513</td>
<td>19,983</td>
<td>18,370</td>
<td>1,613</td>
</tr>
<tr>
<td>2006</td>
<td>109,424</td>
<td>21,973</td>
<td>20,087</td>
<td>1,886</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td>21,964</td>
<td>2,184</td>
</tr>
</tbody>
</table>


It also indicates that the housing backlog\(^2\) is growing. In 1998, the housing backlog was 8.7 percent. In the absence of substantive interventions to increase in the number of dwelling units, it is expected to increase by 50.0 percent by the year 2012.

Abad’s projections of population and number of households for the period 1999-2012 extrapolate the population growth rate between 1990 and 1995 (an average of 1.59 percent per year). However, the proposed development projects both in the provincial and city master plans will definitely increase the population growth rate due to in-migration and increased employment, and exceeding the housing requirement beyond the projections in Abad’s report. Another problem with this projection model is its linearity. It makes over-simplified assumptions regarding the demand and supply of housing without taking into consideration the complicated dynamics of the housing markets. Nonetheless, given the information shortage, this provides a rough (and probably the only) estimate of the extent of the housing shortage that the city might face in the future.

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1 It is unclear whether the household numbers are based only on the formal dwelling units in the city, or whether they include the temporary structures in the squatter settlements as well. If we count informal dwellings as actual housing, the “shortage” as indicated here may not really be as acute as it seems.

2 The housing “backlog,” here is based on simple calculation: ‘Number of Households’ minus ‘Expected Number of Dwellings” in a given year.
Housing Characteristics by Population Groups

For the purposes of this study, we decided to divide the population of San Fernando into three broad groups based on their needs and housing characteristics. These are:

(i) **Formally housed families:** This group includes middle to upper income groups, who permanently reside in San Fernando in private formal housing;

(ii) **Transients:** This segment of the population consists of students and formal-sector employees from surrounding towns, who live in San Fernando during the weekdays. They are mostly believed to live in rental accommodation, but some also squat or live in doubled-up (shared) accommodations;

(iii) **Squatters:** This group includes lower-middle and low income families, who are currently squatting on government or privately owned land. It includes both those employed in the informal sectors (with occupations such as fishing and public-transport driving) and the formal sector (both private and public).

**Formally housed families**

The formal housing in the city comprises primarily of *owner-occupied*, privately built dwelling units. According to Abad’s report, 18,370 “standard dwellings,” accommodating close to 29,000 families, are projected for the year 2000. Although the definition of ‘standard’ is not clearly indicated in her report, we believe that these refer to ‘legal’ formal sector housing, with clear tenure. These are typically one- to two-story, independent, serviced units, constructed with permanent materials such as brick and concrete.

Data from the National Statistics Office (NSO, 1990) indicates that 3,370 new “standard” dwelling units were built between 1980 and 1990. There is no clear information about the geographic distribution of these units, or how all these new homebuilders acquire land. However, we do know that subdivisions account for about 16 percent of the new construction.

Although the total number of dwelling units in San Fernando is rising, the data suggests that the new supply of housing is unable to keep up with the increasing demand. As a result, middle-income households are beginning to occupy some of the cheaper housing stock, pushing the lowest income groups to squat or live in sub-standard housing.

**Transients**

Although the current official population of San Fernando is about 95,000, according to Mayor Ortega, “that is only on weekends.” San Fernando is the major node of employment and education of La Union province. There are eight universities and colleges (including technical and vocational schools) in San Fernando, with a total student population of 18,960 students (CDS, 1999). It is unclear exactly what fraction of this student population is drawn in from other cities and provinces, but it is said to be substantial. The employment opportunities in the city (both formal and informal sector) also attract a relatively large number of people from

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3 Subdivisions here imply large plots of land subdivided and permitted for residential construction.

4 Between 1980 and 1990, 540 subdivided home-lots were permitted by the HLURB. This is based on our calculations of the records collected from HLURB.

5 “Transients” is the local terminology used for migrants or temporary residents (such as students and employees) who either commute to the city every day, or live there during the weekdays and return home on the weekends.

6 This accounts for 50 percent of all tertiary educational institutions in the entire province.
neighboring cities. The total of these two transient groups is estimated to be 40,000, increasing the total population of the city during weekdays to 135,000.

Very little concrete information about these transient groups is available. Some of these people, especially the workers, commute daily (primarily by public transport) from neighboring cities, but we were told by government officials that most live in San Fernando during the working days of the week. City officials believe that these transients live in rental housing since they are not permanent residents of San Fernando. Our study of a squatter community in San Fernando, however, revealed that some transients also squat in the absence of sufficient funds or easy access to housing.

The academic institutions of San Fernando provide very little dormitory housing (no exact counts are available). The government told us that the majority of students from outside San Fernando reside in privately owned boarding houses, or in informal ‘paying guest’-type arrangements. However, this has not been documented in detail. There are only a handful of registered boarding houses, and no real estimation of the impact of the student population on the housing market is available.

The data that is available suggests that there is very little ‘formal’ rental housing available in San Fernando. However, given that there are so many transients, nearly 30 percent of the total ‘weekday’ population, it is possible that a significant percentage of them squat. Our interviews in Catbangen and Sagayad barangays revealed that some transients live with or rent housing (primarily from relatives) in the squatter settlements. However, the percentage of such people was nearly negligible. This raises two possibilities: either our sample simply did not capture the “squatting” transient population, or that, in fact, there is a huge (demand and) supply of formal rental housing.

Whatever the case, the lack of documentation of rental accommodation has limited our study of this segment of the market. Nonetheless, it is important to acknowledge that the rental market of San Fernando could indeed be a strong governing factor for the smooth functioning of the housing sector, and one that deserves further study.

Squatters
With the formal housing market being unable to keep up with growing demand, informal housing constitutes a significant proportion of the city’s housing stock. Currently, about 1500 families, 8 percent of the city’s population, is squatting on either government or privately-owned land.

The settlements are concentrated in two major areas. The majority (about 900 families) live on the coast on ‘salvage zones’. Most of the others squat along the abandoned Philippine National Railway (PNR) route (see Table V). Many of the squatter settlements on the salvage zones and on PNR property have been in place for at least three decades, and the communities have been growing steadily. Smaller pockets of squatter communities may be dispersed in other parts of the

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7 Salvage zones are danger areas along the coast that are frequently affected by high tide and typhoons. Squatters residing on these zones need to be evacuated by the government, each time a typhoon hits the city, which is, more than a couple of times every year.
city, but are not well documented. The following table, extracted from Abad’s report, quantifies the general distribution of the squatter population in San Fernando.

Table V: Inventory of Squatter Settlements, San Fernando

<table>
<thead>
<tr>
<th>Barangays</th>
<th>Number of Urban Poor Families</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salvage Zone</td>
<td>PNR</td>
</tr>
<tr>
<td>1. Poro</td>
<td>114</td>
<td>151</td>
</tr>
<tr>
<td>2. Ilocanos Sur</td>
<td>194</td>
<td></td>
</tr>
<tr>
<td>3. Ilocanos Norte</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>4. Catbangen</td>
<td>124</td>
<td>274</td>
</tr>
<tr>
<td>5. Carlatan</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>6. Lingsat</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>7. Pagudpud</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>8. Tanqui</td>
<td>65</td>
<td></td>
</tr>
<tr>
<td>9. Biday</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>10. Madayegdeg</td>
<td>46</td>
<td></td>
</tr>
<tr>
<td>11. Barangay I</td>
<td></td>
<td>12</td>
</tr>
<tr>
<td>12. San Agustin</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>510</td>
<td>546</td>
</tr>
</tbody>
</table>

Note: Data taken from Inventory conducted by the City Planning and Development Office, City of San Fernando, 1998

Source: Socialized Housing Report, Dina Abad's report, quantifies

The government believes that the squatters are all low-income families, and that most of the coastal squatters are fisherfolk. However, our research indicates that the squatter communities of San Fernando are, in fact, extremely heterogeneous, in terms of income, education levels, occupation and family characteristics. Our data, collected from our field study (of a squatter settlement) in Catbangen barangay and (a resettled community) in Sagayad barangay, substantiates this.

Many of the squatters are employed in the informal sector as fishermen, vendors, tricycle drivers, etc. Our findings in Catbangen suggest, for example, that 79 percent of the population of coastal settlements are dependent on fishing as a source of livelihood (see Table VI).

Table VI: Current Employment, Catbangen Squatter Settlement

<table>
<thead>
<tr>
<th>Employment</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fishing</td>
<td>25.93%</td>
</tr>
<tr>
<td>Fish Vending</td>
<td>29.63%</td>
</tr>
<tr>
<td>Government</td>
<td>0.00%</td>
</tr>
<tr>
<td>Other (drivers, laundry, construction workers etc.)</td>
<td>44.44%</td>
</tr>
<tr>
<td>Families dependent on fishing</td>
<td>76.19%</td>
</tr>
<tr>
<td>Families not dependent on fishing</td>
<td>23.81%</td>
</tr>
</tbody>
</table>

Source: Mathema and Mawilmada, 1999

Incomes among these informally employed groups are unstable, and vary by the season (especially fishermen). Monthly incomes per family, in the Catbangen settlement range from P750 to P12,500 per month, with a median of P6,000. Per capita income ranges from P250 to P1,875, with a mean of P1,010, is below the 1994 poverty threshold.8

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8 National poverty threshold is P1,044 per month for urban areas based on 1994 data (SocioEconomic Profile for La Union Province).
There are a significant number of formal sector workers in San Fernando who are also squatting – primarily on PNR property. This is illustrated by the data gathered at the Sagayad resettlement site (see Table VII). Those documented include government workers, Philippine National Police, teachers, members of the media etc.

<table>
<thead>
<tr>
<th>Drivers</th>
<th>26.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Employees</td>
<td>24.0%</td>
</tr>
<tr>
<td>Other (laundry, construction workers etc.)</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

Table VII: Current Employment, Sagayad Resettlement

Source: Mathema and Mawilmada, 1999

Although incomes in these latter groups are stable, the families fall into the low and lower-middle classes. In Sagayad barangay, where 24 percent of the workers are government employees, the households have incomes ranging from P3,000 to P16,000 per month, with a median of P6,500. Per capita income within households ranges from P273 to P4,500 per month, with a median of P1,500. Many of these people said that they chose to squat previously either because of family-ties in their settlement, lack of finances to buy their own land, or the absence of a better alternative in terms of overall convenience.

The housing stock in the squatter settlements also varies greatly. Some houses are constructed out of wood, bamboo, and metal sheets, and are temporary in nature. Others are constructed with permanent materials such as cement block and concrete. For example, in Catbangen, 59.1 percent of the residences were temporary structures, while the remaining 40.9 percent were permanent. Our impression of these settlements is that the living conditions are 'great' when compared to the slums of Manila. Most have access to electricity (direct metered connections or illegal extensions from neighbors), transportation, schools, and at least a few sources of clean water (private and shared wells). Data gathered regarding the locals' level of satisfaction with service infrastructure is shown in Table VIII. (See Plates 1, 2 and 3 for images of the Catbangen squatter settlement.)

<table>
<thead>
<tr>
<th>Water</th>
<th>Very good</th>
<th>Average</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitation</td>
<td>21.1%</td>
<td>52.6%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Electricity</td>
<td>52.4%</td>
<td>33.3%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Public transport</td>
<td>31.6%</td>
<td>52.6%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Health facilities</td>
<td>30.0%</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Schools</td>
<td>50.0%</td>
<td>50.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employment opportunities</td>
<td>25.0%</td>
<td>18.8%</td>
<td>56.3%</td>
</tr>
</tbody>
</table>

Table VIII: Current Access to Infrastructure: The Locals' Perspective, Catbangen

Source: Mathema and Mawilmada, 1999

The residents of Sagayad were all formerly living on PNR property, in the barangays of Tanqui and Sevilla.
Plate 1. Catbangen Coastal Squatter Settlement, San Fernando
Top: Heterogeneous housing characteristics – permanent houses in the background (behind the fence); temporary structures on the salvage zone in the foreground.
Bottom: A matter of convenience – boats that belong to the squatter fisherfolk families stored on the beach.
Plate 2. Variations in Housing Construction, Catbangen Squatter Settlement

Top: View of an inner street, showing housing units built primarily of plywood and metal sheets.

Bottom: Bamboo – the cheapest construction material.
Plate 3. Outdoor spaces, Catbangen Squatter Settlement

Top: Outdoor spaces used for laundry, cooking, and growing food crops

Bottom: Source of water: tube well installed by the government
The expenditure on house maintenance as a percentage of income (for the entire settlement) ranges from 0.24 to 10.0 percent, with a median of 1.85 percent. Interestingly, a closer look at Catbangen revealed that the wide variation in construction-type had less to do with income levels of the occupants, than with their perceptions of land ownership. It seems that many of the families, assumed by the government to be ‘squatting,’ actually believe they own the land they occupy (for details, refer to Annex 1). This perception is based on the fact that they possess tax declaration forms, issued by the City Assessor’s office – proof that they have been paying property taxes to the government. We found that this mass confusion over property rights was a result of the poor coordination between the legal titling and tax mapping systems of San Fernando. This issue has been discussed in more detail in Section C.

Contrary to the government’s assumption that the coastal squatter settlements are living entirely on the salvage zones, our field study in Catbangen revealed otherwise. 52.4 percent of the houses in the settlement are located on the private land adjacent to the salvage zones, and therefore, not technically in the ‘danger zone.’ Incidentally, these same households believe that they have legal titles to the land they occupy, and have median expenditures on current housing 33 percent more than the overall median (Conversely, those who believe they do not own the property have median expenditures on current housing 33 percent below the overall median. See Table IX).

<table>
<thead>
<tr>
<th>Table IX: Cost of Present House, Catbangen</th>
</tr>
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<tbody>
<tr>
<td>Median Cost of entire sample</td>
</tr>
<tr>
<td>Median Cost with Tax Declarations</td>
</tr>
<tr>
<td>Median Cost without Tax Declarations</td>
</tr>
</tbody>
</table>

Source: Mathema and Mawilmada, 1999

Based on calculations from our survey, the total sum of money invested in housing by the coastal dwellers of Catbangen alone is close to 3 million pesos. The variance in expenditure between those who do and do not hold tax declarations is apparent here too (see Table X).

<table>
<thead>
<tr>
<th>Table X: Total Investment in House Construction, Catbangen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment by those with Tax Declarations</td>
</tr>
<tr>
<td>Investment by those without Tax Declarations</td>
</tr>
</tbody>
</table>

Source: Mathema and Mawilmada, 1999

We found that the perceptions of ownership also governed many of the squatters’ preferences pertaining to resettlement. The same may also apply to other coastal settlements in San Fernando. A more careful analysis of the contradictions between the local government assumptions and our findings in the field are discussed in detail in Section C, as part of our evaluation of the local government’s housing initiatives.

**Land Markets**

As mentioned earlier, the supply of new formal housing in San Fernando is unable to keep up with the increasing demand. We feel that this is, at least in part, due to constraints in the supply of residential land. Land supply for residential development in San Fernando is constrained by two major factors: the restrictive regulatory framework, and speculation of land.
Regulatory Framework

As mentioned in Chapter 4, all land use regulation in the country is controlled by the HLURB, a national agency with a regional office located in San Fernando. There are two types of regulation that directly affect the supply of residential land in San Fernando: land conversion laws, and subdivision laws.

a. Land Conversion laws
As part of an effort to ensure rights of tenant farmers in the country, and to protect valuable agricultural land, the Philippine government has put in place guidelines for land conversion. Any land that needs to be converted from agricultural to any other use must go through a landconversion process. In order to get permits for conversion, the owner must prove (along with many other criteria) that the land sought to be converted will have greater economic value for commercial, industrial or residential purposes and that the locality has become highly urbanized (see Appendix II for a flowchart of the land conversion process).

83 percent of the land in the city of San Fernando is classified as agricultural. All residential and commercial development is concentrated in a total of 6.5 percent of the land, which is primarily clustered around the downtown area, and along the major highway running through the city. Since the land area for residential development is very limited, individual applications for land conversion are common. These applications, however, must go through the regional office of HLURB.

The local government, however, has two ways of increasing the amount of residential land, that is exempt from the above conversion process. First, lands used for socialized housing projects in accordance with the UDHA are exempt from the requirement to obtain land conversion through HLURB. Second, the local government has the authority to convert a limited percentage of the agricultural land within its jurisdiction, into other uses based on HLURB approval of a city-wide land use master plan.

San Fernando is classified as a “component city” and is therefore allowed to convert 10 percent of its agricultural land to other uses. However, there is no comprehensive land use master plan in San Fernando at present. The LGU is beginning to develop one with the assistance of CIDA.

b. Subdivision Laws
Subdivisions are projects where developers obtain land, reclassify it for residential use, subdivide it, and resell it to potential home-builders. The permitting for such subdivisions is also controlled by the HLURB. Subdivisions in the Philippines are classified into three major categories based on the projected value of the land plus dwelling unit. The NHA and HLURB set the minimum standards for each of these classifications. The current classification is as follows:

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10 Socialized Housing is the local terminology for housing costing less than P150,000.
12 10% for component cities and 15% for highly urbanized cities.
<table>
<thead>
<tr>
<th>Type of Dwelling Unit</th>
<th>Price (Pesos)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socialized Units</td>
<td>Less than P150,000</td>
</tr>
<tr>
<td>Economic Units</td>
<td>P150,000 to 300,000</td>
</tr>
<tr>
<td>PD957 Units (Open Market)</td>
<td>P300,000 and above</td>
</tr>
</tbody>
</table>

The BP22O regulation of 1982 mandates the inclusion of 20 percent socialized housing units in any new subdivision project. This 20 percent may either be a percentage of the land, or of total cost of investment. It may be invested in the same lot, in the upgrading of another settlement, or in a joint venture with government. Any excess socialized housing built beyond the 20 percent requirement becomes a credit on the developer’s account against which he/she can develop open market (PD957) units. Projects of densities above 100 units per hectare are exempt from this rule.

Over the past 20 years, a total of 1575 PD957 units, 317 economic units and 133 socialized units were constructed in San Fernando. Clearly, developers have a preference to build PD957 units because of the potential for higher profit margins. Between 1980 and 1990, a total of 540 subdivision plots were permitted by the HLURB. This translates into 16 percent of the total housing stock added within that time period. This implies that, unlike some other cities such as Manila, individual owners build most of the housing (84 percent) in San Fernando, not developers.

**Speculation**

Although we do not have any concrete data to reinforce the occurrence of speculation in the city, we observed, during our field visits, that a lot of prime non-agricultural land in the city was lying vacant. The only safeguard against land speculation is in the property tax structure. As defined by the Local Government Code of 1991, vacant land can be taxed, but only to a maximum of 5 percent above the assessed value of a given property. This is in addition to the basic real property tax and applies to agricultural land that is uncultivated as well. The City Assessor is responsible for keeping track of vacant properties.

It seems that people of the upper income bracket are hoarding land since the fines for speculation are minimal. However, due to the lack of accurate data, we are unable to determine exactly how much land is being held back from the market through speculation.

**Housing Finance**

In the United States and many other industrialized countries, the availability of mortgage financing is taken for granted. In the Philippines, very few homebuyers obtain financing from formal lending institutions. Even those that do, typically match their loans with substantial funds raised from other sources. For instance, among those buying their homes between 1980 and 1983 in Manila, only about 20 percent received financing from a formal lending institution, and for more than half of these households, the formal loan accounted for less than 50 percent of the house purchase price (Struyk, 1986).

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13 Based on our calculations of the records collected from HLURB.
In San Fernando, our field interviews indicate that many people are either unaware of the government loan programs or hesitant to take loans due to the fear of being unable to repay. Yet, as our data in Sagayad indicates, many of the low-income formal sector employees (in squatter settlements) do, in fact, utilize their privileges to borrow from the government for house construction. The majority of the families interviewed in Sagayad used more than one source of funding to finance their house construction. While 56 percent used savings, only 36 percent made use of formal sector loans supplemented by other funding sources (Mathema, Mawilmada, 1999).

**Loans for Formal Sector Employees**
A number of lending programs, administered by central government agencies, are available to individual as well as community borrowers (refer to Appendix II for details). PagIBIG\(^{16}\) and the Home Development Mutual Fund (HDMF) are two national level financing agencies that offer a number of financing schemes to their members for house construction/ purchase/ improvement.

The system used by the above agencies for allocating loans, however, relies heavily on the borrower’s economic attributes to determine who receives funds. In general, these agencies tend to favor (relatively affluent) homebuyers who have above average incomes, steady employment, and sizable asset holdings, purchasing units with clear titles.

Similarly, private mortgage loans are generally available only to high-income households too. These loans are typically made to households with above-average incomes. Correspondingly, average loan amounts are large, interest rates are high, and repayment periods are limited to ten years at the maximum (Struyk, Austin, 1986). In addition, private lenders usually require very high building standards. With these terms, private financing institutions simply do not address the housing finance needs of most middle and low-income households.

**The Community Mortgage Program**
The only program available to low-income families employed in the informal sector is the Community Mortgage Program, administered by NHMFC. It is targeted to “organized communities of slum dwellers or residents of blighted areas,” and aims at helping communities to own the lot they occupy (where owners are willing to sell), to reblock their structures and to introduce utilities through a community mortgage (HLURB (i), 1998). However, although the program is hailed as the “innovative socialized housing program of the Philippine government for the landless urban poor communities,” it seems to have had minimal impact at least in the La Union province (see Rebullida et al, 1998; Appendix III). Furthermore, not even one community in San Fernando has taken advantage of the program since its inception in 1988.

Besides finance programs for individual and community home-buyers, loans are also available to developers for construction of homes, boarding houses and employees’ housing. However, in our meetings with the national shelter agencies’ officials, we were told that although there is a “virtually unlimited sum of money available” for lending to the private sector, there have been practically no takers in San Fernando.

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\(^{16}\) Pagtutulungan sa kinabukasan; Ikaw, Bangko, Industria at Gobyerno
Squatting: A Symptom of a Deficient Housing Delivery System

“Squatter settlements of the Third World all reflect the same interplay of social forces. Because ‘standard’ housing is so scarce relative to need, and even the least expensive dwelling units cost so much more than the low-income family’s ability to pay, vacant lands in and around the central city become natural squatting grounds for thousands of migrant families. While there are obviously many features of the squatting life that could be improved, from the point of view of the squatters, the advantages of squatter life far outweigh the disadvantages of removal to publicly provided housing.” (Perlman, 1976)

We see the squatter settlements of San Fernando as a symptom of deficiencies in other areas of the housing market, rather than the core problem in itself. In our opinion, squatting is merely a manifestation of a deficient system of housing delivery, which creates a series of incentives for the people of low and lower-middle classes to squat. Although some of these are unique to San Fernando, similar incentives to squat may be found in the contexts of many other developing countries.

First, there is a shortage of low-cost housing options within the urban barangays of San Fernando. Land supply (for residential purposes) in San Fernando is severely constrained. As a result, the price of residential property is often beyond the reach of many low-income families. Rental housing is not widely available, especially for low-income groups. Besides, San Fernando’s squatter settlements (on PNR and along the coast) are conveniently located near the city center, with good access to public transportation, jobs, and schools. These settlements are attractive to low-income families, especially those employed in the informal sector with unsteady incomes, because the land is practically free!

Second, the local government has (unintentionally) in some ways legitimized the squatter settlements. Many of the informal settlements in San Fernando, such as Catbangen, have been in place for over thirty years. All of them build houses in the settlements with (verbal) permission from the barangay captain. Furthermore, some residents claim to have obtained tax declarations issued by the local government and paid property taxes over the years.17 Those who have such tax declaration forms believe that they have a right of ownership18 to the land they occupy, and many have therefore invested large portions of their savings in permanent construction for their houses. This legitimacy given by government for illegal occupation, and the confusion over property rights is another incentive for people to squat in San Fernando. (The government was essentially unaware that some of the informal settlers had tax declarations until it became evident through our study of the Catbangen community).

Third, very few financing options are available for low-income groups. As discussed earlier, the housing finance mechanisms are focused primarily towards developers and higher income

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17 The government issues tax declarations to property owners as part of the tax assessment process. The geographic boundaries of properties are established during the tax mapping process, which is carried out every five years.

18 Many of the squatters believe the tax declaration is a legal title to land. However, according to Philippine law, a legal title is the only completely legitimate claim of ownership. If an individual has a tax declaration, they can file for a title, and will get it in due course if nobody contests their claim of ownership. In Catbangen, a major industrial company (Western Minolco) has legal title to the land that the squatters occupy. The squatters are unaware of this conflicting claim.
groups. There are no sources of financing for individual families employed in the informal sector. Therefore, many poor families have no choice but to squat on someone else’s land, and to construct a makeshift house to the best of their abilities.

Finally, the social networks that exist in squatter settlements often provide a sort of social safety net for the residents, that in turn forms another incentive to squat. In the absence of public-sector (formal) social security systems, the economic and social interdependence of the residents is a strong reason for low-income communities to live together in informal communities, and for children to stay, even after they get married and start their own families.

The current local government approach towards squatters is illustrated and analyzed in Section C of this chapter. It seems that the local government’s dealing with the squatters on a superficial level. Without seeing the reasons behind squatting, it is proposing resettlement as a short-term remedial measure to the perceived problem. We, however, believe that it is the supply-side shortage of housing for the general population in the city that is causing the gentrification of the cheaper housing stock, and pushing the lower income groups to squat. The growing squatter community, therefore, is simply a symptom of the deficient housing delivery system, and not the problem in itself.

The local government needs to take a broader look at the housing market in the city, and try to address some of the bottlenecks in the “system” of housing delivery, in order to deal with the housing sector in a more long term and sustainable fashion. We identified two critical areas in the housing system of San Fernando as being problematic: the deficient rental markets, and disincentives for developers.

**Rental Markets**

We believe that that the shortage of rental housing in San Fernando is contributing to the squatter problem in the city. As mentioned earlier, there are approximately 40,000 transients in San Fernando during weekdays, who either come there for work or educational purposes. Very little is known about where they currently live, and how much they are willing and able to pay for rental accommodation. We feel that an attempt to develop the rental housing market for the use of the transients would be a worthwhile effort. However, we believe that the rental housing market of San Fernando is constrained by several important factors. These are:

(a) **Housing culture**

Our interviews with locals and government officials revealed that the housing culture in the Philippines is very focused on home-ownership. To many, renting is like “throwing money down the drain,” and therefore a less desirable housing option. This perception, however, is shared primarily by the permanent residents of San Fernando. We believe that there are good prospects for developing the rental housing market in the city because of the large transient population. The transient population is already placing a heavy demand on the rental market of the city. However, options for developing this market have been largely ignored.

(b) **Taxes/Regulations pertaining to Rental Housing**

Rental and dormitory housing is required to be licensed by the local government, and subject to taxation. However, there are only a handful of registered rental accommodations in San
Fernando. Our conversations with some locals and city officials suggest that many landlords simply do not declare the fact that they are renting in order to evade the taxes, and also to avoid enforcement of housing regulations. As a result, the actual extent of rental activity in the city, although seemingly small, is actually being grossly underestimated.

(c) High rent-to-income ratio
Although our opinion of rents might be biased, we found a strong mismatch between rent and the quality of the housing available. The average rent for a middle to high-end rental apartment was P5,000 to P10,000. This, compared to the average monthly income of San Fernando’s population (approximately P6000) is extremely high. In other words, the rent-to-income ratio appears to be very high. We attribute this to two factors: the landlords pass on the high tax on rental income to the tenants, and the overall shortage of supply of rental housing. As a result, only the relatively wealthy population gets access to rental housing, the poor are denied access to the rental housing they might want/need, and the government loses out on substantial source of revenue.

(d) No referral mechanism
The lack of a formal referral mechanism that facilitates rental transactions is another problem. Even for those who can afford to pay for rental accommodation, it is often difficult to find appropriate rental housing. We experienced this personally when we tried to find housing in San Fernando. There is no system that facilitates rental transaction (for example, through brokers). The city officials, while assisting us to find suitable accommodation, told us that most transactions occur by “word of mouth.”

(e) Lack of political incentive
The population that would directly benefit from improvements in rental housing would be the transients. As mentioned earlier, little documentation exists regarding this segment of the population and its housing needs. The little that is about known landlords points to the fact that the number of registered rental accommodations is small, and ‘seemingly’ insignificant. However, since this population most probably does not vote in the local elections, it is politically easier to ignore.

Disincentives for Private Sector Developers
Despite the central government’s attempts to encourage private sector development through very conducive financing schemes (development loans etc), the past few decades have seen only 25 developers undertaking housing projects in San Fernando. This lack of participation by the private sector developers in the housing market, we believe, is another bottleneck in the housing sector of San Fernando. A number of interrelated issues form disincentives for developers to invest in San Fernando’s housing market. They are:

(a) Possible shortage of demand for high-end units
There is a possibility that demand from upper income groups for subdivided plots or pre-built housing, the type typically developed by private sector developers for middle income families, is low. The income inequality of San Fernando’s population could be affecting the demand: the poor are unable to afford such housing, while the rich have much higher demands. It also seems that, typically, the rich already own large expanses of land, and prefer custom-made houses

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19 Based on our calculations of the records collected from HLURB.
designed by architects! With so little demand from upper income groups (where the scope for profit is high), developers have little incentive to come in.

(b) **Restrictive regulatory framework and permitting processes**
The requirement for housing projects to have at least 20 percent of the investment directed towards socialized housing acts as a disincentive. Unless the developer is making sufficient profit from the remaining units to cross-subsidize for the socialized housing, the transaction costs associated with permitting processes and regulations may not seem worthwhile. As a result, one of the unintended effects of these laws is that people are building for themselves rather than for sale.

(c) **Unclear land titling system**
The land titling system in San Fernando (much like the other cities of the Philippines) is inefficient and poorly documented. Unclear titles are another disincentive for private developers, since they will have to invest a significant amount of resources and time in trying to consolidate land with clear titles prior to making an investment decision.

(d) **Land supply constraints**
San Fernando faces a significant shortage in the supply of residential land. This can be attributed to the combination of the unavailability of residential land pre-zoned by the government, the cumbersome land conversion procedure, and speculative practices by large landowners.

Finally, it must, however, be noted that the lack of interest of developers to come in could also simply be demand-driven. By this, we imply that it is possible that the locals have a strong preference for self-built houses. This is often the reason that smaller cities, such as San Fernando, fail to attract private developers, who can make much higher profits in larger cities where the construction industry is more well-developed.

**Summary**

This section illustrated a range of issues pertaining to the housing sector of San Fernando. We discussed the various characteristics of the population, their housing needs, as well as some of the constraints and shortcomings in the overall housing delivery system of the city. Next, Section C looks at how the newly empowered local government of San Fernando is responding to the current situation, and explains the reasons behind their response.
C. LOCAL GOVERNMENT AND THE HOUSING SECTOR

The local government of San Fernando perceives that the supply of housing in the city is not keeping up with the increasing demand. As a result, the incidence of squatting is increasing. The local government views this as the primary problem in the housing sector.

In this section, we analyze the local government’s response to the current housing situation in San Fernando. First, we will provide a brief history of government involvement in the housing sector of San Fernando, and then look at the goals of the local government with regard to the housing sector. Next, we discuss the two housing projects that are currently on the local government agenda, and illustrate the social, economic, political and institutional forces behind them.

In our analysis, we argue that the local government’s approach to housing is inconsistent with the goals and objectives of the national effort to decentralize the housing sector. It also illustrates that this discrepancy is a direct result of institutional and regulatory constraints, and confusion between the goals and objectives of central housing agencies.

History of Local Government Involvement: Lessons from Sagayad

Unlike Manila and other big cities in the Philippines that have a vast experience in upgrading and resettlement programs (such as the Tondo Project mentioned in Chapter 4), San Fernando’s experience in the housing sector is very limited. Due to the lack of experience, limited technical capacity and shortage of manpower, the city administration is heavily dependent on the central agencies for assistance in formulating and implementing housing policies.

The Sagayad Resettlement Project

The city’s (and the current government’s) only major experience in the housing sector is a single resettlement project in Sagayad barangay completed in 1998. Even this project was carried out under the leadership of the NHA and the provincial government of La Union. The resettlement in Sagayad, which took the form of a sites-and-services project, was the result of plans to construct a bypass road to divert traffic away from the city center. The project involved the relocation of those who were dislodged by the construction. The selection criteria for prospective beneficiaries gave priority to those who were poor and did not own a house or land elsewhere. A total of 190 families were given plots of land on the project site in Sagayad barangay. The typical lot size was 72 square meters. Septic tanks and drainage were put in place for each site, and several public wells (with hand pumps) were also constructed. The government assisted with some expenses of moving building materials, but for the most part the resettlers were on their own. There were no set standards for construction; households were expected to build according to their own needs and resources. Amortization payments for the land, although delayed due to a

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1 The new road is being constructed in part on the property of the Philippine National Railway (PNR). The PNR line to San Fernando has been inactive for the past few years, and there seems to be no immediate plan to revive it. Initially, land along the PNR lines was leased to individuals. Over time, these leases were dishonored, and now PNR property has become one of the major concentrations of squatting in San Fernando.
delay in a household survey (for property value assessment) by the Assessor's Office, are scheduled to start soon.

The Sagayad project, the first of its kind in the city, is considered a big success by both the beneficiaries and agencies involved in its implementation. Our interviews with the beneficiaries revealed that they were "extremely grateful to the government for giving them an opportunity to own land." The local government, although happy with this relocation on the whole, is concerned about the informal appearance of the development. According to some officials, the physical form lacks the visual appeal and harmony associated with "successful" public-housing schemes. They consider this informality and variation in architectural character an "eyesore." The local government expressed to us that it does not want to repeat the crude — what we term "spontaneous" — appearance of Sagayad in future housing or resettlement projects. Instead, it wants to create more "unified" settlements by taking on the responsibility for design and construction of houses. (See plates 4, 5 and 6 for images of the Sagayad Resettlement.)

Findings in Sagayad

Our team conducted a survey of the residents to try to get a measure of the strengths and weaknesses of the project. We found that the aspects of the program that the beneficiaries attribute to the success of the project, are the same ones that the government associates with the "eyesore" issue. This brings out important lessons for future resettlement initiatives by the local government. Our findings in Sagayad are presented in detail in our consultant's report in Annex 1, and summarized below.

- **The flexibility in house design/construction was a key to the success of the project**
  The data shows that the absence of stringent 'standards' for construction enabled the people to design and construct housing that they wanted/needed, and allowed them to make "affordable" investment decisions. The flexibility underlying this program design contributed to the success of the resettlement.

- **The poorer families seem to prefer self-built houses**
  We found an inverse correlation between household income and preference for self-built housing. Those with higher incomes seem to prefer pre-built housing. 90 percent of the families with incomes below the median household income (P6,500) showed a preference for self-built housing. 45 percent of those with household incomes above the median said they would have preferred a pre-built house.

- **The flexibility of the construction period allowed people to spend within their means**
  Our surveys indicate that the median household income was P6,500, the median total house construction cost P140,000, and median monthly amortization payment for land P230. Assuming that families will be willing to spend 25 percent of their income on housing expenditure (including land amortization), the time it would take for them to complete construction ranges from 3 years to 24 years, with a median of 8 years. This project-design allowed families to make decisions regarding how much to invest and when, towards fulfilling their housing needs.

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2 Quoted from an interview with Mr. Benjamin, one of the residents of Sagayad.
3 This includes expenditure already incurred plus projected costs.
Plate 4. Sagayad Resettlement Project: General Character -- is it really an eyesore?

Top: Primary street with partially completed houses

Bottom: Secondary street, food crops (papaya trees) in backyards
Plate 5. Variations in House Construction: Sagayad (I)

Top: Bamboo and Jute house
Bottom: Concrete structure with plywood walls, still under construction
Plate 6. Variations in House Construction: Sagayad (II)

Top: Concrete block house, under construction
Bottom: A completed permanent house (note the design details)
- The monthly payments on the land were generally affordable. The median monthly payment for land was P230 (3.13 percent of monthly income). These payments were considered affordable by 95.83% of the sample interviewed.

- The productive use of outdoor spaces is an important element in the lifestyles of the residents. 76 percent of the households use outdoor space for at least one productive activity, while 32 percent use it for two or more. The primary uses are raising livestock, growing food crops, washing, cooking and storage.

- The absence of visual continuity is due to the fact that construction is incomplete. The data shows that none of the houses at Sagayad are complete. Our calculations indicate that the time it would take for a family to complete construction ranges from 3 to 24 years. Therefore, the architectural vocabulary currently seems worse than it will be upon completion.

The one problem that we identified as being common to nearly all the families interviewed in Sagayad was that of security and safety. Although the locals rated this project as ‘very good’, many residents pointed to problems that resulted from the mixing of different communities. The Sagayad project relocated two communities into a single settlement. Some families expressed concerns about increased crime, and attributed it to a partial breakdown of their former social fabric. There also seems to be some tension between the resettled community and the Sagayad barangay administration. This highlights that the mixing of various communities into one resettlement can be problematic.

Squatting and Resettlement: The Local Government’s Perspective

As mentioned in Section B of this chapter, there are numerous shortcomings in the overall housing system of San Fernando. This includes problems with the rental market, disincentives for private sector developers, lengthy land use conversion processes, and so on. All these are contributing to the increasing incidence of squatting in the city. Despite the significance of these issues in the overall functioning of the housing market, our interviews with the Mayor and other City officials revealed that squatting is being viewed as the main “problem” in the housing sector, and its effective containment is high on the government agenda. The Mayor, in particular, is intent on “helping” these people get “proper housing” to the best of her institutional abilities. However, without adequate attention to the other segments of the housing system, the government seems to be focusing all its resources and efforts on ‘resettling’ squatters.

The city government is surprisingly comfortable with the ideas of resettlement and pre-built public housing projects. They see such projects not only as an opportunity to address the squatter problem in the city, but also as an opportunity to make the city more unified and “beautiful.”

Goals and Objectives
The government’s agenda for the housing sector is driven by several key objectives. These are:

- To improve the living conditions of the poor:
The local government wants to improve the living conditions of the so-called “poorest” segment of the population, and is focusing attention on families that are currently squatting. There is a general perception that the residents of the squatter communities live under harsh conditions. Access to water and sanitation infrastructure is considered by the government to be poor. Many of the residents are employed in the informal sector, belong to lower income groups, and lack the means to improve their settlements by themselves. The government sees the CDS as an opportunity to reach out to these people, and improve their living conditions.

- **To minimize the danger and cost of typhoon damage:**
  This factor applies to the informal settlements on the ‘salvage zones’ of San Fernando. A significant percentage of coastal squatters live in temporary structures. The annual monsoon season brings typhoons that often damage their homes and the government has to coordinate evacuation efforts almost every year. The cost to the government and the families due to typhoon damage is quite significant. The city administration is concerned about this problem, and the Mayor in particular, is determined to remedy the situation.

- **To attract investors for to the city:**
  The government is trying to attract investment into the city, and views the squatters (especially those on the coast) as a significant deterrent. The World Bank CDS project is expected to bring in an increased amount of foreign investment into the city, while the Poro Point development project (described in Section A) promises to increase prospects for tourism. The government also has plans to develop a “coastal boulevard” that links the downtown city center area to the new development planned at Poro Point. The boulevard, which is to be constructed on reclaimed land, is anticipated to help development of the coast. However, the project threatens to dislodge about 900 families, practically all that live on the coast. Although the plans for this coastal boulevard have been on the drawing board for several years, it is part of the current ‘vision’ for the city, and the local government is actively trying to attract investors for the project. “Cleaning up the city image” by resettling squatters into “organized and beautiful” settlements is part of this effort.

- **To improve the socioeconomic stability of the city’s workforce:**
  Currently, many formal sector workers, including government employees, are considered “homeless,” implying that they do not own a lot or a house. Some of these families live with extended families or in doubled-up households, but many of them have no option but to squat. The local government sees the provision of housing as a means to help these people, and improve the socioeconomic stability of the city’s workforce.

- **To make housing projects in San Fernando models for future resettlements and housing projects nationwide:**
  The proposed projects in San Fernando will, in many ways, be a pilot projects. They will be some of the first housing projects to be carried out under local government leadership in the Philippines. The government sees this as an opportunity to break new ground in the sector and get national recognition for the effort.

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4 Poro Point was formerly a US military base within the city limits of San Fernando. The Bases Conversion Development Authority (BCDA) is now converting it into a Special Economic and Freeport Zone. A masterplan has been prepared for the project, and BCDA, in collaboration with the John Hay Poro Point Development Corporation (JPDC), is currently trying to attract investors. BCDA is an autonomous body, accountable only to the central government.

5 This is the local definition of “homelessness.”
Based on the above reasons, the government is focusing on projects that it believes will serve the dual purpose of improving the living conditions of the target population, while also facilitating the implementation of the other development projects. The next section will describe the housing projects that are currently on the local government agenda, and explain the project-specific goals the government is putting forth to justify their efforts.

**Current Housing Proposals**

Based upon the above concerns and objectives, the government has two major housing projects under immediate consideration. One is a resettlement project for coastal squatters. The other is a project for housing government and other formal sector employees. The total number of potential beneficiaries of the City’s proposed projects is given in Table XI.

<table>
<thead>
<tr>
<th>BENEFICIARY</th>
<th>Economic</th>
<th>Socialized</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slum Settlements in Salvage Zone</td>
<td>-</td>
<td>510</td>
<td>510</td>
</tr>
<tr>
<td>PNR Slum Dwellers</td>
<td>-</td>
<td>546</td>
<td>546</td>
</tr>
<tr>
<td>Slum Dwellers in Private Property</td>
<td>-</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>City Government Employees</td>
<td>69</td>
<td>32</td>
<td>101</td>
</tr>
<tr>
<td>Teachers</td>
<td>50</td>
<td>29</td>
<td>79</td>
</tr>
<tr>
<td>Media</td>
<td>31</td>
<td>27</td>
<td>58</td>
</tr>
<tr>
<td>PNP</td>
<td>12</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>162</strong></td>
<td><strong>1,265</strong></td>
<td><strong>1,427</strong></td>
</tr>
</tbody>
</table>

Notes: Numbers indicate number of households

- Economic housing units have a total land and structure cost between P150,000 and P300,000
- Socialized housing units have a total land and structure cost not exceeding P150,000

Source: Survey on Housing, 1999 (Cited from Abad, 1999)

(a) Resettlement of Coastal Squatters

Our interviews with government officials revealed a general perception that the residents of the coastal squatter communities of San Fernando live under harsh conditions. Many of the approximately 900 families squatting on the coast of San Fernando, have done for several decades. The majority of these people are in some way linked to fishing. Fishermen head many of the families, and often their entire livelihoods are dependent on day to day fishing. In the average fishing family, the men go fishing, and the women take the fish to the market to sell. However, as mentioned in Section B of this chapter, there are a significant number of families in these communities who are not fisher-folk. Many of these individuals are employed in the informal sector, while some are government or other formal sector employees.

Although the government considers the resettlement of the informal settlements on the coast as important, it understands that the risks involved in any involuntary relocation are enormous. The fishermen, if moved from the coast, will lose their primary source of livelihood. Education levels (especially among fisherman) are relatively low, and therefore alternative employment sources, at least in the short run, seem very unlikely. The problem for non fisher-folk is similar, although not directly related to the coastal location.
Figure 8: Mid-rise Housing Proposal

Source: HUDCC
The government is planning to carry out a phased resettlement of all the informal coastal settlements throughout San Fernando. The government’s initial plan was to construct high-rise housing on a coastal site. Fisher-folk from all along the coast were to be resettled into these buildings, while non fisher-folk families were to be moved inland. Over time, this idea has evolved and ‘modern’ mid-rise structures are now being considered (see Figure 8).

A plot of land (approx. 1 hectare) in Catbangen barangay has already been acquired for this project. HUDCC and the NHA are in the process of developing design prototypes for mid-rise housing. The government is in the process of identifying an inland site to resettle the non-fisherfolk families. Although the government intends to take responsibility for construction, there is no clear understanding of who will be in charge of operations and maintenance. The financing structure has not yet been finalized, and there is no estimate of the construction cost.

The local government understands some of the political and social implications of forced resettlement, and wants to carry out the projects in a way that everyone is ‘happy’. Keeping the fishermen on the coast is, therefore, a high priority in the government agenda.

(b) Housing for Government and Other Formal Sector Employees

Provision of housing and security of tenure for city officials is seen as important to the overall socioeconomic stability of the government staff. When the Mayor decided to make housing a priority sector, her initial target beneficiaries were the employees of the city government, teachers, members of the Philippine National Police (PNP), and members of the local media in need of housing. As mentioned earlier, some of these families are “homeless” and currently live with extended family in formal housing or squat on someone else’s land. According to a survey of the intended beneficiaries, a total of 433 individuals expressed their desire to avail of housing units. Of those, 58 percent do not own a house or a lot (Table XII).

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>Interested to Avail</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>W/House &amp; Lot</td>
<td>W/Lot Only</td>
</tr>
<tr>
<td>City Employees</td>
<td>214</td>
<td>54</td>
</tr>
<tr>
<td>Teachers</td>
<td>124</td>
<td>12</td>
</tr>
<tr>
<td>Media</td>
<td>71</td>
<td>3</td>
</tr>
<tr>
<td>PNP</td>
<td>24</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>433</td>
<td>71</td>
</tr>
</tbody>
</table>

Note: Figures indicate number of households

The employee housing project is one of the local government’s highest priorities. This is not unusual or unique: in many countries of the developing world, benefits in kind, such as housing, are common practice. This housing project in San Fernando is to include both socialized and economic housing units and to be constructed under guidelines set by the local government. The dwelling units will be based on several prototypes, in order to eliminate the “informal” visual quality associated with the Sagayad resettlement program. Payroll deductions from the beneficiaries are expected to conveniently recover costs. A three-hectare plot of land has been purchased for this project, and the land conversion/permitting is under way. The regional office of the NHA is assisting the local government in developing site and prototype designs for the project.

6 Survey carried out by Dina Abad for the “Socialized Housing” report.
Problems with the Projects

Although it is encouraging to see the interest of the city administration in the above projects, a comprehensive housing strategy needs to be devised in order to "facilitate" a sustainable housing market in the long run. We feel that the present squatter population is only the tip of the iceberg. Even if the assumption that the residents of the squatter settlements live under "harsh" conditions is true, the local government's inclination towards housing and resettlement projects is not necessarily sustainable. Population growth and future in-migration anticipated from the current development plans will only aggravate the squatting "problem." Clearly, it is not feasible for the government to keep building new housing for every person that decides to squat on public land. Besides, this is a massive undertaking on the part of the government that is already scarce on resources.

As discussed in Chapter 4, the housing sector of the Philippines was decentralized with the primary goal of making local governments "enablers" (rather than providers) of housing. The second and equally important goal was to encourage active participation of the private sector and local communities in the provision of housing and infrastructure. The current plans of the local government of San Fernando, however, do not seem to be directed towards either of these goals.

We found that the government was addressing the housing problem through direct intervention in the housing market. There was no effort to integrate the private sector into the housing development initiatives, nor was there any analysis of the supply or demand side of the housing market. No resources were being allocated to understand the functioning of the private housing market, in either old or new construction in owner-occupied or rental housing. There is no indication of NGO participation, or any effort to integrate public opinion, in the decision-making process. The entire effort is driven by the local elite minority, who in turn appear to be making decisions based on very limited (and sometimes inaccurate) information.

Besides contradicting the goals set forth in the national decentralization efforts, we feel that the projects under consideration are essentially a step backwards in the development of housing policy in the Philippines. The currently proposed projects are reminiscent of the public housing projects implemented worldwide in the 1960s and 70s (see Chapter 3). Past experience with resettling the poor into pre-built housing worldwide has left little doubt regarding the negative implications of such efforts. The same problems – of cost recovery, affordability, ignoring the real needs of the prospective beneficiaries, and overall sustainability – are bound to crop up here too. Worse still, these issues are likely to get even more aggravated in San Fernando, given the lack of technical capacity and resources, and informational constraints of the local government.

In order to evaluate the projects under consideration, our research team conducted surveys and field interviews in Catbangen barangay, one of the coastal squatter settlements of San Fernando slated for resettlement. The following is a critique of the local government projects based on our findings. The issues are categorized under the 'idea of resettlement,' and the 'idea of pre-built housing.'
The Idea of Resettlement

Resettlement is a controversial issue no matter which way it is sliced. The simple fact of uprooting families and trying to rebuild their livelihood is a mammoth undertaking, and international experience has shown that such projects can easily fail. Nevertheless, San Fernando’s experience with resettlement has been positive, as suggested through our findings at Sagayad.

Our survey and interviews in Catbangen provide valuable insight into the preferences of the coastal squatters, and their willingness to resettle. Our findings in this regard are summarized below, and documented in detail in our consultant’s report in Annex A.

- **There is confusion over property rights. The perception of ownership is the primary driving force behind many of the residents’ preferences and decisions regarding relocation.**

  As mentioned earlier, 52.4 percent of the families interviewed in the Catbangen settlement believe that they have legal titles to the land they occupy. This claim is based on the fact that they have Tax Declaration (TD) forms issued by the local government, and have been paying taxes for the past several years.

- **Families who currently live in temporary houses are more willing to relocate.**

  The analysis of the data reveals a strong correlation between nature of house and relocation preferences. 88.5 percent of families living in temporary structures were willing to relocate. On the contrary, 60.7 percent of those living in permanent structures were unwilling to relocate.

- **Families who do not have TDs are willing to pay more for relocation.**

  Our sample was asked how much they would be willing to pay for plots of inland and coastal land (the data collected is shown in Table XIII). Families without tax declarations claimed they were willing to pay a median of 5.5 percent of their income for coastal land and 4.67 percent for inland land. However, those with tax declarations were only willing to pay a median 0.87 percent of their incomes for coastal or inland land. This has important implications for cost recovery if the government goes through with the resettlement.

<table>
<thead>
<tr>
<th>Table XIII: Median Willingness to Pay, Catbangen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Coastal land</strong></td>
</tr>
<tr>
<td>Entire Sample</td>
</tr>
<tr>
<td>Families without TDs</td>
</tr>
<tr>
<td>Families with TDs</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>For Inland land</strong></td>
</tr>
<tr>
<td>Entire Sample</td>
</tr>
<tr>
<td>Families without TDs</td>
</tr>
<tr>
<td>Families with TDs</td>
</tr>
</tbody>
</table>

Source: Mathera and Mawilmada, 1999

As discussed earlier, there is a great deal of emphasis, on the part of the local government, on resettling the coastal squatters of San Fernando. However, based on our findings, we feel that there is no critical need to relocate all coastal squatters immediately. Our reasons for this argument are as follows:

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7 The information gathered is directly related only to the Catbangen settlement. However based on informal interviews in other settlements, we feel that similar conditions apply to most coastal squatters in San Fernando.
- All coastal squatters are not living in 'salvage zones' or temporary structures. Contrary to popular belief, all families residing in the coastal settlements are not on the 'salvage zones'. The data suggests that roughly half of them are living on private land adjacent to the salvage zone. Only about 60 percent of the houses in the settlements are temporary structures. The others, typically built of concrete block and wood, are primarily constructed on the private land mentioned above. Based on these findings, a significant percentage of the households do not appear to be in need of immediate assistance.

- There is a great deal of contention over property rights and who is really 'squatting'. 52 percent of the population interviewed claim a right of ownership on the land they occupy. These families are primarily those who live adjacent to the salvage zones as mentioned above. They have been occupying the land for the past several decades without any contest from the government or others that legally own the land. Furthermore, they have tax declarations issued by the government, and have been paying property taxes for the past several years. Considering such facts, it is difficult to categorize all the people in the settlements as “squatters,” since many of them have at least some legitimate claim to ownership. It would be unreasonable to relocate such people without fair compensation. It could also be argued that these people are productively using land that would otherwise be lying vacant for speculative purposes, and should therefore be allowed to stay.

- Relocation of all coastal squatters will result in a significant waste of scarce capital. There is a significant sum of money invested in the permanent structures within the coastal settlements. Our data shows that over 2 million pesos have been invested in the permanent houses at Catbangen alone. The total for all the coastal settlements in San Fernando is obviously much greater. All this investment would essentially be lost if the occupants were forced to vacate their houses. The government would have to first compensate these people in some way, and then subsidize (at least partially) the construction of new housing. This would be a waste of already scarce financial resources.

- Relocation of all coastal squatters will require large amounts of already scarce coastal land. The land that has been acquired to resettle the coastal squatters is barely enough to accommodate 200 families (if a plotted-development is followed, as proposed later in this report). Scarce resources limit the amount of land that the government can afford to purchase. Besides, vacant coastal land is scarce, regardless of the money available.

- Relocation of current squatters alone is not a guarantee against the recurrence of squatting. It is impossible for the local government alone to build new housing projects every time people start to squat on public (or private) land. If the current development plans go forward, it is very likely that San Fernando will attract more migrants, and the incidence of squatting will increase. Moving the squatters from the coastal areas without new development on the land (or other mechanisms to discourage squatting) will only create an incentive for more people to squat.

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8 This is the case in Catbangen. Further research is required to establish whether the same is happening in the other coastal squatter settlements.

9 Given the current situation in the city, it is unlikely that the housing markets will be able to respond effectively to the growing demand. The major development plans, such as Poro Point, do not cater to the housing needs of lower-income employees.
Such actions would also create incentives for large landowners (such as Western Minolco\textsuperscript{10} at Catbangen) to buy and retain vacant land for speculation.\textsuperscript{11}

- **Plans for the Coastal Boulevard are still in the conceptual stage.**
  One of the primary justifications for relocating the coastal squatters is the proposed coastal boulevard. However, the plans for the project are currently at an embryonic stage. The project’s economic feasibility and environmental impact have not been seriously studied. Investors for the project have not yet been identified. The project is also somewhat dependent on the implementation of the Poro Point development plans. Based on these factors, it is safe to assume that the coastal development will not happen within the next few years.

**The Idea of Pre-Built housing**

The idea of pre-constructed dwelling units for resettlement is also problematic from many dimensions. The fact that one of the proposed projects includes the construction of high-rise housing towers further complicates matters.

Data gathered both at the Catbangen squatter settlement and the Sagayad resettlement provide valuable information about the citizens’ perspectives on high-rise and other forms of pre-built housing. Based on the information gathered, pre-built housing (especially high-rise or mid-rise, of the type shown in Figure 9! does not seem to be the most appropriate solution for the squatters of San Fernando. Our reasons for this argument are as follows:

- **Most of the squatters in San Fernando prefer the option of self-built housing.**
  Pre-built housing of any form does not permit the flexibility that the low-income families require to meet their household-specific needs within limited budgets. For this reason, only 32 percent of the families interviewed in the Sagayad resettlement showed a preference for pre-built housing (over self-built). However, we found an inverse correlation between household income and preference for self-built housing. Only 10 percent of the families with incomes below the median household income (P6,500), (versus 45 percent of those with household incomes above the median) showed a preference for pre-built housing. Most of those who did prefer pre-built housing claimed that they could afford to make greater monthly amortization payments and did not want to deal with the hassle of construction.

- **Cost recovery may be difficult.**
  The higher the investment made on a project, the more pressure there is for cost recovery. Pre-built housing typically involves high costs that either have to be borne by the beneficiaries (in terms of payments) or by the government (in the form of subsidies). Either way, there are problematic issues involved. First, given that the beneficiaries belong to the low-income groups with unstable income sources, higher monthly payments introduce greater risk of default.

\textsuperscript{10} Western Minolco is a private firm that owns the non-salvage part of the property that the Catbangen settlement squatters are currently squatting on.

\textsuperscript{11} Speculation constrains land markets, and leads to bottlenecks in supply that would otherwise be much more responsive to demands. Many countries exercise control over speculation by imposing laws regarding the maximum period that the land can lie vacant after its purchase. Although not always the best way to regulate land markets, this is useful to some extent in determining the real need for land and more equitable redistribution. Governments can then acquire land from speculators, and use it more productively.
Second, given the constrained budgets of the government, it is not advisable to sink large sums of money into projects with poor prospects of cost recovery.

- **The physical living environment may be restrictive for the target population.**

  The physical living environment is a crucial factor that determines the success of any rehabilitation or relocation program. This can be especially problematic with high-rise housing. Virtually all of the families interviewed in Catbangen were opposed to the idea of living in a high-rise simply because they could not relate to living anywhere other than the ground level. This is not surprising. It is difficult to imagine a person who has never seen a mid-rise apartment, much less a high-rise, comfortable with the idea of living in one. Moreover, it is clear that the use of outdoor spaces is a vital component of the lifestyle of the coastal squatter families. They use such spaces for cooking, washing, growing food crops, storage of boats and fishing equipment etc. Apartments in multi-story buildings can hardly accommodate such spatial needs, even if they are on the coast. Pre-built housing of any form does not permit the flexibility that the low-income families require, to meet their household-specific needs within limited budgets.

- **High-rise housing demands greater technical capacity and government involvement.**

  Another important issue of concern related to high-rise and mid-rise housing projects is that of technical capacity. First, the construction process requires a certain level of expertise. However, what is often more problematic is operations and maintenance. The residents, obviously, will not have the technical or financial ability to maintain and repair complex building systems associated with high-rise construction. Therefore, even after the resettlement is complete, the government will still need to dedicate valuable manpower and resources for the management and maintenance of high-rise structures. It is difficult to pass on these costs to the residents without increasing the risk of default.

**The Role of Local Government: Facilitator or Provider?**

As mentioned before, extensive reforms in the housing sector of the Philippines have been initiated with the explicit intent of reducing the government’s role as direct provider of housing. These “enabler” policies are very much in line with the UN’s Global Strategy for Shelter to the Year 2000 (1988).12 Yet, despite official policy, what seems to be happening in the housing sector of San Fernando (and probably many other similar secondary cities) is quite the opposite. The government is undertaking relocation and housing programs that in no way resemble the role of an “enabler.” Moreover, these are exactly the types of projects that the new housing policies were supposed to prevent. In essence, the local government of San Fernando is playing the role of a developer. It is, however, important to analyze and understand who is to blame for this: the local government, or the central shelter agencies under whose direct supervision the local government is undertaking such efforts?

It is easy to blame the local government or the ulterior political motives of the local government leadership for the shortcomings of the proposed projects. However, we feel that there is much more to the story. **We argue that the local government is in fact constrained to shortsighted**

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approaches to housing because of heightened expectations placed on them through decentralization, and due to constraints in the institutional and legislative framework.

In 1991, with the passage of the Local Government Code, housing responsibilities were devolved from central to local levels of government. Since housing is a relatively new responsibility, the local government is primarily following policy guidelines set by the central housing agencies. The problem, however, is that the policies of the central agencies themselves seem to be confusing and contradictory. On one hand, they are promoting a ‘facilitator’ role for local governments in housing, with rhetoric about greater participation, NGO involvement etc., while on the other, they are pushing for resettlement programs (a direct intervention in the housing market) as a solution for squatting. Worse still, there is no attention being given to the proper functioning of the overall housing delivery ‘system’ that includes land markets, housing finance etc. As a result, the local government has taken on the position that it is most familiar with: that of a direct provider of housing.

The city is clearly addressing the most ‘visible’ problems – that of the growing incidence of squatting. Direct intervention in the housing market through construction of new housing by the government, is seen by the city administration as the best remedy. In the process, other aspects of the overall housing market are being ignored. Not only that, the local government of San Fernando is addressing housing issues in the city with limited information, limited technical capacity, practically no direct experience, and contradictory (and conflicting) recommendations from central government agencies.

Forces behind the Local Government’s Position
In order to understand why the local government of San Fernando is directly intervening in the housing market, and taking on the role of a developer, we must first understand what internal and external factors are molding the agenda-setting processes. In this section, we will identify some of the forces responsible for the local government’s response to the housing sector.

(a) External shocks
With limited resources, the local government has no choice but to prioritize issues that seem to be the most urgent. Projects that respond to the short-term needs induced by external shocks, therefore, are most likely to reach the top of the government agenda.

Both of the projects under consideration, and the past experience in San Fernando, have all been carried out in response to external shocks. Just as the resettlement at Sagayad was a response to the new highway construction, the World Bank CDS project is the catalyst for the two housing projects currently on the table. These projects were only identified after the Bank offered financial and technical assistance to the City of San Fernando. The City sees the CDS as a means to get investment into the city. Due to all the attention San Fernando is getting from donor agencies, the LGU sees the need to clean up the city and make it more marketable in the international arena. The move to construct new and ‘beautiful’ housing for formal sector workers is, in part, a result of this objective.

The proposed free economic zone at Poro Point is also heavily influencing the selection and prioritization of projects in San Fernando. The plans to build a coastal boulevard (which could
potentially get CDS funding) linking downtown San Fernando with the proposed new development at Poro Point is driving the effort to resettle the coastal squatters.

(b) Pressure from central agencies
The legal obligation to address squatting is another major driving force behind the prioritization of housing and relocation projects. A careful look at the agendas for housing being pushed by the central agencies indicates that they themselves lack a comprehensive approach to housing. Despite the central mandate to help alter the role of local governments in the housing sector from ‘provider’ to ‘enabler,’ the idea of resettlement is deeply engrained in the system. We found no clear precedent of “enabler” projects in the Philippines for local governments to follow. The legislature still mandates that squatters in danger zones should be resettled into socialized housing projects. Central agencies, therefore, continue to encourage local governments to pursue resettlement as a means to deal with squatting.

(c) Precedent from previous national government projects
The precedent set by past projects in the city has a significant impact on strategies the current government chooses to adopt. The resettlement in Sagayad provides one such example. This project was carried to accommodate some of the people displaced by new highway construction. The resettlement was carried out with minimal information. Selection of beneficiaries was based on the income level and land ownership of the applicants. Although not yet complete, the project is considered a success by those involved. The current housing projects are being based on similar selection criteria. In an attempt to build on the success of Sagayad, the local government plans on resettling people into pre-constructed houses, a step better than the precedent in the local government’s eyes.

(d) Political Objectives: Need for quick and visible results
The current political system in the Philippines mandates local government elections every three years. As a result, local governments tend to develop agendas based on a relatively short time horizon, and favor projects that produce quick and visible results. Although not necessarily bad, this can have serious implications on the paths local governments choose in given sectors. For example, Mayor Ortega of San Fernando is up for re-election next year. The two projects currently on the government agenda can be realized quickly, and are highly visible. The end product – pre-constructed housing – can be very impressive, unlike slower sites-and-services or upgrading projects. Moreover, improved housing for government and other formal sector employees was one of the Mayor’s campaign promises. The local government needs to break new ground in this area in order to win the confidence of the people, and also to retain loyal voters. There is political pressure to deliver results in order to secure votes for re-election.

Furthermore, the housing projects proposed in San Fernando, if completed soon, will be some of the first to be carried out under local government leadership in the Philippines. The city, in a sense, is racing to complete these projects, to make its mark as a leader in the housing sector, and to maximize political recognition at a national level.

(e) Limited capacity
The housing sector is a relatively new responsibility bestowed upon the city governments, and typically, they lack the technical expertise to understand how the different issues (such as housing finance, land markets etc.) interrelate and have implications on the overall housing system. Resources allocated towards identifying problems in the housing delivery system,
citizens' needs, and LGU capacity building are limited. Lacking the technical capacity to comprehensively diagnose the problems in the overall housing market, the City officials are undertaking projects that they can relate to.

(vi) Limited number of options under consideration
Due to limited background and experience in the housing sector, the government sees very few options available to address the problems at hand. There is little attention given to long-term, sustainable solutions. Learning from precedents set by the central government in the housing sector, and also the emphasis on socialized housing by the center, the local government sees resettlement and provision of public housing (for the poor) as its role in the housing sector.

(f) Limited information
The information the local government is using to assess the city’s housing situation is limited to basic demographics and income data. There is no clear understanding of the basic ‘needs’ or preferences of the people. Census data only comprises of information pertaining to the housing stock in the formal sector. Apart from the projections of population growth, there is no account of the informal housing stock, to describe and explain trends in the housing market both within and beyond squatter settlements.

Information at the community level is also limited. This is because there is no institutional mechanism for the government to accurately assess the needs of its people. The LGU lacks both the skills and finances to collect and analyze more detailed information at the community level. There is no information about the transient population of the city either. The rental market of the city has never been studied, and nobody knows where the 35,000 transients live during the week.

Summary
Although the government has good intentions behind the housing projects that it plans to implement in the near future, the projects themselves are strewn with problems. As demonstrated in this chapter, the local government is making critical decisions about resettlement and relocation without the necessary information. The projects on the agenda are inappropriate, unsustainable, and in some cases even unnecessary. However, the institutional, political, and socioeconomic forces discussed above have pressured the local government into this shortsighted approach. As a result, unfortunately, even honest efforts by the local government to best meet the needs of the beneficiaries are being undermined.

Decentralization in the Philippines occurred simultaneously across the whole country, despite the fact that many local governments of smaller cities did not have the capacity to deal with the new responsibilities delegated to them. The problems in the housing sector of San Fernando clearly illustrate how institutional and capacity constraints can result in the failure to realize the overall objectives of decentralization.
LESSONS FROM THE CASE OF SAN FERNANDO
In the previous chapter we discussed, in detail, the housing situation in San Fernando, identified some of the bottlenecks in the system of housing delivery, analyzed the local government response to the current situation, and pointed out some of the constraints that restrict the local government to its current approach. In this chapter we will first summarize some of the key findings of the case, and then take a step back to see what implications these findings have for the implementation of decentralization policies worldwide.

Findings in San Fernando: Local Government and Housing

Our study in San Fernando revealed a series of problematic issues pertaining to the housing sector and the decentralization initiatives being adopted by the Philippine government. They are as follows:

**Lack of local technical capacity and transfer of skills from central agencies**

The importance of local government capacity and resources has been discussed extensively in the literature on decentralization. In an attempt to transfer skills from the center to the local level, the central housing agencies of the Philippines have been deconcentrated into provincial offices to assist local governments in their efforts in the housing sector. Our findings in the field, however, reveal that this effort has had very little success (at least in the case of San Fernando).

By virtue of being the administrative capital of the region, and the capital of La Union, San Fernando houses the regional offices of all the national shelter agencies. Hence, its access to technical advice (from central agencies) is relatively good when compared with other component cities. However, surprisingly the central government “experts” delegated to impart advice to local governments regarding housing, do not seem to be aware of the larger issues underlying their area of specialty themselves.

In one of our meetings with the Mayor and heads of these shelter agencies, we were struck by the advice being given to the Mayor regarding the local government’s proposal for relocating coastal squatters into high-rise housing. Surprisingly enough, it was with the qualified approval of the central shelter agencies, that the Mayor’s plans for high-rise housing had progressed to the final stage. (The midrise structure shown in Figure 8 is a proposal given by one of the central agencies to the Mayor.) When we expressed our doubts regarding the appropriateness of such a project, the Mayor responded by putting the proposal “on hold,” and instructed the national officials to explore other alternatives. This incident, besides highlighting the inadequacy of information being imparted to the local government by central officials, also made it clear that the Mayor was open to ideas and willing to look into other (better) options.

A closer look at the issue of skill transfer revealed two interesting facts. First, all of the key officials in the national shelter agencies in San Fernando are engineers. We found no officials trained in urban planning or public policy, in any of the agencies delegated to give policy and planning advice to the local government. Second, it seems that most of the highly skilled labor force in the country is attracted to large metropolitan areas like Manila, mainly because of better employment opportunities and higher wages. Some local governments, on their part, have been reluctant to accept devolved personnel into their administrations because of salary differentials.
that, in turn, strain local budgets and demoralize locally hired personnel. Some local
governments also claim to have enough personnel, and have refused to accept the national
employees assigned to them (McCarney (i), 1996).

These observations indicate that the attempts by the center to provide technical skills to local
government units have been futile, at least in the case of San Fernando. The local government
unit of San Fernando still does not have the administrative, technical or fiscal capacity to
successfully implement housing projects. If this is the case in San Fernando (the capital of a
province), the situation can only be worse in other cities with poorer access to central
government resources.

Conflicting goals and objectives of national shelter policies
The National Shelter Policy requires local government units to identify and resettle people living
in informal squatter settlements, and penalizes them if they fail to do so. At the same time, the
Policy aims at transforming the role of local government into that of an “enabler” of the housing
market. These two diametrically opposite ideas have led to a certain degree of ambiguity
regarding the actual role of the local government in the housing sector. The basic intent of the
“enabler” policy is undoubtedly to address the overall housing system, and to identify and deal
with the bottlenecks in the supply of housing, which in turn, could address the squatting and low-
income housing problems in the country. The local government of San Fernando, however, does
not seem to understand this role. By seeking to physically construct housing for the poor, without
addressing the larger issues behind the perceived ‘shortage’ in housing, it is simply playing the
role of a developer (or a direct provider of housing).

Inappropriate prioritization of projects
The responsibility of dealing with the housing sector has led to a situation where the city
administration of San Fernando has prioritized housing and resettlement programs on its
development agenda. According to some officials, “squatting is becoming an increasingly acute
problem in San Fernando.”1 We found this attitude unwarranted for two reasons.

First, the current squatter population of San Fernando comprises only 8 percent of the city’s
population. This is a very small number when compared to the squatting in other large cities in
the Philippines (40 percent of the population in Manila lives in squatter settlements). Based on
the national context, therefore, the squatting in San Fernando does not seem to warrant such
urgent attention.

Second, our field study of the Catbangen squatter settlement, and visits to two other coastal
squatter communities revealed that the living conditions in these settlements, although poorer
than formal settlements elsewhere in the city and the country, are very good compared to the
slums of Manila (and most other cities in the Philippines and other developing countries). Most
have access to electricity, transportation, schools, and at least a few sources of clean water. As
indicated through our surveys, many of the squatters themselves rank their access to basic
infrastructure as satisfactory (see Annex 1 or Section B of Chapter 5 for details). Essentially,
compared to the national (and international) context, squatting in San Fernando is not really the
“urgent” and “serious problem” it is being made out to be.

1 Interviews with the Mayor of San Fernando, and other government officials.
Lack of information-gathering mechanisms
The decentralization effort in the Philippines has been praised for its effectiveness in institutionalizing participatory mechanisms, and responding to the needs of the poor (USAID 1991, McCarney (i), 1996). However, our findings in San Fernando paint a rather different picture.

During our field study, we found no NGOs active in the housing sector, and no institutionalized mechanisms for gathering information. As explained in our critique of the government proposals, the local government of San Fernando seems to be making decisions about the housing sector based on inadequate and sometimes inaccurate data. (Again, it must be noted that, regardless of the local governments’ technical capacity, housing legislation requires that they make decisions. They have little choice in the matter.)

The local government of San Fernando had only one source of information (the Abad report) about squatter settlements in the city until we presented our findings to the Mayor in December, 1999. Despite honest efforts to improve the living conditions of its citizenry, broad generalizations drawn from a single study led the governments to make incorrect assumptions about the needs and preferences of the local communities.

Concentration of power in the hands of the local elite
As in some other countries in the developing world, the rich elite have historically controlled politics in the Philippines. In the case of San Fernando, the Ortega family has been in power for a long time. The current Mayor, besides being very well linked to central government (the Mayor’s husband is a Congressman), has also appointed some of her relatives in important positions in the City government. Similarly, in the city of Olongapo, the Gordons, another important husband-wife team, control most of the local politics.

Our impression was that, under the leadership of Mayor Ortega, the local government of San Fernando is very proactive, intent on improving the living conditions of its poor, and receptive to suggestions for improvement. However, this is not necessarily the case in all the cities of the Philippines. For example, one of the students in our consultant group was studying illegal fishing practices in another city in the Philippines. She met resistance at many levels of government, and was prevented from obtaining much information about the matter. The locals refused to speak about such practices for fear of negative repercussions from the authorities. It is unclear whether or not there was any government involvement in this illegal activity, but there certainly is a possibility.

Decentralization initiatives in such cases, instead of empowering the public, can end up concentrating more power into the hands of the elite in smaller towns and cities. Without a built-in system that ensures political accountability, the opportunities for abuse are widespread.
General Conclusions

As discussed in Chapter 2, there is an extensive body of literature that supports the concept of decentralization. Although in theory, decentralization seems quite appealing, and is being widely adopted in many developing countries, its practical limitations are many. With the implementation of decentralization policies worldwide, the literature on the problems associated with it is now growing. The need for differential treatment of subnational governments is receiving greater acknowledgment (Smoke, 1999, 2000; Litvack, 1998). However, we still have much to learn about the impact of overly generalized decentralization policies on smaller provincial cities.

Our findings in San Fernando reiterate this notion. Provincial cities such as San Fernando have limited resources at their disposal. The constraints that these small local government units face are quite different from those faced by large metropolitan areas, primarily by virtue of their limited capacity. Compared to the number of such cities in developing countries, relatively few come to the forefront of major development initiatives or studies. This is typically because the problems of larger urban areas appear to be more “serious” and “worthy” of attention.

Nevertheless, with the implementation of decentralization policies worldwide, more and more ‘small’ local governments are forced to take on similar responsibilities to those of the more technically and financially adept ‘large’ city governments (this does not imply, however, that the ‘large’ cities do not have difficulties with decentralization). The case of San Fernando illustrates some of the complications that can result from this transfer of responsibility to smaller local governments in the absence of relevant/sufficient skills.

Two primary lessons can be learned from the case of San Fernando, that contribute to the broader understanding of decentralization in practice. These lessons, which are based directly on the case of San Fernando, strongly reinforce the findings of the most recent research on decentralization being carried out by international agencies and academics alike.

1. Decentralization can result in the imposition of overly generalized and sometimes inappropriate policies on small local governments. Some of these policies, designed in response to the problems of large metropolitan cities, can be inappropriate, and even regressive, in the context of small provincial cities.

Shelter policy in the Philippines, now as in the past, has been formulated in response to the housing problems in Metropolitan Manila and other large cities of the country. The policy on resettlement is one such example. As mentioned in Chapter 4, squatting in Manila was becoming a big problem for the national government in the early 1970s. City slums and squatter settlements, occupying vast expanses of prime (or even peripheral) land, besides posing serious health hazards due to the unsanitary living conditions, were also seen by the government as bad for the political ‘image’ of the country. Faced with the millions who were homeless in rapidly urbanizing areas, along with pressure from international assistance agencies to undertake sites-and-services and upgrading projects, the focus of shelter agencies shifted to resettlement programs. The smaller provincial cities did not appear to have such serious housing problems, and therefore, were not directly affected by this shifting emphasis in housing policy.
In the early 1990s, two major changes occurred in the housing sector of the Philippines. First, upon passage of the Local Government Code of 1991, housing became the responsibility of the local governments, legally binding local governments to address the squatting problems in their areas of jurisdiction. Second, the Urban Development and Housing Act of 1992 pushed to change the role of the government from being the direct provider of housing to being the enabler.

As the case of San Fernando indicates, these changes have had some negative consequences. The responsibility of dealing with the housing sector has led to a situation where the city administration is responding with project proposals of the type that have not only failed repeatedly in the past in other developing countries, but are also quite inappropriate for the given context. San Fernando, like other smaller cities, had never encountered any serious housing problems prior to decentralization. Squatting, even if prevalent in small numbers, was largely ignored by the government. With the passage of the Code, local governments became legally bound to address squatting in their cities. As a result, the local government started to prioritize housing and resettlement projects in its development agendas. In an attempt to address the perceived 'acute' problem of squatting, the city government has proposed housing projects which will not only cost the city’s treasury a lot of money, but also be largely inappropriate (see chapter 5 for details).

2. Decentralization in practice can be inefficient or ineffective, or even a step backwards, when local institutions cannot do the job they are supposed to do.

Decentralization may be appropriate for some (formerly) central government activities. However, its success depends not only on the nature of the sector in question, but also on the local government’s resources, both in terms of finances and skills, and the incentive structures to perform the function. The sweeping reforms promoting decentralized governance, brought about by the Aquino government in the Philippines, have been hailed as “revolutionary” and “successful.” The decentralization effort has been praised for its effectiveness in institutionalizing participatory mechanisms, and responding to the needs of the poor (Kingsley, 1991, McCarney (i), 1996). However, this information is based on evaluations of larger metropolitan cities such as Manila. Our findings in San Fernando challenge this claim.

Summary

The case of San Fernando gives rise to a series of questions about the actual “success” of the decentralization initiatives in the Philippines. Most importantly, it raises the critical question: has decentralization – in the true sense of the word – actually taken place in the housing sector of the Philippines? Although the literature on decentralization in the Philippines claims it has, we think this deserves a second thought. Devolution of the “implementation” of housing projects when other supporting regulatory powers remain with central governments is not really decentralization. The local governments are still heavily dependent on central agencies for all land conversion authorization, and housing finance mechanisms, two of the most important aspects of shelter policy. Without the power to control these segments of the housing market, there is little that local governments can do to effectively influence the functioning of the housing sector.
Chapter 7

RECOMMENDATIONS:
HOUSING AND PUBLIC POLICY
This chapter provides specific recommendations for the local government of San Fernando, and more general recommendations for national governments and donor agencies that are implementing decentralization programs worldwide. All the recommendations are based on our findings in San Fernando, and a review of the literature on housing and decentralization as presented in Chapters 2 and 3.

**Recommendations for the Local Government of San Fernando**

Our field work in San Fernando identified four major aspects of the housing sector that should be addressed at the local level: first, the lack of adequate information; second, the poor coordination between various local government departments; third, the failure of the housing market’s ability to respond to increasing demand; and fourth, the limited project options under consideration by the local government. Our recommendations in response to the above issues, are specific to the context of San Fernando, and are provided primarily for the benefit of the local government. The recommendations are as follows:

1. **Institutionalize better mechanisms to gather information**

   Our analysis of the proposed projects in San Fernando in the previous chapter clearly demonstrates that the local government is making decisions about housing and resettlement without adequate data. Many of the underlying assumptions regarding peoples’ preferences, willingness to move, willingness and ability to pay etc., are based on very general data from the National Census, and Abad’s report. The surveys we carried out in Catbangen and Sagayad barangays uncovered a wealth of detailed information that, in turn, helped us to formulate more reasonable alternative strategies for resettlement.

   Although our intervention (as consultants) helped the local government to identify specific concerns related to the projects on their agenda, the local government should ideally be able to do this by itself. In order to make well informed decisions about housing and resettlement projects, and other urban services, the government needs to have access to better information. The local government can take several measures in order to get this much-needed information.

   - **Empower and form coalitions with local community organizations and NGOs.**

     Local community organizations within the settlements we studied were instrumental in our effort to gather detailed information about citizens’ needs. The leadership of the Seaside Youth Club (SYC), a youth organization in Catbangen barangay, and the Homeowners Association of the Sagayad resettlement made great efforts to facilitate our information gathering process. They distributed and collected our survey forms, and also assisted with translation during our interviews. By the end of our effort, not only did we develop a good working relationship with these organizations, but also the fact that we were working closely with community leaders made the people more receptive to our questions. This, in turn, enabled us to gather very detailed information about their interests, concerns, preferences, and needs.

     The local government should place a higher emphasis on citizens’ participation in the decision making process. It should try and engage community organizations, such as SYC, in its information gathering process. Nobody knows the dynamics of small informal communities
better than these community organizations. Building a relationship based on mutual trust and an effort to incorporate their needs in project proposals, can help the government to gather better data, as well as to educate the people regarding the government's goals and objectives in the housing sector. The government should also try to empower these organizations, and involve them in the development and eventual implementation of projects.

- Delegate more information gathering responsibilities to the barangay level.

At present, it seems that the city government is not involving the barangay government in the formulation or implementation of housing projects. The barangay level administration is the lowest tier of government, and is closest to the people. The barangay administrations typically have access to more detailed information about their citizenry than the city government. This level of government also has significant contact with the community organizations, and is more capable of building working relationships with them. The delegation of information-gathering responsibilities to the barangay level, under the guidance and methodologies prescribed by the City, therefore, can be a major improvement over the current situation.

2. Improve coordination between local government departments

The lack of coordination between various departments within the local government is apparent through the confusion over property rights in Catbangen. This, in turn, has created a series of problems in the system of housing delivery. First, it has become a significant incentive for people (at least those along the coast) to squat. As indicated in our critique of the government proposals in Chapter 5, many of the squatters believe they own land and have invested heavily in their houses. Second, this confusion over property rights is a disincentive for developers who might otherwise invest in San Fernando. The transaction costs of consolidating and obtaining clear titles to land can be significant, and thus unappealing to investors. In order to help resolve this situation we recommend the following:

- Create stronger linkages between related local government departments.

There seems to be a complete disconnect between the various departments of the local government. For example, the assessor's office does tax mapping and assessment, the accountant's office does tax collection, and the legislative department allots legal titles to land. Surprisingly, there is very little sharing of information between these departments. The result is widespread confusion over property ownership. There should be an effort to identify local government departments that need to coordinate, and stronger cross-linkages should be institutionalized. The city should also set up a system to routinely re-evaluate and coordinate the efforts of various departments.

- Computerize shared information into a central database.

The root of the confusion over property rights is the fact that the various departments have different sources of base data. The mass confusion between tax mapping and legal titling could be easily eliminated by the integration of the property ownership and taxation related information into a single database. Readily available geographic information systems (GIS) software can be used to create graphically indexed databases that document tax assessment levels, property owners, zoning, and all other pertinent information into a single database, eliminating any confusion. The institutionalization of geographic information systems requires an initial capital outlay for computer equipment, software, initial data entry, and the training of
key staff members. There may be an opportunity to involve local universities in this effort, in order to reduce costs, while building the local capacity to maintain the system.

3. Stimulate the housing market to respond better to the growing demand for housing

As discussed in section B of the previous chapter, squatting is a manifestation of deficiencies in the overall housing delivery system of the city. We argue that the main constraints are disincentives for new development, a constrained rental market, and an overall shortage of residential land. The government needs to take measures to improve this situation. We recommend the following:

- Focus attention on creating incentives for the construction of owner-occupied dwelling units, along with a secondary effort to promote socialized (low-cost) housing programs.

With regard to new development, the government should try and focus more attention on creating incentives for the construction of owner occupied dwelling units. Most of the residential construction in San Fernando seems to be done by individual families, and not private sector developers. Of the approximately 4000 units of housing constructed in San Fernando since 1980, only 1500 were built on subdivisions, indicating a preference for owner-built units. It is also true that there are substantial disincentives for local developers. Although it is important to deal with this problem by itself, the fact remains that individual families undertake the vast majority of new construction. If there is enough of this type of construction, there is likely to be lesser shortage of housing in the upper income groups, less gentrification of the housing stock for the poor, and subsequently less squatting.

A policy aimed at making it easier for families to build their own houses would be more cost-effective than trying to attract developers into the city to meet a projected housing shortage. This could be done in several ways. First, the building regulations could be made more lenient, residential land could be pre-classified and permitting could be streamlined. More emphasis could also be placed on improving financing mechanisms, targeted towards the poorer segments of the population, especially those employed in the informal sector. (For instance, the Community Mortgage Program has not reached the locals of San Fernando. This could be due to the people's lack of awareness, or the lack of organized efforts to apply for loans. The local government could help overcome both these obstacles.)

- Take measures to stimulate the rental market.

Given that roughly a third of the weekday population of San Fernando consists of transients, the potential for developing the rental housing market seems good. However there is a severe shortage of data regarding the availability of rental housing and its price range, the permitting laws, and the specifics of the transients themselves.

The development of the rental market could mean a significant improvement in the supply of housing in the city, and also a substantial source of local government revenue. Hence, the local government should allocate some resources for research into the rental sector, to try and understand the dynamics of this segment of the housing market. (For this, the local government should seek technical assistance from both central agencies as well as international organizations. This is explained in more detail later in this section.)
- **Reduce land supply constraints.**

As discussed in Chapter 5, the housing delivery system of San Fernando is also constrained by limited availability of residential land. This, we believe, is partly because of land speculation, and partly due to a lack of pre-classified residential land.

One possible step towards increasing residential land supply may be to pre-classify new residential land. Within the current regulatory framework, San Fernando can reclassify 10% of its agricultural land for residential use. By using this power to reclassify land, the City government can increase the supply of land. This has two inherent benefits. One is simply the fact that more land will become available in the market, allowing the poor to have better access. The other is that increased supply will essentially lead to a reduction (or at least a control) in land prices, especially if land values are artificially inflated due to speculative activities, and a subsequent decrease in speculation. However, since landowners (and speculators) are very likely to resist such efforts, this would need to be carefully planned. Finally, safeguards should be put in place to discourage speculation. The tax penalty for underutilized (buildable) land could be raised to the maximum possible, and the system of tracking vacant land upgraded. This could possibly be integrated into the same GIS system as recommended above.

### 4. Expand the menu of options under consideration by the local government.

San Fernando’s responses to issues in its housing sector are limited to the options it is aware of. Currently, the government sees squatting as the major problem in the housing sector, and resettlement and relocation (into socialized housing projects) as the only solution. The current options that the government is considering are limited to resettlement and relocation. There is no effort to improve other aspects of the housing delivery system in the city. In order to expand the menu of options available to the local government we suggest the following:

- **Establish a stronger relationship with the central housing agencies:**

As per the current institutional structure of the housing sector, local governments are required to initiate all projects, while central agencies are required to provide technical assistance for implementation. However, the local government of San Fernando lacks the technical capacity and experience in the housing sector to strategically identify possible interventions. Therefore, it should try to involve central agencies (that have greater technical capacity), in the process of project identification, instead of simply submitting proposals, and requesting technical assistance in the form of design and construction guidelines.

- **Tap into international sources of technical assistance:**

The local government of San Fernando, by virtue of being part of the CDS project, has the opportunity to access technical assistance from the World Bank and other international organizations. The local government should take maximum advantage of this fact in order to identify areas for improvement, both within its institutional structure and in the capacity and knowledge base of its staff. Our involvement in San Fernando is a good example of how assistance from international agencies can help to transfer international experience and skills to

1 San Fernando is permitted to reclassify 10 percent of its agricultural land to another use based on the Local Government Code
2 National agencies implement projects that are the direct result of national or provincial initiatives. In the case of Sagayad, the national agencies were heavily involved because the bypass road (the reason for the displacement) was a project initiated at the provincial level.
the local government. It also illustrates how such involvement can serve to broaden the menu of options available for the government to consider in various sectors.

**Recommendations for National Governments**

Our findings in the field suggest that three major issues need to be addressed through policy reforms at the national level. These are the need to acknowledge the varied degrees of capacity in different types of local government units, the tendency of decentralization to impose inappropriate expectations on local governments, and the shortcomings in the transfer of technical skills.

The recommendations in this section are more general in focus, and are meant to inform decentralization initiatives in the Philippines as well as other parts of the developing world. It must be noted, however, that these recommendations, although developed directly around our case study, also reflect and reinforce some of the more recent views in development literature pertaining to decentralization.

Our recommendations for national governments implementing decentralization initiatives are as follows:

1. **Implement decentralization policies that transfer varied degrees of autonomy to different local government units (instead of blanket policies that transfer equal powers to all local governments regardless of capacity).**

   It is obvious that different local governments, in different socioeconomic, institutional and political contexts within the same country, can have vastly different technical, administrative and fiscal capacities. However, the practice of decentralization often fails to acknowledge and respond to these differences. As a result, local governments in secondary cities such as San Fernando face difficulties in implementing policies that have been newly devolved to them. This could be the case in primary cities too.

   The Local Government Code of the Philippines is an example of a decentralization policy that devolves roughly equal powers to all local government units regardless of technical capacity. Although there are variations in the autonomy of local governments (based on their classification as a highly urbanized city, component city, or municipality), this classification is based on population and revenue, and does not take into account any of the capacity and resource constraints that are significant obstacles to effective decentralization. In the housing sector, the only variation in power among different types of local governments is in the amount of land that they are allowed to reclassify (from agricultural to other uses).

   Several steps can be taken to minimize the problems associated with varying capacities among local governments. The first step is to devise an objective method of classifying local governments based on their ‘real’ technical and administrative capacities. The next step would be to devolve varied degrees of power and autonomy to local government units based on this evaluation and classification. This implies that different local government units will have different levels of responsibility based on their abilities. For example, authority to implement
housing projects in a small provincial city could be retained at a provincial level, while those in a larger city could be implemented by the local government (if it is considered to be more technically and administratively prepared for the task). This type of differentiation, however, requires a decentralization policy that is more context-specific and responsive to capacity variations. Third, a system could also be devised for local governments to petition for additional powers if they so desire.

This type of differential treatment of cities has the potential to minimize the negative impacts of decentralization in resource and capacity constrained areas. However, the differentiation of local government roles raises another question: should responsibilities be assigned by the central government, or should local governments, upon meeting certain criteria, be able to choose what responsibilities they want to take on? This is interesting issue that deserves further study.

2. Decentralization should be accompanied by a re-evaluation of national (shelter, and other sector) policies to determine their impact on small provincial cities.

As mentioned earlier in our conclusions, decentralization can result in the imposition of policies, originally formulated in response to conditions in metropolitan areas, onto small provincial cities where they might be regressive or completely unnecessary.

The Philippine policies of socialized housing and resettlement are examples of how central policies, made in response to issues of concern in large cities (extensive squatting and a need for urban housing solutions in Metro Manila), can get imposed on small cities as a consequence of decentralization. According to the Local Government Code and the Urban Development and Housing Act of the Philippines, local governments are required to resettle families squatting in certain areas into socialized housing sites. The housing projects discussed in Chapter 5 are partially a result of this pressure. In the context of San Fernando, where the squatter population is minimal (8 percent compared to 40 percent in Manila), there is no need for strict enforcement of a resettlement policy.

Part of the solution to this problem lies in a tiered system of decentralization as discussed above. The other part lies in re-evaluating national (shelter, or other sector) policies prior to decentralization to decide which ones to actually devolve to lower tiers of government. The objective of such an evaluation is to determine which policies truly need to be enforced in all cities. The land conversion law in the Philippines, for example, was implemented nationally in response to the need for a coordinated effort to conserve agricultural land. Resettlement, however, does not necessarily have to be a national policy, but rather a decision that is made at the local level based on an evaluation of context-specific criteria.

3. Decentralization should be implemented gradually, with interim measures to transfer skills from the central to local levels of government more effectively.

As described in the case of San Fernando, there is very limited transfer of technical skill from the central housing agencies of the Philippines to the local government of San Fernando. This type of problem is common in the context of many developing countries.

Part of the disconnect between local governments and regional offices of central agencies can be avoided if the process of decentralization is more gradual. The sudden transfer of powers after
the passage of the Local Government Code in the Philippines appears to have been a shock to the local government system. The City of San Fernando, at least in the housing sector, was unprepared to take on all the new responsibility that came with decentralization. This highlights that transfer of technical capacity needs to begin before the local government gets overwhelmed with responsibilities, rather than after the fact. If the change had been more gradual, with an opportunity for close interaction between central agencies and the local government over a "nurturing" period (at the end of which the local government would meet certain evaluation criteria), the transitions would certainly have been smoother.

**Recommendations for International Donor Agencies**

Based on our experience in the field, we feel there is tremendous scope for donor agency involvement in the secondary cities of the developing world. Our recommendations for donor agencies involved in the implementation of decentralization policies are as follows:

1. **International donor agencies should channel more resources directly towards local government units in developing countries.**

   As mentioned in Chapter 2, international agencies, such as the World Bank, have been pushing decentralization agendas in many developing countries over the last decade. The resultant adoption of decentralization policies worldwide is making the role of local government more and more important. Along with this transition, donor agencies are now beginning to focus increased attention on smaller cities. Our experience in San Fernando, as part of the CDS project, highlights the scope for international donor agencies to influence policy at a local government level.

   We feel that there are two primary mechanisms by which the World Bank and other donor agencies can assist local governments in capacity building efforts. The first is to set up technical and policy advisory bodies for the exclusive use by local governments in specific countries. The second is to increase local government exposure to international experience through publications and travel opportunities for local officials. Although both these mechanisms are now being increasingly integrated into urban development programs initiated by donor agencies, there is a growing need to reach more subnational governments through similar efforts.

   - **Set up technical and policy advisory bodies for the exclusive use by local governments in specific countries:**

     In many countries, donor agencies have to channel all technical and financial assistance to cities through the central government. This has been a significant constraint in the effort to build the capacity of local governments. The CDS however, is an example of how donor agencies can directly influence policy at the local level. Our experience as World Bank consultants in San Fernando, assisting the local government to evaluate their housing proposals illustrates this point.

     Our involvement in the housing sector of San Fernando was received with much enthusiasm by the local government. This is first, because the potential of our proposed research to get funding for future development efforts; second, because we were students at MIT (and more importantly,
seen by the City as “representatives of the World Bank”) and therefore, credible, and third because we offered the opportunity for the city to get global recognition for its endeavors. These factors (combined with the local government’s earnest efforts to help its citizenry) have made a significant and lasting impact. Based on our recommendations, the local government did see an alternative to resettlement of squatter families (into high-rise buildings), and has decided instead to upgrade some of the communities.

Our effort as consultants also underscores the benefits of involving more students (from international schools of planning and policy) to build the capacity of local governments in the developing world. First, student research offers a good opportunity for donor agencies and local governments to get technical assistance and research at a relatively inexpensive rate. Second, such research has a lasting impact on the students involved, and provides an opportunity for them to get first hand exposure to the realities of planning practice.

- **Increase local government’s exposure to international experience through travel opportunities, workshops, and publications:**

Local government responses to issues within their city are limited to the options they are aware of. However, simply exposing local governments to others’ ways of doing things can have a significant impact on the types of projects that get undertaken. For example, the Mayor of San Fernando was taken on a tour of waste management sites in the US as part of a World Bank effort. Upon her return to San Fernando, Mayor Ortega began the construction of a sanitary landfill, which used local technology, and was not only relatively cheap to operate, but also a major improvement over what was in place before. This new landfill has proven to be a great success (both environmentally and financially) and is now a model for other local governments in the Philippines to follow.

International agencies can play a key role in bringing international knowledge to local governments in the developing world. Of course, opportunities for local officials to travel internationally, and get exposure to new approaches to old problems are one way to work towards this goal. Organizing and sponsoring workshops, managed by technical specialists in various sectors, is another. But even simple steps such as subscribing local governments to international (sector specific) planning publications such as “The Urban Edge” could build local government awareness, and help them take steps in the right direction, or at least guide them against repeating the mistakes of others.
Future Research

An understanding of how various local governments deal with decentralization is essential for the effective implementation of decentralization policies worldwide. This study was an attempt to illustrate some of the constraints faced by one relatively small local government that was handed responsibilities beyond its capacity. Although the conclusions presented in this thesis are based solely on the findings in San Fernando, we believe that there is tremendous scope for further research on other related issues in this and other cities in the Philippines, and elsewhere in the world.

The large ‘transient’ population in San Fernando highlights the need to study the rental market the city and better understand their demand for urban service delivery. In addition, a series of parallel studies in the Philippines need to be carried out to ascertain whether the discrepancies between housing policy and implementation revealed in this case are widespread, and take steps to remedy the situation. Such cross-city comparisons could also be done in other developing countries to better understand the broader impact of decentralization on housing delivery systems worldwide.

Most importantly, our thesis and consulting efforts highlight the importance and viability of student research in the fields of urban planning and international development. We found the experience to be enriching, both personally and professionally, and would welcome the opportunity to take the study further. We hope that our work will make a difference, at least in the case of San Fernando, and open doors for other students of urban planning to conduct research in developing countries.

Concluding Remarks

The case of San Fernando reveals that the decentralization initiatives in the Philippines, although hailed as “successful” by many, still leave much to be desired. The objectives of the National Shelter Policy, and the approach to urban housing delivery prescribed by the Local Government Code are in conflict. This conflict, combined with the weak technical, administrative, and fiscal capacity of the local government of San Fernando is having negative implications in the system of housing delivery. Hence, although the National Shelter Policy reflects some of the latest ideas emerging from housing debates worldwide, the approach of the local government towards housing is reminiscent of the 1950s and 1960s.

San Fernando’s experience with decentralization reinforces Prud’homme’s words of caution (quoted in the beginning of this thesis). Decentralization of the housing sector of the Philippines indeed appears to be the “potent drug” prescribed under the wrong circumstances. As a result, it is doing more harm rather than it is healing. Such broad-based reforms in the Philippines and elsewhere need to be undertaken with a careful consideration of context-specific circumstances and constraints, and prescribed in “doses” that are more sensitive, not only to the needs of the people, but also to the ability of local governments to assume new responsibilities.
Annex
and
Appendices
Annex 1

HOUSING IN SAN FERNANDO
LA UNION, PHILIPPINES

A STUDY OF PAST AND FUTURE RESETTLEMENT PROGRAMS

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and
The World Bank

as part of
The City Development Strategy Project, Philippines

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INTRODUCTION

San Fernando, the provincial capital of La Union, Philippines, has a population of ninety-five thousand, and an annual growth rate of 1.59 percent. Current development plans aim to make this city the regional economic capital in the next decade. This implies more job opportunities, in-migration from neighboring cities, and subsequently a rapid rise in the growth rate.

Although economic development is important for the growth and progress of any city, sufficient infrastructure provision is critical for its smooth functioning. As part of the City Development Strategy project initiated by the World Bank, the City Government of San Fernando\(^1\) has identified housing as a high priority item. One of the prime concerns of the City today is the fact that the current housing supply appears to be responding poorly to the changing (increasing) demand. As a result, the incidence of squatting is increasing.

Presently, there are about 1500 families squatting on either government- or privately-owned land. The settlements are concentrated in two major areas. The majority (about 900 families) live on coastal ‘salvage zones’\(^2\). The others squat along the abandoned Philippine National Railway (PNR) route. Smaller pockets of squatter communities may be dispersed in other parts of the city, but are not well documented.

Aim
The aim of this report is to assist the local government in developing a strategy to deal with the squatting problem in San Fernando. It assesses the current government plans, identifies some of the potential shortcomings of these plans, and provides recommendations that can help guide the housing and resettlement process in a more appropriate manner that is sustainable in the long-run.

Methodology
In order to do this, we need to understand the current government plans, how these relate to past resettlement initiatives, and how well they address the needs of prospective beneficiaries of resettlement.

The first section discusses the current housing-related proposals under review by the local government, and explains the reasons and motives behind them.

The second section looks at a case study of a resettled community within San Fernando. The City’s only major experience with squatter resettlement is in Sagayad barangay. This was a very successful initiative and provides important lessons for future resettlement efforts. Survey information gathered in Sagayad is used, along with other data from housing agencies, to identify the strengths and weaknesses of the project.

The third section provides an overview of the needs of coastal squatter communities that are the potential beneficiaries of the proposed resettlement program. Information about beneficiary preferences is based on surveys and interviews carried out in Catbangen barangay. The survey information is supplemented with demographic data obtained from the National Housing Authority and the National Statistics Office in San Fernando.

The final section analyzes the appropriateness of the government’s resettlement plans with respect to the following questions:
- How do the current government plans compare to past experiences in squatter relocation?
- How do the current government plans compare to what the potential beneficiaries need / want / can afford?

Based on this analysis, we recommend some possible alternatives to the current plans, for the government to consider.

Scope and Limitations
The recommendations provided in this report are reactions and potential solutions to a small part of the greater housing problem in San Fernando. This report deals specifically with the issues directly pertaining to one of the

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\(^{1}\) Hereafter, termed as the “City”.

\(^{2}\) Salvage zones are danger areas that are often affected by high tide.
projects currently on the table. However, the present problem of coastal squatting is only the tip of the iceberg. With expanding populations and in-migration, this situation is bound to get worse. Clearly, the government cannot keep building housing for every person that decides to squat on public land.

There is a need to build the capacity of the local government to deal with the ongoing housing problems more comprehensively. Institutional mechanisms need to be developed, that can facilitate access to the detailed information that is often required for effective problem-solving. We will produce a more comprehensive study that deals with such issues of institution-building, as part of our Master’s Thesis at the Massachusetts Institute of Technology.

Sources of Information
All conclusions and recommendations are based on data gathered through interviews with administrative units in the local government, national shelter organizations, and surveys of local community organizations, former squatter communities that have been relocated, potential beneficiaries of future programs, and a review of the academic literature on the subject.

GOVERNMENT AGENDA FOR RESETTLEMENT: AN OVERVIEW

The City of San Fernando, motivated to address the housing situation before it becomes completely unmanageable, has two major housing projects under immediate consideration: (i) Resettlement of the coastal squatters, and (ii) Housing for government employees. This report focuses on the issue of relocating coastal squatters.

Emphasis on Relocation
The government’s plans to resettle coastal squatter communities are driven by several objectives. These are:

- To improve the living conditions of the coastal dwellers:
  There is a general perception that the residents of the coastal communities live under harsh conditions. Access to water and sanitation infrastructure is poor. Many residents belong to lower income groups and lack the means to improve their settlements by themselves. The government sees the CDS as an opportunity to reach out to these people, and improve their living conditions.

- To minimize the danger and cost of typhoon damage:
  A significant percentage of coastal squatters in San Fernando live in temporary structures. The annual monsoon season brings typhoons that often damage their homes and the government has to coordinate evacuation efforts almost every year. The cost to the government and the families due to typhoon damage is quite significant. The city administration is concerned about this problem, and the Mayor in particular, is determined to remedy the situation.

- To attract investors for the proposed Coastal Boulevard project:
  The government has plans to develop a “coastal boulevard” that links the downtown city center area to a new development planned at Poro Point. The boulevard, which is to be constructed on reclaimed land, is anticipated to help development of the coast. However, the project threatens to dislodge about 900 families, practically all that live on the coast. Although the plans for this coastal boulevard have been on the drawing board for several years, it is part of the ‘vision’ for the City. The City is trying to attract investors for the project, and the informal settlers along much of the coastline are a significant deterrent.

- To make this project a model for future resettlements nationwide:

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3 Poro Point was formerly a US military base within the city limits of San Fernando. The Bases Conversion Development Authority (BCDA) is now converting it into a Special Economic and Freeport Zone. A masterplan has been prepared for the project, and BCDA, in collaboration with the John Hay Poro Point Development Corporation (JPDC), is currently trying to attract investors. BCDA is an autonomous body, accountable only to the central government.
The proposed resettlement will, in many ways, be a pilot project. It will be one of the first resettlement projects to be carried out under local government leadership in the Philippines. The government sees this as an opportunity to break new ground in the arena of resettlement.

**Resettlement of Coastal Squatters**

The issue of relocating coastal squatters is quite complicated. The majority of the people squatting on the salvage zones of San Fernando are in some way linked to fishing. Fishermen head many of the families, and often their entire livelihoods are dependent on day to day fishing. In the average fishing family, the men go fishing, and the women take the fish to the market to sell. There are, however, a significant number of families who are not fisher-folk. Many of these individuals are employed in the informal sector, and some are government or other formal sector employees.

Although the government considers the resettlement of the informal settlements on the coast as important, it understands that the risks involved in any involuntary relocation are enormous. The fishermen, if moved from the coast, will lose their primary source of livelihood. Education levels (especially among fisherman) are relatively low, and therefore alternative employment sources, at least in the short run, seem very unlikely. The problem for non fisher-folk is similar, although not directly related to the coastal location.

The government’s initial plan was to construct high-rise housing on a coastal site. Fisher-folk from all along the coast were to be resettled into these buildings, while non fisher-folk families were to be moved inland. Over time, this idea has evolved and mid-rise structures are now being considered. A plot of land for this project is in the process of being acquired. The National Housing Authority is working on a proposal for mid-rise housing.

The local government understands some of the political and social implications of forced resettlement, and wants to carry out the projects in a way that everyone is ‘happy’. Keeping the fishermen on the coast is, therefore, a high priority in the government agenda.

**Issues of Concern**

The key issues of concern in most resettlement projects are livelihood displacement, physical environment, financing structure, compensation, and the impact on social networks. Although among these, the first issue is well understood by the local government, the others seem to warrant more attention.

- The physical environment proposed (high-rise or mid-rise buildings) for the resettlement should be considered with great caution. High-rise resettlements have been done in many parts of the world with little success. It would be unfortunate to repeat the mistakes that have been made in many countries over again.

- The affordability and financing structure for the proposed project needs to be clearly thought out. The government must be careful not to place too much of a financial burden on the potential beneficiaries. Otherwise, the success of the entire effort may be compromised. Compensation is another contentious issue. The current plans do not include any provision for compensation.

- Not much attention seems to have been devoted towards the evaluation of options other than resettlement. Furthermore, there has been no serious discussion about the phasing or process of the resettlement. The potential beneficiaries have not been consulted, and are unaware of their options in this matter.

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**LOCAL RESETTLEMENT EXPERIENCE: SAGAYAD**

There are many lessons that can be learned from the experiences of Sagayad. Our team conducted a survey of the residents to try to get a measure of the strengths and weaknesses of the project. Income, age and education information was gathered to try and understand the demographics of the resettled community. We also gathered information about comparisons of their current and former living conditions. This included access to infrastructure, cost of construction for their current residence, outdoor space usage, and their overall experience of resettlement.
Finally we also interviewed many of the shelter agencies involved in this project in order to try and understand the resettlement process and problems encountered during implementation.

The evaluation of this project that follows will be based on four major categories / criteria. They are:

1. Process of Implementation
2. Financing and Affordability
3. Project design

1. Process Of Implementation
The government finalized plans to construct the bypass road and to resettle those affected without much consultation with the general public. A 2.9 hectare site was identified in Sagayad barangay for resettlement. The plan was to provide plots of land with basic infrastructure services to as many families as possible. Somewhat surprisingly, the effort met with very minimal public resistance despite the fact that families had been residing on the PNR property for an average of 16 years.

- **Selection Criteria:**
Considering the limited resources available, and the lack of reliable information, a simple method was set up to determine eligibility. Given that the squatters on the PNR property represented a varying socioeconomic status, a deliberate effort was made to give priority to the poor and landless. The following were the basic criteria for eligibility:

a. Must have total monthly income not exceeding P7,000 per assessment by the Survey Team
b. Must not own real property

178 families were identified through this process and were given land in Sagayad. Legal titles for the new land were to be retained by the government until repayment was complete. Families who did not meet the above criteria were evicted, with minor compensation for some of their personal assets (such as trees etc.).

The first criterion (for income) stated above is limited in two ways:
First, it does not take into account the family size. For instance, P7,000 for a family of five members translates into a per capita income of P1,400 per month. Our surveys, however, found this per capita income to actually range from P273 to P4,500 per month.

Second, it does not take into account the periodic fluctuations in income generated from informal sector employment, due to the instability of the income source. Incomes vary greatly over the course of a year; families earn much more than P7,000 pesos in some months and much less in others. Hence, although families might have declared their incomes to be below the P7,000 limit, our data reveals that only 56.5 percent of the households currently meet these criteria. The remaining 43.5 percent of the families have household incomes greater than P7000. To minimize such loopholes in the future, calculations should be based on estimated annual incomes rather than on a monthly basis.

- **Incentive Structure:**
The selection criteria were generally perceived to be fair and objective, and elicited support for the project. The incentive structure for the prospective beneficiaries was quite attractive, and appears to be the prime reason for the minimal public resistance towards resettlement. The two major benefits in the eyes of the people were security of land tenure and better physical infrastructure.

Security of Land Tenure:
Those who were being dislodged by the road construction embraced the opportunity to own land. Many families who were sharing houses filed separate applications to be considered for plots at Sagayad. Several of them succeeded. A hundred percent of the beneficiaries interviewed expressed their gratitude towards the government for giving them land.

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4 Average household size is assumed to be 5 (same as national average household size) for calculation purposes.
Better access to social and physical infrastructure:
Access to infrastructure services was generally considered poor at the settlements on PNR land. The fact that the government took responsibility to provide services at the new site was another incentive for resettlement. The data collected on site also supports this conclusion. In general, a clear majority of the people believes that their access to infrastructure has been improved, or at least not made worse. For a detailed tabulation of the data collected on Sagayad residents’ rankings of their current access to physical and social infrastructure, refer to Table 1 in Appendix I.

2. Financing and Affordability
To understand the issue of project financing, we will discuss the interests of the two primary stakeholders, the government and the resettlers, separately.

- Government:
The funding for the project came from the provincial government. The cost recovery objectives of the government are not clear. Land is being provided to the Sagayad resettlers at highly subsidized rates (at approximately one-tenth of the market value, according to some city officials). The amount and terms of repayment is based upon the area of the land and what the families can afford. Amortization payments are to be collected from individual households on a monthly basis. However, when the interviews were conducted, nearly one year after relocation, repayment had not yet begun. This delay was because of a delay in the surveying and assessment of individual plots.

- People:
Affordability of resettlement terms is a key factor that determines the relative success of any resettlement. Although amortization payments for the land at Sagayad have not yet begun, we can assess the financial impact of resettlement through an analysis of the data gathered on site.

Monthly payments for land range from P120 to P400 per month, with a median of P230. As a percentage of monthly household income, this translates into a range of 1.5 to 7.6 percent, with a median of 3.13 percent. These payments were considered affordable by 95.8 percent of the sample interviewed. However, this expenditure is only for the land.

The median moving cost per family that was not reimbursed by the government was P2250. The median expenditure on new construction per household was P40,000. The median projected cost to complete each household is P100,000. Assuming that families will be willing to spend 25 percent of their income on housing expenditure (including land amortization), it would, on an average, take about 8 years for them to complete construction.

The majority of the families interviewed used more than one source of funding to finance their house construction. While 56 percent used savings, only 36 percent made use of formal sector loans supplemented by other funding sources.

For more detailed data about income, expenditure and funding sources, refer to Tables 2 to 5 in Appendix I.

3. Project Design
As discussed above, the resettlement at Sagayad was essentially a sites-and-services project. Roads, drainage, extension of the electricity supply grid, and public wells (with hand pumps) were provided at the expense of the government. Septic tanks were provided on each lot. The typical lot size was 72 square meters.

At present, there is a somewhat informal appearance to the development. The beneficiaries were left to build their houses to the best of their abilities, as a result of which, none of the buildings have similar architectural vocabulary. The local government, although happy with this relocation on the whole, is concerned about the shabby appearance of this settlement. To some officials, ‘it is like moving people from one slum to live in another’. According to them, the spontaneity in the physical form lacks the ‘visual appeal’ and ‘harmony’ associated with ‘successful’ public-housing schemes. Some also consider this informality and variation in architectural character an “eyesore.”

5 Projected costs are based solely on the residents’ assessment of future construction.
There are several factors that must be considered before passing judgement on this aspect of the project. These are discussed in the following section.

- **Variations in income and affordability:**
The households have incomes ranging from P3,000 to P16,000 per month, with a median of P6,500. Per capita income within households ranges from P273 to P4,500 per month, with a median of P1,500 pesos. This suggests a substantial variation in the amount of money each family can allocate for housing. Low incomes restrict the adoption of higher living standards. These families have to make household-specific choices in house-design and construction that meet their minimum basic requirements most efficiently, both in terms of time and money.

- **Variations in design preferences and needs:**
The Sagayad Resettlement project is flexible in that it allows individual households to choose design options that meet specific household requirements.

  *Nature of house:* 64 percent of the houses are permanent while the remaining 36 percent are temporary. 75 percent of the households with incomes above the median household income are building permanent house, while 53.9 percent of those with lower incomes are doing the same.

  *Materials used:* Over 80 percent of the houses are using concrete and/or bricks for walls, and metal sheets for roofing. Others are making use of wood for walls and concrete for roofing.

  *Outdoor Spaces:* 76 percent of the households have at least one outdoor activity, and 32 percent make use of at least two activities. Only 12 percent do not make use of any outdoor activities. For detailed data on variations in outdoor activities, refer to Table 6 in Appendix I.

- **Variations in construction preferences:**
  *Self-built versus Pre-built housing*
  68 percent of the families showed a strong preference for self-build housing over pre-built housing because:
  - It is more demand-responsive, and allows for flexibility and need-specific outcomes;
  - Monthly amortization payments are lower and therefore, more affordable. Since many families have unstable incomes, it is more difficult to put aside a larger chunk of money every month.
  23 percent said they would have preferred a pre-constructed house because:
  - it saves them the hassle of the construction process, giving people a ready-made solution rather than having to grapple with designs and ideas for making their own house;
  - Construction is independent of income: a ready-made solution would give them a complete house without having to necessarily rely on intermittent income sources.
  - It might be a better solution in terms of technology, and quality, providing people with a more “sound” and “efficient” house than they could have made on their own.

There was a strong inverse correlation between household income and preference for self-built housing. Those with higher incomes seem to prefer pre-built housing since they can afford to make greater monthly amortization payments associated with a pre-built house. 90 percent of the families with incomes below the median household income (P6,500) versus only 55 percent of those with household incomes above the median showed a preference for self-built housing.

*Flexibility of construction period*
Surveys indicate that the median household income is P6,500, median total house construction cost (includes expenditure already incurred plus projected costs) is P140,000, and median monthly amortization payment for land is P230. Assuming that families will be willing to spend 25 percent of their income on housing expenditure (including land amortization), the time it would take for them to complete construction ranges from 3 years to 24 years, with a median of 8 years. Hence, it is critical for families to be able to make decisions regarding how much to invest and when, on fulfilling their housing needs.
Method of Construction
43 percent of the households built (and are building) on their own, with help from family members; 57 percent have made use of hired labor in addition. Hired labor here implies the use of one or two skilled masons or laborers from the neighborhood to help speed up the construction process. This is usually the case when families lack sufficient manpower to carry out construction on their own. Hence, there is no strong relationship between incomes and the use of hired labor. 60 percent of the families with incomes above the median have used hired labor, while 54.6 percent of those with lower incomes have done the same.

Summary of Findings
As a result of the factors above, there is a substantial variation in the houses types constructed, as well as the construction progress made so far. As expected, the more affluent families have already built the basic parts of their houses, while the poorer one are still living in temporary structures. Many of the structures are still incomplete, and therefore appear to be worse than they actually are.

This, in fact, IS the key component of the success of this resettlement effort. People are happy simply because they are able to make their individual choices according to what they deem right, given their preferences, requirements and financial constraints.

NEEDS OF THE PEOPLE: CATBANGEN

In order to establish the lifestyle needs of the potential beneficiaries of the planned coastal squatter relocation project, it was necessary to talk to the people first hand. What follows is a synopsis of our findings in Catbangen. We feel that the data gathered is sufficient to draw more general conclusions about the preferences of the coastal squatter population throughout San Fernando. However, it would be beneficial to conduct more detailed surveys of the settlements in other coastal barangays prior to project implementation. This will allow the government to get a better understanding of community specific needs and requirements.

The survey carried out by our team was an attempt to identify some of the factors that are important to the people mentioned above. We were assisted by the Seaside Youth Club (SYC), which organizes periodic activities and acts as a support group for the youth of the community. Survey forms were distributed and collected through the leadership of the organization. As a follow up, we personally interviewed a random sample of the residents in Catbangen. Where language was a barrier, SYC members assisted in translation.

Income and employment data was collected to assess what these people can actually afford to pay for housing. Information about their current housing stock and infrastructure access was gathered to try and understand their existing conditions, lifestyle and cultural preferences. Information about fishing and boat use was gathered to identify special needs of the fisher-folk. Residents were also asked to rank, in order of preference, aspects of government plans that are under consideration. This information will facilitate the comparison of government plans against the preferences of the prospective beneficiaries. It would also help the government in negotiating a solution that would meet the least resistance from the seaside communities. Information about the social networks that exist in the community was also collected. This information will be analyzed and presented in a supplementary document.

The data collected at Catbangen will be analyzed and presented in four broad categories / criteria. They are:
1. Attitudes Towards Relocation
2. Financing and Affordability
3. Preferences and Project Design

1. Attitudes Towards Relocation
The coastal squatters of San Fernando cannot be viewed as a homogenous group. There is great diversity among these people in terms of their occupations, income levels, as well as attitudes towards relocation. Within Catbangen,
we were able to identify two distinct groups of people whose attitudes towards virtually all issues related to relocation were dependent on their perceptions of land ownership. This issue of perceived land ownership deserves close attention.

**Perceptions of Land Ownership**
As a result of the poor coordination between the legal titling system and the San Fernando’s system of tax mapping, there is a mass confusion over property rights. 52.4 percent of the families interviewed in the Catbangen settlement believe that they have legal titles to the land they occupy. This claim is based on the fact that they have Tax Declaration forms issued by the local government, and have been paying taxes for the past several years. The data suggests that this perception of ownership has had a significant impact on many decisions related to housing.

- **Willingness to Move:**
  Roughly half of the residents interviewed expressed willingness to relocate. The attitude towards relocation was found to have clear correlation with the following:

  - **Perception of Land Ownership**
    60 percent of those with tax declarations are unwilling to relocate. 83.3 percent of those without tax declarations were willing to relocate.

  - **Nature of Construction of Current Residence (permanent/temporary)**
    88.5 percent of those living in temporary structures were willing to relocate. On the contrary, 60.7 percent of those living in permanent structures were unwilling to relocate.

  - **Expenditure on Current Residence**
    62.5 percent of those who want to relocate have spent less than the median expenditure on current house construction (P30,000). Of these, 80 percent have no tax declarations.

  - **Livelihood**
    Contrary to popular belief, we found no strong correlation between willingness to relocate and fishing as a livelihood. 45.5 percent of the fisherfolk families are willing to relocate, as long as the resettlement site was located on the coast. This condition was based primarily on the concern of storage space for their boats and easy access to the sea. 80 percent of non-fisherfolk families are keen on relocating, especially since 75 percent of them have temporary houses, and see scope for improvement over current living conditions through government sponsored relocation.

56.3 percent of the sample population indicated that they were willing to resettle. The 43.8 percent that did not want to move were primarily those who believed that they owned the property that they lived on. In general, however, most of the residents felt that they had no real choice in the matter and that they would eventually have to move if the government insisted.

2. **Financing and Affordability: Resettlers’ Perspective**
In general, the families interviewed claimed that they were unable and unwilling to pay large amounts of money for land housing, if they were to be relocated.

- **Ability to Pay:**
  Monthly incomes per family range from P750 to P12,500 per month, with a median of P6,000. Per capita income ranges from P250 to P1,875. It is noteworthy that the mean per capita income of P1,010, is below the national poverty threshold. It is also lower than the mean per capita income at Sagayad.

Families with tax declarations have a median monthly household income of P6,000 while those without TDs have a median of P5,500. This suggests that those with TDs have a greater ability to pay for new housing.

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6 National poverty threshold based on 1994 data from the socioeconomic profile for La Union province.
76.2 percent of the families in our sample are dependent on the sea for their livelihood (fishing, fish-vending). The median household income of these fisherfolk families is P5,500, lower than the overall median. Furthermore, many claim that this income is unstable, and often lower during the rainy season.

Median household size in our sample is 6, larger than that recorded in Sagayad (where median household size was 5). The average is also higher than the average household size of San Fernando, which is 5.\(^7\)

Larger families and lower incomes together imply less disposable income for housing

**Willingness to pay:**
The current expenditure on house maintenance as a percentage of income ranges from 0.24 to 10.0 percent, with a median of 1.85 percent. Our sample was asked how much they would be willing to pay for plots of inland and coastal land. The data collected is tabulated below:

<table>
<thead>
<tr>
<th>Median willingness to pay for Coastal land</th>
<th>Pesos per year</th>
<th>as % of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire Sample</td>
<td>2,400</td>
<td>2.22%</td>
</tr>
<tr>
<td>Families without TDs</td>
<td>2,400</td>
<td>5.50%</td>
</tr>
<tr>
<td>Families with TDs</td>
<td>600</td>
<td>0.87%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Median willingness to pay for Inland land</th>
<th>Pesos per year</th>
<th>as % of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire Sample</td>
<td>1,200</td>
<td>2.00%</td>
</tr>
<tr>
<td>Families without TDs</td>
<td>2,100</td>
<td>4.67%</td>
</tr>
<tr>
<td>Families with TDs</td>
<td>1,200</td>
<td>0.87%</td>
</tr>
</tbody>
</table>

Families without tax declarations are willing to pay a median of 5.5 percent of their income for coastal land and 4.67 percent for inland land. However, those with tax declarations are only willing to pay a median 0.87 percent of their incomes for coastal or inland land.

The fact that the sample is willing to pay more for coastal land is indicative of their strong preference for coastal land.

**Financial Impact of Relocation:**
Many of the families have invested significant amounts of money in their current houses. All this investment will be lost if they were to be relocated. The amounts invested vary significantly based on people's perceptions of land ownership. Those who believe they own the property have median expenditures on current housing 33 percent more than the overall median. Conversely, those who believe they do not own the property have median expenditures on current housing 33 percent below the overall median.

<table>
<thead>
<tr>
<th>Cost of present house</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median Cost of entire sample</td>
</tr>
<tr>
<td>Median Cost with TDs</td>
</tr>
<tr>
<td>Median Cost without TDs</td>
</tr>
</tbody>
</table>

The total sum of money invested in housing by the coastal dwellers of Catbangen alone is close to 3 million pesos. The total for all the coastal communities is bound to be much higher. The variance in expenditure between TD holders and non-TD holders is apparent here too.

<table>
<thead>
<tr>
<th>Total money invested in house construction at the Catbangen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment by those who have TDs</td>
</tr>
<tr>
<td>Investment by those do not have TDs</td>
</tr>
</tbody>
</table>

2. Project Design

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\(^7\) Henedina Razon-Abad, "Case Study On Socialized Housing, San Fernando, La Union", 1999.
In order to determine the potential beneficiaries’ perspectives on various aspects of the government agenda, they were asked to rank several project options.

- **Existing Conditions:**
The families interviewed have been occupying the land at Catbangen for periods ranging from 3 to 40 years, the median being 10 years. However, the median time of occupancy among TD holders is 12.5 years, while that of non-TD holders is 9.5 years. 59.1 percent of the residences at Catbangen are temporary structures. The majority of these houses have walls made of wood, and roofs made of corrugated metal sheets.

The use of outdoor space for growing food crops, raising livestock and other productive purposes is an integral part of their lifestyle. Many houses also use the space immediately outside their kitchens for cooking and washing (dirty kitchen). 85.7 percent of the households used outdoor space for at least one productive activity. 33.3 percent used such spaces for more than two activities.

In general most people viewed their access to services including water, sanitation, electricity, public transport, and schools as average or very good. 35 percent of the residents said access to health facilities was poor. 56.3 percent rated access to employment as poor. More detailed data about current living conditions in the sea-side communities can be found in Tables 14 to 17 in Appendix I.

- **Reactions to Government Proposals:**
Assuming that relocation was to happen, the residents were asked to rank, in order of importance, several criteria. Permanent and safer house structure was considered the most important factor, while ownership of land came second. Access to healthcare, childcare, and education facilities came next.

When asked to rank several criteria in order of importance in case the settlement was to be upgraded, permanent and safer house structure seemed to be the highest priority. Land ownership was the second most important factor, and access to healthcare, childcare and educational facilities came third.

Next, the respondents were asked to rank several criteria that would be important in case they were to receive affordable rental housing. The data indicate that direct access to the beach was the highest priority, while access to healthcare, childcare and educational facilities came second. Water, sanitation and electricity provision was also considered very important by many.

Finally, the respondents were asked to rank several resettlement options in order of preference. The option to relocate to a plot of land on a coastal site was by far the most popular choice (selected as first choice by 85.7 percent of the sample), while relocation to a multi-level apartment building (with ownership) on a coastal site came second. However, the concept of high-rise buildings is unfamiliar to the people. Hence, this rating of multi-level housing was more an outcome of the need to be on the coast rather than an understanding of the implications of high-rise living.

The demand for coastal land for resettlement is driven primarily by the need for secure space to store boats. As an alternative, we suggested the possibility of constructing a fishermen’s port, (where boats could be parked under supervision) that would reduce the need for fisherfolk to ‘live’ on the coast. Housing for them could then be provided inland, at a reasonable distance from the coast. 50 percent of the fisherfolk families interviewed responded positively to this idea, based on the condition that the resettlement would be within 1 km from the facility.

**Summary of Findings**

a. **Strong preference of families with temporary houses and no “titles” to relocate:**
The analysis of the survey reveals a strong correlation between nature of house, ownership perceptions and relocation preferences. All those with permanent houses and perceptions of having legal “titles” did not want to relocate. All those with permanent houses and no “titles”, and 83 percent of those with temporary houses, without “titles” wanted to relocate.

b. **Resistance of fisherfolk families with permanent houses towards relocation:**
There was no clear dependency of livelihood on relocation preferences for fisherfolk families; the choice had more to do with the nature of house. Of the fisherfolk families with temporary houses, 38 percent wanted to
relocate and the rest were indifferent; no one was particularly opposed to the idea. On the other hand, 75 percent of fisherfolk families with permanent houses did not want to relocate.

c. **Strong preference of non-fisherfolk families to relocate:**

Of the non-fisherfolk families with temporary houses, 75 percent wanted to relocate. All of those with permanent houses wanted to relocate. This indicates that on the whole, the non-fisherfolk were more keen on relocation, regardless of the nature of construction of the house.

d. **Lower willingness to pay for new housing for families that have tax declarations (and relatively higher incomes):**

This has implications on the potential for cost recovery. Efforts aimed at isolating and relocating the families without TDs will be more financially viable.

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**CONCLUSIONS AND RECOMMENDATIONS**

There are two broad issues that need be addressed before initiating a resettlement program. These are:

1. Appropriateness of resettlement
2. Appropriateness of project design and house type

The following section draws conclusions specific to the coastal squatter relocation project under consideration in San Fernando. In response to these conclusions, possible alternatives are recommended for local government consideration. All conclusions and recommendations (which are based on the academic literature on the subject, and the data presented in Annex A and B) are organized and discussed in terms of the issues stated above.

1. **Appropriateness Of Resettlement**

**Conclusions**

As discussed earlier, there is a great deal of emphasis, on the part of the local government, on resettling the coastal squatters of San Fernando. However, based on our findings, we feel that there is no critical need to relocate all coastal squatters immediately. Our reasons for this argument are as follows:

- **Plans for the Coastal Boulevard are still in the conceptual stage.**

One of the primary justifications for relocating the coastal squatters is the proposed coastal boulevard. However, the plans for the project are currently at an embryonic stage. The project's economic feasibility and environmental impact have not been seriously studied. Investors for the project have not yet been identified. The project is also somewhat dependent on the implementation of the Poro Point development plans. Based on these factors, it is safe to assume that the coastal development will not happen within the next few years.

- **All coastal squatters are not living in 'salvage zones' or temporary structures.**

Contrary to popular belief, all families residing in the coastal settlements are not on the 'salvage zones'. The data suggests that roughly half of them are living on private land adjacent to the salvage zone. Only about 60 percent of the houses in the settlements are temporary structures. The others, typically built of concrete block and wood, are primarily constructed on the private land mentioned above. Based on these findings, a significant percentage of the households do not appear to be in need of immediate assistance.

- **There is a great deal of contention over property rights and who is really 'squatting'.**

52 percent of the population interviewed claim a right of ownership on the land they occupy. These families are primarily those who live adjacent to the salvage zones as mentioned above. They have been occupying the land for the past several decades without any contest from the government or others that legally own the land. Furthermore, they have tax declarations issued by the government, and have been paying property taxes for the past several years. Considering such facts, it is difficult to categorize all the people in the settlements as "squatters", since many of them have at least some legitimate claim to ownership. It would be unreasonable to relocate such people without

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6 This is the case in Catbangen. Further research is required to establish whether the same is happening in the other coastal squatter settlements.
fair compensation. It could also be argued that these people are productively using land that would otherwise be lying vacant for speculative purposes, and should therefore be allowed to stay.

- **Relocation of all coastal squatters will result in a significant waste of scarce capital.** There is a significant sum of money invested in the permanent structures within the coastal settlements. Our data shows that over 2 million pesos have been invested in the permanent houses at Catbangen alone. The total for all the coastal settlements in San Fernando is obviously much greater. All this investment would essentially be lost if the occupants were forced to vacate their houses. The government would have to first compensate these people in some way, and then subsidize (at least partially) the construction of new housing. This would be a waste of already scarce financial resources.

- **Relocation of all coastal squatters will require large amounts of already scarce coastal land.** The land that has been acquired to resettle the coastal squatters is barely enough to accommodate 200 families (if a plotted-development is followed, as proposed later in this report). Scarce resources limit the amount of land that the government can afford to purchase. Besides, vacant coastal land is scarce, regardless of the money available.

- **Relocation of current squatters alone is not a guarantee against the recurrence of squatting.** It is impossible for the local government to build new housing projects every time people start to squat on public (or private) land. If the current development plans go forward, it is very likely that San Fernando will attract more migrants, and the incidence of squatting will increase. Moving the squatters from the coastal areas without new development on the land (or other mechanisms to discourage squatting) will only create an incentive for more people to squat. Such actions would also create incentives for large landowners (such as Western Minolco at Catbangen) to buy and retain vacant land for speculation.

**Recommendations**

Considering the conclusions set forth above, we recommend that the government should plan a phased resettlement, that prioritizes those with the most need, and synchronizes with the larger development agenda for the city. Initial attention should be focused on accommodating those who want and need to move. The others should be allowed to stay (at least until the plans for the coastal boulevard are finalized), and their settlements formalized.

In order to achieve this goal, we recommend the following process:

- **Identify those who are currently most eligible for resettlement.** Clearly all those who are living on the coast are not willing to relocate. Many of these people do not really need to relocate either. Therefore, it makes sense to accommodate those with the greatest need and willingness to move first. This will help to minimize public resistance to the resettlement, and also allow for more efficient allocation of government resources.

  We recommend that those who are clearly living in salvage zones, in temporary structures, with no claims of ownership, should be considered first for resettlement. The data shows that those who fit such criteria are more willing to move. The capital invested in their housing is minimal, and they are the most prone to frequent typhoon damage. Furthermore, contention over property rights is not an issue among these people. An appropriate project design for this first phase resettlement is discussed later.

- **Establish criteria for compensation, and resettle the first group.** Many of the people in the coastal communities have occupied these areas for extensive periods of time. They have established social networks that give them a sense of community, while also serving as a financial safety net. Any effort to relocate them is likely to have some negative social and economic impacts.

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9 Given the current situation in the city, it is unlikely that the housing markets will be able to respond effectively to the growing demand. The major development plans, such as Poro Point, do not cater to the housing needs of lower-income employees.

10 Speculation constrains land markets, and leads to bottlenecks in supply that would otherwise be much more responsive to demands. Many countries exercise control over speculation by imposing laws regarding the maximum period that the land can lie vacant after its purchase. Although not always the best way to regulate land markets, this is useful to some extent in determining the real need for land and more equitable redistribution. Governments can then acquire land from speculators, and use it more productively.
Therefore, some form of compensation to those who have been occupying the property for extensive periods of time should be considered. They should also be given assistance with recycling parts of their existing residences, and moving expenses.

- **Give the others legal tenure over the land they occupy.**
  As we pointed out earlier, those who have TDs, and have been living on such property for many years have a strong claim of ownership. If they have been living in their present locations, peacefully, for so many years, and paying property taxes, there is no reason to dislodge them.  
  Instead, we recommend that the government intervene, acquire, and give them formal titles to the (otherwise unused) land they occupy. Such a measure will not only end up being cheaper than resettlement, but also prevent the recurrence of the problem on the same land in the future. If all the occupants of a certain property were to be moved off immediately, there would be nothing to stop others from squatting in their place. Giving these people legal tenure would also allow them to use land as collateral for loans, and in turn, help raise their living standards.

- **Upgrade the remaining areas of the settlement.**
  Infrastructure services (especially water and sanitation) could be improved in the present settlements at a fraction of the cost of resettlement. The millions of pesos invested in the current “permanent” housing stock (of the squatters) could be saved. Compensation payments would be minimized. Property values in the area would rise, and the improved settlement would be an interim step to commercial development of the coastline. Essentially, the government would achieve the maximum benefit (in terms of improved living standards, and cleaning up the coast) for the least amount of money.

- **Make plans to resettle the second group only when plans for development of the coast are finalized.**
  No effort should be made to relocate the upgraded settlement until the development for the coastal boulevard is eminent. First, this will minimize the recurrence of squatting on the same land. Second, if the coastal boulevard does go through, the residents will be able to sell their property to the developers at market rates, and compensation will be less of an issue. If the boulevard does not go through, nothing is lost in terms of housing.

- **Implement policies that will allow the market to respond to the growing demand for housing in San Fernando.**
  The incidence of squatting in San Fernando is due to a combination of complex market forces. As the city grows, settlements such as those on the coast and PNR property are bound to crop up. Certain policies could be put in place in order to encourage the market to absorb more of the demand for housing in San Fernando. This issue is too complex to be addressed in this report, and deserves further study.

2. **Project Design And House-Type**

**Conclusions**

The culture of housing in San Fernando is predominantly owner-occupied single-unit type. Based on the information gathered, high-rise or mid-rise housing do not seem to be the most appropriate solutions for the coastal squatters of San Fernando. Our reasons for this argument are as follows:

- **The physical living environment is inappropriate for the target population.**
  The physical living environment is a crucial factor that determines the success of any rehabilitation or relocation program. Most of the families interviewed were opposed to the idea of living in a high-rise simply because they could not relate to living anywhere other than the ground level. This is not surprising. It is difficult to imagine a person who has never seen a mid-rise apartment, much less a high-rise, comfortable with the idea of living in one. Moreover, it is clear that the use of outdoor spaces is a vital component of the lifestyle of the coastal squatter families. They use such spaces for cooking, washing, growing food crops, storage of boats and fishing equipment etc. Apartments in multi-story buildings can hardly accommodate such spatial needs, even if they are on the coast. Pre-built housing of any form does not permit the flexibility that the low-income families require, to meet their household-specific needs within limited budgets.

- **Cost recovery may be difficult.**
  The higher the investment made on a project, the more pressure there is for cost recovery. Pre-built housing typically involves high costs that either have to be borne by the beneficiaries (in terms of payments) or by the
government (in the form of subsidies). Either way, there are problematic issues involved. First, given that the beneficiaries belong to the low-income groups with unstable income sources, higher monthly payments introduce greater risk of default. Second, given the constrained budgets of the government, it is not advisable to sink large sums of money into projects with poor prospects of cost recovery.

- **High-rise housing demands greater technical capacity and government involvement.**
  Another important issue of concern related to high-rise and mid-rise housing projects is that of technical capacity. First, the construction process requires a certain level of expertise. However, what is often more problematic is operations and maintenance. The residents, obviously, will not have the technical or financial ability to maintain and repair complex building systems associated with high-rise construction. Therefore even after the resettlement is complete, the government will still need to dedicate valuable manpower and resources for the management and maintenance of high-rise structures. It is difficult to pass on these costs to the residents without increasing the risk of default.

**Recommendations**

Clearly, project design goes well beyond the architectural form of the resettlement. Issues such as location and livelihood displacement, the appropriateness of certain project types, cost recovery, service provision, maintenance etc. need to be addressed. We feel that the government should play the role of an *enabler* rather than a *provider* in the housing process. The government should not invest all its resources into "mega-projects" that have a high probability of failure. Instead, it would be wiser to distribute investments over smaller projects using methodologies that have been tested in the field. Therefore, we recommend a "sites-and-services" type approach to resettlement (similar to that of Sagayad) for the coastal dwellers of San Fernando. The following are recommended guidelines for government consideration:

- **Resettle the families dependent on fishing to a site along the coast.**
  The data indicates that 76 percent of the families are at least partially dependent on fishing related occupations. Therefore there is an obvious need to keep these people close to the coast. The government is fully aware of this situation and should be commended for pushing this issue to the forefront of their agenda.

- **Resettle the families who are not dependent on fishing to an inland site only if adequate land cannot be identified on the coast.**
  There are a significant number of families that are not dependent on fishing. Such families are generally receptive to the idea of moving to an inland site. However, we feel that all efforts should be made to keep communities together. This would minimize the negative impacts of disrupted family and social networks. We recommend detaching these people from their original communities and moving them inland, *only* if there is a severe constraint on the availability of coastal land.

- **Provide each family with secure tenure to a plot of land.**
  Security of tenure often provides one of the most important incentives for voluntary resettlement. It allows families to use land as an asset that can be used as collateral to borrow money from the formal sector, for whatever needs they may have. It also gives them the ability to develop their property without fear of losing their investment.

- **Provide basic infrastructure services.**
  The government should undertake the provision water, sanitation, drainage and electricity infrastructure to the resettlement site. A community member should be trained and employed to maintain and repair the facilities as necessary. The government should not construct houses. Instead, the residents should be allowed to build their own structures in accordance with their individual needs.

- **Keep monthly payments affordable.**
  All efforts should be made to keep the monthly payments for the land within the ranges deemed affordable by the residents. This suggests longer amortization periods, or significant subsidies from the government.

- **Do not set minimum standards for construction.**
  Minimum standards for housing construction should not be set. Instead, the residents should be given the freedom to build what they want, at the pace they want. Given the freedom to decide, they will inevitably build the best
houses they can, given their financial and other constraints. The undue financial strain would be minimized. This form of development, although much slower to reach completion, allows for greater individuality, self-expression and sense of place.

**Concluding Remarks**

This study indicates that a great deal of detailed data is required to make informed decisions about housing policy. The coastal squatters of San Fernando cannot be viewed as a homogenous group. There is great diversity among these people in terms of their occupations, income levels, as well as attitudes towards relocation. Clearly, there is no single, overarching policy or approach that can solve all the problems of housing or resettlement in San Fernando or any other city. Local governments need to be more in tune with the needs and preferences of the local communities. The only way to achieve this on an ongoing basis is through reforms in the institutional process of information gathering and implementation of housing policy. We will address this issue as part of our Master’s thesis at the Massachusetts Institute of Technology.
Appendix I

SURVEY DATA, SAN FERNANDO

SAGAYAD:

Table 1: Access to Infrastructure, Sagayad

<table>
<thead>
<tr>
<th>Service</th>
<th>Very good</th>
<th>Average</th>
<th>Poor</th>
<th>Comparing Current Access to Past</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>25.00%</td>
<td>37.50%</td>
<td>37.50%</td>
<td>Better 40.00%</td>
</tr>
<tr>
<td>Sanitation</td>
<td>22.73%</td>
<td>54.55%</td>
<td>22.73%</td>
<td>Same 40.00%</td>
</tr>
<tr>
<td>Electricity</td>
<td>65.22%</td>
<td>34.78%</td>
<td>0.00%</td>
<td>Worse 20.00%</td>
</tr>
<tr>
<td>Public transport</td>
<td>38.10%</td>
<td>47.62%</td>
<td>14.29%</td>
<td>Better 44.00%</td>
</tr>
<tr>
<td>Health facilities</td>
<td>17.39%</td>
<td>52.17%</td>
<td>30.43%</td>
<td>Same 56.00%</td>
</tr>
<tr>
<td>Schools</td>
<td>22.73%</td>
<td>31.82%</td>
<td>45.45%</td>
<td>Worse 18.18%</td>
</tr>
<tr>
<td>Employment</td>
<td>20.83%</td>
<td>33.33%</td>
<td>45.83%</td>
<td>Better 28.00%</td>
</tr>
</tbody>
</table>

Table 2: Resettlement-related Expenditure, Sagayad

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving Cost</td>
<td>4,146</td>
<td>2,250</td>
</tr>
<tr>
<td>Current Expenditure on new house</td>
<td>70,625</td>
<td>40,000</td>
</tr>
<tr>
<td>Projected Expenditure on new house</td>
<td>101,304</td>
<td>100,000</td>
</tr>
<tr>
<td>Monthly Payment for land</td>
<td>230</td>
<td>230</td>
</tr>
</tbody>
</table>

Table 3: Incomes, Sagayad

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Mean</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Capita Income (Pesos)</td>
<td>1,144</td>
<td>1,371</td>
</tr>
<tr>
<td>Household Income (Pesos)</td>
<td>7,790</td>
<td>6,500</td>
</tr>
</tbody>
</table>

Table 4: Funding Sources for House Construction, Sagayad

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>56.0%</td>
</tr>
<tr>
<td>Loan from relative</td>
<td>12.0%</td>
</tr>
<tr>
<td>Loan from institution</td>
<td>36.0%</td>
</tr>
<tr>
<td>Loan from Moneylender</td>
<td>8.0%</td>
</tr>
<tr>
<td>Other</td>
<td>44.0%</td>
</tr>
</tbody>
</table>

Table 5: Affordability of payments for Land, Sagayad

<table>
<thead>
<tr>
<th>Affordability</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affordable</td>
<td>95.8%</td>
</tr>
<tr>
<td>Not Affordable</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

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Table 6: Outdoor Activities, Sagayad

<table>
<thead>
<tr>
<th>Outdoor activity</th>
<th>Percentage of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raising livestock</td>
<td>30.00%</td>
</tr>
<tr>
<td>Growing food crops</td>
<td>70.00%</td>
</tr>
<tr>
<td>Cooking</td>
<td>15.00%</td>
</tr>
<tr>
<td>Storage</td>
<td>5.00%</td>
</tr>
<tr>
<td>Others (dirty kitchen, washing)</td>
<td>45.00%</td>
</tr>
</tbody>
</table>

Note: The total is more than 100 percent because many households make use of outdoor space for more than one activity.

Table 7: Age Distribution, Sagayad

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 9</td>
<td>13.4%</td>
</tr>
<tr>
<td>10 to 19</td>
<td>23.9%</td>
</tr>
<tr>
<td>20 to 29</td>
<td>25.4%</td>
</tr>
<tr>
<td>30 to 39</td>
<td>7.5%</td>
</tr>
<tr>
<td>40 to 49</td>
<td>12.7%</td>
</tr>
<tr>
<td>50 &amp; Above</td>
<td>17.2%</td>
</tr>
</tbody>
</table>

Table 8: Sex Distribution, Sagayad

<table>
<thead>
<tr>
<th>Gender</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>48.9%</td>
</tr>
<tr>
<td>Female</td>
<td>51.1%</td>
</tr>
</tbody>
</table>

Table 9: Education levels, Sagayad

<table>
<thead>
<tr>
<th>Education Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>11.3%</td>
</tr>
<tr>
<td>Primary</td>
<td>25.5%</td>
</tr>
<tr>
<td>Highschool</td>
<td>36.8%</td>
</tr>
<tr>
<td>At least some College / University</td>
<td>26.4%</td>
</tr>
</tbody>
</table>

Table 10: Employment, Sagayad

<table>
<thead>
<tr>
<th>Employment Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drivers</td>
<td>26.0%</td>
</tr>
<tr>
<td>Government Employees</td>
<td>24.0%</td>
</tr>
<tr>
<td>Other</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

Table 11: Residence, prior to Sagayad

<table>
<thead>
<tr>
<th>Residence</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanqui</td>
<td>33.3%</td>
</tr>
<tr>
<td>Sevilla</td>
<td>66.7%</td>
</tr>
</tbody>
</table>

Table 12: Current House Type, Sagayad

<table>
<thead>
<tr>
<th>House Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary</td>
<td>36.0%</td>
</tr>
<tr>
<td>Permanent</td>
<td>64.0%</td>
</tr>
</tbody>
</table>

Table 13: Construction Materials, Sagayad

<table>
<thead>
<tr>
<th>Material</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walls</td>
<td></td>
</tr>
<tr>
<td>Concrete blocks</td>
<td>84.0%</td>
</tr>
<tr>
<td>Wood</td>
<td>16.0%</td>
</tr>
<tr>
<td>Roofs</td>
<td></td>
</tr>
<tr>
<td>Metal sheets</td>
<td>88.0%</td>
</tr>
<tr>
<td>Wood</td>
<td>12.0%</td>
</tr>
</tbody>
</table>
**CATBANGEN:**

**Table 14: Current Access to Infrastructure, Catbangen**

<table>
<thead>
<tr>
<th>Service</th>
<th>Very good</th>
<th>Average</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>19.0%</td>
<td>66.7%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Sanitation</td>
<td>21.1%</td>
<td>52.6%</td>
<td>26.3%</td>
</tr>
<tr>
<td>Electricity</td>
<td>52.4%</td>
<td>33.3%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Public transport</td>
<td>31.6%</td>
<td>52.6%</td>
<td>15.8%</td>
</tr>
<tr>
<td>Health facilities</td>
<td>30.0%</td>
<td>35.0%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Schools</td>
<td>50.0%</td>
<td>50.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Employment opportunities</td>
<td>25.0%</td>
<td>18.8%</td>
<td>56.3%</td>
</tr>
</tbody>
</table>

**Table 15: Construction Materials, Catbangen**

**Walls**
- Metal Sheets: 13.6%
- Concrete/Brick: 27.3%
- Wood: 45.5%
- Other: 13.6%

**Roofs**
- Metal Sheets: 90.9%
- Tiles: 0.0%
- Thatch: 4.5%
- Other: 4.5%

**Table 16: Residence prior to Catbangen**

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>No info</td>
<td>4.5%</td>
</tr>
<tr>
<td>Ilocanos Sur</td>
<td>40.9%</td>
</tr>
<tr>
<td>Outside province</td>
<td>9.1%</td>
</tr>
<tr>
<td>Outside Catbangen</td>
<td>45.5%</td>
</tr>
</tbody>
</table>
Appendix II

LAND CONVERSION PROCESS IN THE PHILIPPINES

<table>
<thead>
<tr>
<th>LOCAL GOVERNMENT UNIT</th>
<th>DEPARTMENT OF AGRICULTURE</th>
<th>DEPT. OF AGRIMONIC REFORM</th>
<th>HOUSING AND LAND USE REGULATORY BOARD</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>CPO/SBC</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Checks if with CLUP approved as of Oct 72/CLUP not earlier than M Jun 1982.</td>
<td></td>
<td>1.2</td>
<td>Recllasses alternative lands to LGU</td>
</tr>
<tr>
<td>Ne Checks on CLUP (20% of total lands)</td>
<td></td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Identifies lands for reclassification or jointly reclassification in lands without classified as or alternative land supplied by M and/or DAR.</td>
<td>No Recommendations Endorses for Approval</td>
<td>No Recommendations for Reclassification</td>
</tr>
<tr>
<td>Ne Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>1.3</td>
<td>Conducts Public Hearing</td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>SP/SRB</td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Presents a Resolution verifying that locality has become highly urbanized, that the proposed land for reclassification shall have priority in value for residential, commercial or industrial purposes.</td>
<td>2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ne Matrilization No. 1 No. 12</td>
<td></td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2.2</td>
<td>Matrilization No. 1 No. 12</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Ne Matrilization No. 1 No. 12</td>
<td></td>
<td>2.3</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>2.3</td>
<td>Matrilization No. 1 No. 12</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>2.4</td>
<td>Receives favorable endorsements from M and DAR.</td>
<td>2.4.1</td>
<td>Receives favorable endorsements for reclassification from M and DAR.</td>
</tr>
<tr>
<td>2.4.1</td>
<td>Receives CLUP and 24umenting actual area for reclassification are endorsed by M and DAR.</td>
<td>2.4.2</td>
<td>Receives favorable endorsements for reclassification of subject lands.</td>
</tr>
<tr>
<td>2.4.2</td>
<td>Preparing and submitting endorsements for reclassification of subject lands.</td>
<td>2.4.3</td>
<td>Preparing and submitting all requisites to DAR (only for wholly urbanized cities and independent component cities)</td>
</tr>
<tr>
<td>2.4.3</td>
<td>Preparing and submitting all requisites to DAR (only for non-completely classified Municipalities, list in this class).</td>
<td>2.4.4</td>
<td>Preparing and submitting all requisites to the Provincial Planning (only for non-completely classified Municipalities, list in this class).</td>
</tr>
<tr>
<td>3.1</td>
<td>Checks completeness of documents.</td>
<td>3.2</td>
<td>No</td>
</tr>
<tr>
<td>Ne No</td>
<td></td>
<td>3.3</td>
<td>No</td>
</tr>
<tr>
<td>Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3.2</td>
<td>No Reviews application in accordance with 61 12 and checks if area is within the prescribed limits.</td>
<td>3.4</td>
<td>Revises decision to LGU for completion.</td>
</tr>
<tr>
<td>Ne Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>3.4</td>
<td>Grants approval of request for reclassification by DAR and submits it to the Regional Land Conversion Planning and Policy Implementation (RLCPPI).</td>
<td>3.5</td>
<td>Receives decision.</td>
</tr>
<tr>
<td>Ne Yes</td>
<td></td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: HLURB (ii), 1997

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Appendix III

HOUSING FINANCE IN THE PHILIPPINES

Unlike developed countries, where the availability of mortgage financing is taken for granted, very few homebuyers in the Philippines obtain financing from formal lending institutions. Even those that do typically match their loans with substantial funds raised from other sources. In Manila, among those buying their homes between 1980 and 1983, only about 20 percent received financing from a formal lending institution, and, for more than half of these households, the formal loan accounted for less than 50 percent of the house purchase price.

**Formal Financing: Public Sector**

Policy makers perceive the housing finance sector as a critical bottleneck, impeding progress in the improvement of housing conditions. Currently, there are a number of government agencies that have as at least one of their missions the mobilization of long-term capital for affordable housing finance. Efforts to target participation to moderate- to low-income homebuyers within these membership groups are limited to ceilings on loan amounts.

PagIBIG (Pagtutulungan sa kinabukasan; Ikaw, Bangko, Industria at Gobyerno) is a financing corporation. Its aim is to encourage savings. Public and private sector employees registered with the GSIS and SSS respectively are required by law to contribute 1-2 percent of their monthly incomes to the PagIBIG Fund. Employers are required to contribute 2 percent in addition. Contributing individuals get back total accumulated value (TAV) upon membership maturity (20 years). Partial withdrawal after 10-15 years of membership is allowed, provided there is no outstanding housing loan with the Fund. Besides giving its members tax-free dividend earnings, the savings scheme helps them double (or even triple) their money's benefit. The member carries savings even upon transfer of job, implying “portability of savings”. Finally, the Fund is guaranteed by the government, and hence a secure investment. PagIBIG offers a number of financing schemes to its members for house construction/purchase/improvement.

National Home Mortgage Finance Corporation (NHMFC) and Home Development Mutual Fund (HDMF) are two other national level agencies that provide loans to individuals and groups of individuals for home purchase/improvement.

**For Formal Sector Employees:**
- Administered by PagIBIG for its members (individuals):
  - *Short-term Multipurpose Loan* of up to 60% of TAV
  - *Housing Loan* of up to P500,000
  - *Expanded Housing Loan Program* of up to P500,000
- Administered by NHMFC for SSS, GSIS and HDMF members
  - *Unified Home Lending Program*, providing a loan up to P150,000

**For Groups of Formal Sector Employees:**
- Administered by PagIBIG for its members (organized groups):
  - *Group Land Acquisition and Development (GLAD) Program* (loan amount depends on income of group individuals)
  - *Joint Loan Program* provides a loan up to P500,000

**For Developers:**
- Administered by PagIBIG for private developers, landowners, NGOs, LGUs
  - *Development Loan Program* up to P15 million per project phase of house construction
- Administered by Social Security System for its member corporations, associations and individuals
  - *Apartment/Dormitory Loan Program* for construction of dormitories, boarding houses, apartment and other rental buildings (loan amount of up to P15 million)
- *Corporate Housing Program* up to P20 million, for employers undertaking employee housing program or land development and housing construction (The project should have at least 20 units, each not exceeding P375,000).

**For Informal Sector Workers:**
- Administered by NHMFC for organized communities of slum dwellers or residents of blighted areas
Community Mortgage Program aims at helping communities to own the lot they occupy (where owners are willing to sell), reblock their structures and introduce utilities through community mortgage. (Loan amounts: upto P30,000 per undeveloped lot, P45,000 per developed lot, and P80,000 per house and lot)

For the Local Government:
- Administered by HDMF
- Municipal Finance Program to help LGUs to float Municipal Parabhay Bonds to generate funds for housing or related projects. (Loan amount: upto P20 million per project phase per site, to be repaid within 24 months from date of loan release.)

Home Insurance Guarantee Corporation (HIGC) helps mobilize resources for housing through credit insurance, mortgage guarantees and incentives.
- Retail Mortgage Guarantee Program
  Insurance coverage for funders for loans to individuals for home acquisition.
- Interim Funding for Community Mortgage Program
  Loans to community organizations to finance down-payment for land acquisition under Community Mortgage Program.
- Cooperative Housing Guarantee Program
  Guarantees loans to cooperative housing association for housing.
- Parabhay Municipal Bonds Guarantee
  Guarantees Municipal Parabhay Bonds floated by LGUs to generate funds for housing or related projects at 8.5 percent of face value.

Apart from the Community Mortgage Program, all the other financing programs are targeted towards formal sector employees. Our field survey indicated that many of the formal sector employees do, in fact, utilize their privileges to borrow from PagIBIG for house construction. However, informal sector workers do not have any such access to funding.

The Community Mortgage Program, hailed as the “innovative socialized housing program of the Philippine government for the landless urban poor communities” seems to have had limited impact, at least in San Fernando. Since the inception of the CMP in 1988 till 1998, the number of beneficiaries recorded by NHMFC in Luzon was 39,415, for a total of 308 projects (Rebullida (1998)) 11 percent of these are reported to have accomplished land titling, in the name of the member beneficiaries, which is the goal of the CMP. Of these, there has been only one community involved in the CMP in Region 1, in Baguio City, that benefited 88 families. No community of San Fernando has participated in the Community Mortgage Program. It is not clear as to why this is the case.

Formal Financing: Private Lenders
In the Philippines, private mortgage loans are generally available to high-income households only or, as in the case of insurance companies, to established policyholders. These loans are typically made to households with above-average incomes. Correspondingly, average loan amounts are large, interest rates are high, and repayment periods are limited to ten years at the maximum. In addition, private lenders usually require very high building standards. At these terms, private financing institutions simply do not address the housing finance needs of most moderate- or middle-income households.

Informal Financing:
There appears to be little real informal lending in the Philippines – either on a commercial basis or among family members, although intra-family assistance with only implicit repayment conditions attached is common. Few households combine loans from both formal and informal sources. Households receiving informal financing are almost as affluent as those receiving formal loans. Our field study indicated that many of the relatively more well-off families got financial assistance in the form of informal loans from relatives. Most, however, use personal savings to make incremental improvements on their houses.
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HLURB.

HIGC
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(iii) “Primer on Development Guarantee Program,” n.d.

HDMF.


NSO.
(i) “Socioeconomic Profile of La Union,” Manila, Philippines, 1990.


SSS.
(i) “Apartment/ Dormitory Loan Program,” n.d.
(ii) “Corporate Housing Program,” n.d.

Interviews

The following is a list of key people we interviewed in the Philippines during June-July 1999:

Local Government of San Fernando
Mary Jane Ortega, Mayor
Girlie Dimaculangan, City Administrator
Augustin Diquiangco, City Planning and Development Officer
Remson Lubiano, City Assessor
Ramon Monetsky C. Ortega, Executive Assistant II, Office of the City Mayor
Vergel Balanon, City Accountant
Verselie Limos, City Attorney

Central Shelter Agencies (Office of the President, Regional Office I, San Fernando)
Evelyn D. Gatchalian, HLURB
Engr. Gerry M. Aquino, Regional Co-ordinator, HUDCC
Fernando G. Caburao, Officer in Charge, HIGC
Engr. Jerome W. L. Andaya, HLURB
Malene Acosta, HDMF
Engr. Raymund Abad, NHA
Poro Point Development Agencies, San Fernando
  Victor G. Floresca, Vice President, JPDC
  Arlette L. Melgar, Asst. Manager-Airport Dept., JPDC
  Marie Antoinette C. Dacanay, Project Development Officer, NorthQuad

Squatter Settlements, San Fernando
  Gene Pabro, President, Seaside Youth Club, Catbangen
  Tony Buliak, President, Home Owners’ Association, Sagayad
  Members of 40 other households in these communities were also interviewed.

Other Organizations, Manila
  Henedina Razon-Abad, Director, Ateneo School of Government, Makati City (author of the Socialized Housing Report for San Fernando)
  Toru Hashimoto, Infrastructure Team Leader/ Urban Planner, The World Bank, Metro Manila (leads the CDS effort in the Philippines)