

**FINANCING, TECHNOLOGY AND INNOVATIVE STRATEGY FOR  
PROVISION OF SHELTER AND LAND TENURE SECURITY:  
THE PHILIPPINE EXPERIENCE**

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1. Philippine housing situation

The housing sector in the country is characterized with a huge housing need. The projected housing need for the period 2001-04 is 3.637 million units, broken down as follows: a housing backlog of 1.87 million units, a future need of 1.55 million units and an upgrading need of 214,155 units.

The regional distribution of housing need shows that the NCR has the biggest housing need of approximately 1,060,000 units. Regions 4 and 3 rank second and third with 690,000 and 361,334 units, respectively.

The proliferation of informal settlements indicates the severity of the housing and land shortage particularly in the urban area. Each year in the last decade, the private sector supplied only about 50,000 housing units while government-led shelter programs have provided about 120,000 units of housing assistance per year. Hence, efforts by both the government and private sectors to respond to the housing needs of the urban poor have yet to make a significant dent on the massive problem of homelessness.

The following are the factors affecting the shelter provision or delivery: **(i)** lack of financial support for the implementation of the different housing programs, whereby the money set-aside by the government is inadequate to meet the housing requirement; **(ii)** access to land which is not linked to physical shortage, but to its limited supply that leads to the exorbitant price of land and the consequent inability to purchase, which also includes protracted processes of conversion, development and legal titling of the land; **(iii)** inadequate infrastructure development for housing, for example, only 70% of the urban population is serviced by household water supplies and sanitation facilities mostly concentrated in middle and high income residential areas, leaving the poorer families without direct access to the said facilities; and **(iv)** access and affordability to purchase and own housing unit by low-income group. Analysis of housing need, gap and affordability

reveals that most people earn incomes too low to enable them or borrow funds for housing. The decision to purchase a housing unit is dependent on his earning capacity and place of work. Meanwhile, amortization cost includes extra charges such as the add-on-charges from cost of development, interest on loan and delinquency interest on delayed payment, land tax, etc. For the marginalized poor families, a different standard is being used to measure affordability of the said families in order to set a more realistic amortization payment of the target beneficiaries.

To meet and address the housing problem, innovative approaches have been undertaken to respond to the need to provide adequate and affordable shelter to the country's middle-income and poor families. These are through the following approaches:

## 2. Housing strategy of the government

To address the housing problem, the government has to contend with several interrelated issues: land prices, housing finance and guarantees and high transaction and production costs in the housing market. The government strategy includes:

### 2.1 Making the housing market more efficient

- Private-led production
- Reduction by half of the period spent in processing and evaluation of loans and permits
- Land Title Insurance Bill and National Land Use Code

### 2.2 Creating a sustainable housing finance system

- Market-oriented interest rate and credit policy
- Securitization program and development of private secondary mortgage institution

### 2.3 Accelerating assistance and provision of security of tenure for the informal sector

- Improvement of sites and services
- CMP, LTAP and GLAD
- Declaration of parcels of public lands with informal settlers as "alienable and disposable" so that these can be acquired by the families therein

2.4 Making housing loans available and affordable to low-salaried members of the formal sector

- Affordable housing loan rates
- Sectoral and institutional housing projects

2.5 Strengthening the Shelter Delivery System and accelerating the localization of housing and development efforts

- DHUD
- Capacity building initiatives for the LGUs

3. Elaboration of the government shelter delivery system

Under a law designated as Executive Order No. 90 [1986], the Housing and Urban Development Coordinating Council (HUDCC) was created and designated as the policy making body which shall coordinate and monitor all government projects and agencies related to housing.

3.1. HUDCC is composed of:

- 4 agencies, namely, HLURB -- the sole regulatory body for housing and land development, NHMFC - the primary home mortgage finance institution mandated to develop the secondary mortgage market, HGC - the guaranty arm of the government, and NHA - the sole agency engaged in direct shelter production for the bottom 30% of the population;
- 3 contractual savings funds, namely, SSS, GSIS and the HDMF;
- 7 support agencies, to wit, NEDA, DBM, DPWH, PMS, MMDA, DOF and DBP; and
- 2 private sector representatives (developers, bankers, contractors, professionals, NGOs and POs).

3.2. HUDCC performs the following:

- Formulate national goals and strategies
- Supervise key shelter agencies
- Monitor, review and evaluate sector target
- Encourage private sector participation
- Advocate for necessary housing legislation

#### 4. Areas of emphasis of the country report:

##### 4.1 Regulatory and legal frameworks

The Philippine Constitution uniquely mandates that the state shall undertake in cooperation with the private sector a continuing program of urban land reform and housing which will make available at affordable cost decent housing and basic services to underprivileged and homeless citizens in urban centers and resettlement areas.

The foremost statutory framework for housing in the Philippines is Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992. It is avowedly comprehensive providing for national urban development framework; land use, inventory, acquisition and disposition; socialized housing; urban renewal and resettlement; and community mortgage program; among others.

Other important components of this regulatory framework are Batas Pambansa Blg. 220 [1982] which authorizes the government to promulgate different levels of standards and technical requirements for economic and socialized housing projects in urban and rural areas and Presidential Decree No. 957 [1976] which regulates the sale of subdivision lots and condominiums and provides penalties for violations thereof.

##### 4.2 Financing, technology *and* innovative strategy for provision of shelter and land tenure security: the Philippine experience

While financing and technology is important in low cost housing in cities, the Philippine housing experience shows that financing and technology must be coupled with innovative measure to *really* bring housing within the reach of the poor.

One simple yet far reaching measure in securing shelter and land tenure for the poor families is the regularization of tenure of the family occupants of government-owned lands which include unutilized portions of military reservations, public lands, GOCC-owned lands, etc., suitable for socialized housing purpose. This tack, by legalizing the long-time occupancy of poor families on government lands suitable for

housing, satisfies both the social and economic missions of the government. Shelter needs are addressed and skewed land distribution is corrected.

To effectively deliver the services to the low-income families, socially, economically and politically, particularly in the provision of shelter, the present administration issued executive issuances to regularize the land tenure of informal settler-families living in idle government lands. The objective is to promote the rational use and development of lands through access to land by the underprivileged and for equitable and secured land tenure.

These will generate significant benefits socially and economically. On beneficiary impact, it will provide increased security of tenure, improved living conditions, enhance the quality of life, improve economic condition as it will allow the beneficiaries to realize the value of land and improve the efficiency and coordination of physical and development planning enabling the Local government units to respond to the need for improved efficiency and environmental conditions for the beneficiary communities.

The process of disposition involves the identification of potential beneficiaries, the development of the area into a viable community through different approaches of land development (readjustment, improvement, and or redevelopment), cost-recovery scheme and transfer of ownership from the government to the beneficiaries through the legal titles to land

#### 4.3 Introduction of innovative technologies for housing

The increasing cost of putting housing units and the growing number of the urban poor are putting a strain on the capabilities of both the government and private sectors to address the problem adequately. Aggravating the problem is the extensive damage usually wrought by typhoons, earthquakes and other natural disasters that frequently visit the country.

To address this phenomenon, the government introduced the construction of disaster-resistant low-income dwellings while research and development of new materials and construction technology have been undertaken by government agencies by

exploring the potentials of locally available materials including residues or by-products of agricultural activities. Various design, material and construction technologies have been developed and tested and are being promoted by contractors, technologist, architects, developers or builders for low-cost housing application. These range from construction materials like inter-locking hollow blocks, compressed earth blocks, wood wool cement bonded board, particleboards, fiber cement boards, pre-fabricated components, building techniques, form system, etc.

What is compelling the government to search for alternatives to conventional housing materials and building methodology is the unabated accelerating cost of constructing housing units in terms of materials, time and delivery that makes housing almost impossible to reach by low-income people. In the Philippines, the demand of construction materials such as cement and wood is expected to further go up, its price is likewise observed to accelerate beyond the reach of those who want to use it to build affordable, low-cost housing units. Thus, the use of non-traditional or alternative materials and system of construction have enormous potentials in speeding up the construction process and reducing the overall house construction cost.

The high cost of development and construction and the low affordability levels of clientele encourage both, the government and private sectors, to join hands in responding to the housing needs through cooperation in continuing program of development, adaptation, promotion and dissemination of low-cost housing design, material and construction technologies for maximum utilization.

Correspondingly, in 1993, a permanent system of accreditation of building materials was developed and established both by HUDCC and the Department of Science and Technology (DOST). It involves the establishment of an Inter-Agency Committee appropriately named the Accreditation of the Innovative Technologies for Housing (AITECH) Inter-Agency Committee composed of eleven (11) government member-agencies and acts both as a technical and recommendatory body for the purpose of encouraging and promoting the use of innovative technologies as an alternative to traditional housing construction system, and

the development of appropriate national standards, guidelines and procedures of accreditation.

However, the challenge posed by technical development in housing/building construction is the lack of awareness and information, technical assistance, promotion, high cost of production and cultural biases that constrained for a more widespread appreciation and application of new building technologies for housing. Study on the utilization of innovative materials and construction system reveals that only 20-25% of housing developers have tried and adopted the said technologies for housing projects.

The government facilitates by granting incentives to proponents such as certifying as to the material soundness of the products which can be used as basis of financial institutions in evaluating loan proposals of the proponents. The promotion of the technology is undertaken by publicizing newly accredited technologies and endorsing them for instance to construction industry bodies and associations. Regulation is effected through the accreditation system known as AITECH or Accreditation for Innovative Technologies for Housing. This body is chaired by HUDCC; Department of Science and Technology, Department of Public Works and Highways, Department of Trade and Industry, and the Construction Industry of the Philippines, notably, are the key members. Under the AITECH system, the proponents submit the technologies to the inter-agency body which proceeds to evaluate the technologies as to feasibility and soundness and upon compliance with the standards, are issued certifications of accreditation.

A survey of the technologies accredited for the year 2002 shows that most of them are classified into pre-cast concrete panel, roofing and light gauge steel frames for single detached, row and medium-rise houses or residential buildings. These technologies make for quick and efficient building and installation cutting on cost. In fact, next to durability of the products, it is the cost which is determinative of the success of the technology. For instance, a quick build modular system developed by a local proponent beat the conventional costing of P4,800.00 (\$92.30 @ P52 to \$1) per square meter of a housing unit with a 30-90 sq. m. floor area to P4,600.00 (\$88.46); a steel

framed housing system knocked down a conventional costing of P4,800.00 (\$92.30) of a 25 sq. m. housing unit to P4,606.00 (\$88.58)

There are also technologies clearly making use of indigenous materials, e.g., fiber cement boards made of mixture of recycled rattan fibers, rice hulls, saw dust, wood chips, bamboo splits and cement.

#### 4.4 Capacity-building activities, popular technologies

To date, the National Housing Authority, the government-owned corporation whose mandate is to produce or build houses for the low-income families has just created its Housing Technology and Development Office (HTDO). Part of its functions is to popularize suitable technologies subject to certain restrictions and to grant technical assistance.

#### 4.5 Sectoral involvement

Housing-focused non-government organizations have been participating in developing innovative housing and building technologies. For instance, there have been NGO initiatives that seek to study viability of the bamboo, with twin strategy for mass growing, as alternative construction materials. The project is being pushed in partnership with the Department of Environment and Natural Resources with foreign funding assistance.

There have been no substantial initiatives attributed to people's groups as yet.