

# **HABITAT III: THE PHILIPPINE NATIONAL REPORT**



## **A NEW URBAN AGENDA**

**Better, Greener, Smarter Cities  
In an Inclusive Philippines**

**OCTOBER 2016**

## Table of Contents

	<u>Page</u>
<b>Executive Summary</b>	i
<b>1 Introduction</b>	1
<b>2 Urban Demography: Issues and Challenges for a New Urban Agenda</b>	3
2.1 Managing Urbanization	5
2.1.1 A Highly Urbanized Philippines	5
2.1.2 Patterns and Trends of Urbanization: The Continuing Primacy of Metro Manila	6
2.1.3 Internal Migration Patterns and Metro Manila’s Peri-Urbanization	10
2.2 Managing Urban-Rural Linkages	12
2.2.1 The Rural-Urban Continuum: The Growth of Smaller Urban Centers	12
2.2.2 The Rural-Urban Migration: The Push-Pull Factors Persist	12
2.3 Addressing the Needs of the Youth	13
2.3.1 Youth Unemployment: A Major Cause for Concern	13
2.3.2 The Urban Youth and the Growing Risks They Confront	13
2.3.3 Initiatives for the Urban Youth: Capturing the Demographic Dividend	14
2.4 Protecting the Rights of Disadvantaged and Vulnerable Groups	16
2.4.1 Safeguarding the Older Persons	16
2.4.2 Protecting Persons with Disabilities	16
2.4.3 Responding to the Needs of Indigenous Peoples	16
2.4.4 Preventing Child Labor	17
2.5 Mainstreaming Gender in Urban Development	17
2.5.1 Global Recognition in Gender Equality	17
2.5.2 Persistence of Gender Problems Amid Achievements	17
2.6 Challenges Experienced and Lessons Learned	18
2.6.1 Rapid Urbanization and Its Unintended Consequences	18
2.6.2 Migration in the Philippines: Spurring Growth, Urbanization, and Urban Sprawl	18
2.6.3 The Philippines' Youth Bulge: Dividend or Bomb?	18
2.6.4 Protecting the Rights of the Vulnerable and Disadvantaged	19
2.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda	19
2.7.1 Investing in People, Capturing the Youth Dividend	19
2.7.2 Pursuing a More Spatially and Regionally Balanced Development	19
2.7.3 More Effective Gender Mainstreaming in Urban Development	19
2.7.4 Safeguarding the Vulnerable and Disadvantaged	20
2.7.5 Developing Improved Capacity for Urban Demography	20
<b>3 Land and Urban Planning: Issues and Challenges for a New Urban Agenda</b>	21
3.1 Ensuring Sustainable Urban Planning and Design	22
3.1.1 Shifting to More Strategic and Innovative CDPs and CLUPs	22

3.1.2	Harmonizing the Vertical and Horizontal Planning Processes of Local Development Plans	23
3.1.3	Integrating Climate Change Adaptation and Disaster Risk Reduction and Management	24
3.2.	Improving Urban Land Management	26
3.2.1	Addressing the Inefficiencies of the Urban Land Market	26
3.2.2	Managing Urban Form and Design	27
3.3	Enhancing Urban and Peri-Urban Food Production	29
3.3.1	Fostering Urban Agriculture	29
3.4	Addressing Urban Mobility Challenges	30
3.5	Improving Technical Capacity for Land and Urban Planning	31
3.5.1	Building Capacity for Local Urban Planning and Management	31
3.5.2	Professionalizing Local Development Planners	32
3.5.3	Improving Urban Data Quality and Availability	32
3.5.4	Assessing Vulnerabilities for Natural Disasters and Climate Change	33
3.6	Challenges Experienced and Lessons Learned	33
3.6.1	Weaknesses and Constraints Affecting CDP and CLUP Implementation	34
3.6.2	Land Market Inefficiencies and the Prolonged Reform Process	34
3.6.3	The Challenge of Mobilizing Transport Infrastructure Finance	34
3.6.4	The Challenge of Enticing Private Sector Participation	34
3.7	Future Challenges and Issues That Can Be Addressed by a New Urban Agenda	35
3.7.1	Boosting Local Capacity for Strategic and Urban Planning, Incorporating Climate Change Adaption and Disaster Risk Reduction and Management	35
3.7.2	Managing Urban Form and Design through Effective Regional Planning and Development	35
3.7.3	Generating Livelihoods and Improving Food Security through Urban Agriculture	35
3.7.4	Shifting to a More Integrated and Inclusive Transport Planning	36
3.7.5	Redefining Security of Tenure by Mainstreaming Rights-Based Approaches and Land Use Rights Instruments	36
<b>4</b>	<b>Environment and Urbanization: Issues and Challenges for a New Urban Agenda</b>	<b>37</b>
4.1	Addressing Climate Change	38
4.1.1	Assessing the Climate Change Risks	38
4.1.2	Climate Change Mitigation and Adaptation	39
4.2	Disaster Risk Reduction and Management	42
4.2.1	Increased Natural Disaster Risks	42
4.2.2	Reducing and Managing Disaster Risks	43
4.3	Battling Traffic Congestion	45
4.3.1	Traffic Agonies in the Philippines	45
4.3.1	Initiatives to Reduce Traffic Congestion	45
4.4	Combating Water and Air Pollution	46
4.4.1	Water Quality under Urban Pressure	46

4.4.2 Deteriorating Urban Air Quality	47
4.4.3 Tackling Water and Air Pollution	48
4.5 Challenges Experienced and Lessons Learned	49
4.5.1 CCA and DRRM as a Dynamic, Integrated Process	49
4.5.2 Bottlenecks to the Policy Reform Process and Beyond	50
4.5.3 The Mounting Garbage Problem	50
4.5.4 Deficient Sanitation: Causes and Consequences	51
4.6 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda	51
4.6.1 Building the Capacity for a Highly Effective CCA and DRRM	51
4.6.2 Accelerating Climate Change and Disaster Resiliency	52
4.6.3 Greening Solid Waste Management	52
4.6.4 Improving Access to Clean, Safe Water	52
<b>5 Urban Governance and Legislation: Issues and Challenges for a New Urban Agenda</b>	<b>54</b>
5.1 Improving Urban Legislation	56
5.1.1 The Philippine Urban Governance Legal Framework	56
5.1.2 Addressing the Urban Legal Gaps	59
5.2 Decentralization and Strengthening of Local Authorities	60
5.2.1 Gains on the Decentralization Front	60
5.2.2 Taking Bolder Steps for Improved Local Urban Governance	61
5.2.3 Metropolitan Governance: Gaining Momentum in the Philippines	62
5.3 Improving Participation and Human Rights in Urban Development	63
5.3.1 Participatory Mechanisms for Improved Urban Governance	63
5.3.2 A Human Rights-Based Approach to Urban Governance	64
5.4 Enhancing Urban Safety and Security	64
5.4.1 Curbing Urban Crimes	64
5.4.2 Fire and Road Safety	65
5.5 Improving Social Inclusion and Equity	65
5.6 Challenges Experienced and Lessons Learned	66
5.6.1 Strengthening Urban Sector Leadership	66
5.6.2 Urban Legal Gaps and Decentralization Reforms	66
5.6.3 Constraints to Urban Governance	67
5.6.4 Community Participation in Placemaking and Public Space Design	67
5.6.5 Deficient Access to Development Credit Finance	68
5.6.6 Correlation between Urbanization and Urban Crimes	68
5.6.7 Inadequacy of Data for Planning, Implementation, and Monitoring	68
5.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda	68
5.7.1 More Effective Leadership in a New Urban Governance Framework	68
5.7.2 Transparency and Accountability Urban Governance Mechanisms	69
5.7.3 Improving Local Public Financial Management	69
5.7.4 Addressing Urban Safety Concerns	69
5.7.5 Enhancing Urban Social Inclusion	70

5.7.6 Reinforcing Metropolitan Governance	70
<b>6 Urban Economy: Issues and Challenges for a New Urban Agenda</b>	<b>71</b>
6.1 Improving Local Finance	73
6.1.1 The Local Finance Supply-Demand Gap	73
6.1.2 Continuing Dependence on National Government Transfers	74
6.1.3 Innovations in Local Finance	75
6.2 Strengthening and Improving Access to Housing Finance	77
6.2.1 The Housing Finance Demand-Supply Gap	77
6.2.2 Innovations in Housing Finance	78
6.3 Supporting Local Economic Development	79
6.3.1 Enhancing Competitiveness	79
6.3.2 Support for Micro, Small, and Medium Enterprises (MSMEs)	80
6.3.3 Government Programs and LED Initiatives	81
6.4 Creating Decent Jobs and Livelihoods	81
6.4.1 The State of Job and Livelihoods Creation	81
6.4.2 Need for Sustainable Job Creation and Livelihood Generation	83
6.5 Integration of the Urban Economy Into National Development Policy	84
6.5.1 In Pursuit of Inclusive Growth	84
6.5.2 Updated Approach to Defining and Achieving Inclusive Growth	86
6.6 Challenges Experienced and Lessons Learned	86
6.6.1 Resource Mobilization at the Local Level	86
6.6.2 Persistent Unemployment, Underemployment, and Poverty	87
6.6.3 Inaccessible and Unaffordable Informal Housing Finance	87
6.6.4 Facilitating Pro-poor Housing Finance	87
6.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda	87
6.7.1 Transforming Cities into Effective Agents of Diversified Local Finance	87
6.7.2 Broadening and Deepening the Support for Sustainable Local Economic Development (LED)	88
6.7.3 Generating More and Better Jobs; Equalizing Access to Improved Livelihood Opportunities	88
6.7.4 Integrating the Urban Economy Firmly into National, Sectoral and Local Development Planning and Implementation	88
<b>7 Housing and Basic Services: Issues and Challenges for a New Urban Agenda</b>	<b>90</b>
7.1 Slum Upgrading and Prevention	91
7.1.1 Evolution and Persistence of Slums in the Philippines	91
7.1.2 Approaches to Slum and Informal Settlements Upgrading	93
7.2 Improving Access to Adequate Housing	96
7.2.1 Constraints to Securing Decent, Affordable Housing	96
7.2.2 Addressing the Housing Gap	98
7.3 Ensuring Sustainable Access to Safe Drinking Water, Basic Sanitation and Drainage	102
7.3.1 Goals and Accomplishments	102
7.3.2 Strategic Issues and Constraints	103

7.4	Improving Access to Clean Energy	103
7.4.1	Goals and Accomplishments	103
7.4.2	Strategic Issues and Constraints	105
7.5	Improving Access to Sustainable Means of Transport	106
7.5.1	Goals and Accomplishments	106
7.5.2	Strategic Issues and Constraints	107
7.6	Challenges Experienced and Lessons Learned	108
7.6.1	Scaling Up Low Income and Pro Poor Housing	108
7.6.2	Access and Affordable Basic Services	108
7.6.3	Growing Problems in Urban Transport and Mobility	108
7.6.4	Designing Resilient Housing and Basic Infrastructure	109
7.7	Future Challenges and Issues Than Can Be Addressed by a New Urban Communities	109
7.7.1	Enabling Informal Settler Families to Live In Resilient, Vibrant and Connected Urban Communities	109
7.7.2	Encouraging Investments in Spatially Integrated and Climate Change Resilient Housing and Basic Infrastructure	110
7.7.3	Promoting the Shift to a Demand Based, Low Carbon Yielding Urban Transport System	110
<b>8</b>	<b>A New Urban Agenda: Better, Greener, Smarter Cities in a More Inclusive Philippines</b>	<b>111</b>
8.1	New Urban Agenda 1 – Urban Demography: Capturing the Youth Dividend, A More Spatially Balanced and Interconnected Development, and Safeguards for the Vulnerable and Disadvantaged	112
	Agenda 1.1 Invest in people, capture the youth dividend.	113
	Agenda 1.2 Pursue a more spatially and regionally balanced development.	113
	Agenda 1.3 Foster more effective gender mainstreaming in urban development.	113
	Agenda 1.4 Safeguard the vulnerable and disadvantaged groups.	114
	Agenda 1.5 Improve capacity for urban demography.	114
8.2	New Urban Agenda 2 – Land and Urban Planning: Effective Regional Planning and Development, Planning for Climate Change Action and Disaster Risk Reduction, and Improving Access to Urban Land	114
	Agenda 2.1 Incorporate climate change action (CCA) and disaster risk reduction and management (DRRM) in urban planning.	115
	Agenda 2.2 Arrest urban sprawl; manage urban form and design through effective planning and development.	115
	Agenda 2.3 Generate livelihoods and improve food security by planning for more sustainable urban agriculture.	115
	Agenda 2.4 Shift to a more integrated and inclusive transport planning.	116
	Agenda 2.5 Facilitate security of land tenure through rights-based approaches and land use rights instruments supported by efficient systems.	116
8.3	New Urban Agenda 3—Urban Environment: Climate Change and Disaster Resiliency, Urban Environmental Infrastructure Improvements, and Developing Green Cities	116
	Agenda 3.1 Further boost the capacity for highly effective climate change actions and disaster risk reduction and management.	117

Agenda 3.2 Accelerate climate change actions and disaster resiliency.	117
Agenda 3.3 Sustain and improve urban waste management programs: solid waste, waste water and air pollution.	117
Agenda 3.4 Facilitate more investments in water supply and sanitation, sewerage, and septage facilities to improve access to clean and safe water.	117
8.4 New Urban Agenda 4—Urban Governance: Stronger Sector Leadership, Effective Multilevel Governance, Improved Local Urban Governance Capacity, and Participatory and Transparency Mechanisms	118
Agenda 4.1 Establish and support more effective sector leadership in a new urban governance framework with clear and well defined multi-level and inter-government relationships.	119
Agenda 4.2 Use information and communications technology (ICT) including networking for a more transparent and accountable digital urban governance.	119
Agenda 4.3 Improve local governance by strengthening local government policies.	119
Agenda 4.4 Address urban safety and security through improved governance frameworks.	119
Agenda 4.5 Enhance participatory governance and strengthen social protection to promote social inclusion.	120
Agenda 4.6 Encourage metropolitan governance for efficient spatial and functional interrelations between cities, settlements, and their surrounding areas.	120
8.5 New Urban Agenda 5—Urban Economy: Diversified Local and Housing Finance, Sustainable Local Economic Development, and Urban Economy Mainstreaming in Development Planning	120
Agenda 5.1 Transform cities into effective agents of diversified local finance.	121
Agenda 5.2 Develop more innovative approaches to housing finance including housing microfinance and the use of rights-based land tenure instruments as collateral substitutes.	121
Agenda 5.3 Broaden and deepen the support for sustainable local economic development (LED).	122
Agenda 5.4 Generate more and better jobs; equalize access to improved livelihood opportunities.	122
Agenda 5.5 Integrate the urban economy firmly into national, sectoral and local development planning and implementation.	122
8.6 New Urban Agenda 6—Housing and Basic Services: Scaling Up Low Income and Pro Poor Housing, Affordable, Reliable and Resilient Basic Services, and Shifting to an Inclusive, Low Carbon Urban Transport System	122
Agenda 6.1 Enable informal settler families to live in resilient, vibrant and connected urban communities.	123
Agenda 6.2 Expand financing and encourage investments in spatially integrated and climate change resilient housing and basic infrastructure.	124
Agenda 6.3 Promote the shift to a demand-based, low carbon yielding urban transport system.	124
<b>Appendix 1: The Philippine National Report and Plan of Action for Habitat II</b>	125

**List of Tables**

Table 2-1: Philippine Population, By Sex and By Age Group: 2010 and 2015	4
Table 2-2: Philippine Population, By Region and By Sex, 2010	5
Table 2-3: Distribution of Provinces, Cities, and Municipalities in the Philippines, By Region	6
Table 2-4: Urban Population and Level of Urbanization, By Region: 2007 and 2010	7
Table 2-5: Population and Density of Metro Manila Cities: 2000 and 2010	9
Table 5-1: Key Urban Legislation in the Philippines	57
Table 5-2: Organizational Types and Financing of Metropolitan Arrangements in the Philippines	62
Table 6-1: Growth and Structure of the Philippine Economy, 2006-2014	72
Table 6-2: Gross Regional Domestic Product of the Philippines (at constant 2000 prices), 2012-2014	72
Table 6-3: Sources of Revenues of Philippine Local Governments, in Percentage, 2014	75
Table 6-4: Labor and Employment Statistics of the Philippines, 2009-2015	82
Table 6-5: Overview of the National Urban Development and Housing Framework 2009-2016	85
Table 7-1: Informal Settler Families in the Philippines, 2011	92
Table 7-2: Philippines Housing Proclamations, by Region, 2015	95
Table 7-3: Philippines Housing Need Estimates by Region, 2016	96
Table 7-4: Number of Housing Units Damaged by Natural Disasters, 2009-2014	97
Table 7-5: Illustrative Laws and Executive Issuances on Housing and Urban Development	99
Table 7-6: Socialized Housing Programs Accomplishment (1996-2013)	100
Table 7-7: Socialized Housing Programs Accomplishment (2011-2015)	102
Table 7-8: Household Energization Level in the Philippines, 2013	104

**List of Figures**

Figure 2-1: Philippine Urban Population and Urbanization Levels by Region	8
Figure 2-2: Philippine Internal Migration Pattern	11
Figure 3-1: Hierarchy and Interrelationships of Planning in the Philippines	22
Figure 4-1: The Philippines' National Framework Strategy on Climate Change, 2010-2022	40
Figure 4-2: National Disaster Risk Reduction and Management Framework	43
Figure 5-1: Urban Governance Framework of the Philippines	55
Figure 6-1: GDP Growth rates (at constant 2000 prices)	71

## Acronyms

ADB	Asian Development Bank
AIDS	Acquired Immune Deficiency Syndrome
AIP	Annual Investment Program
AHLP	Affordable Housing Loan Program
AKPF	Abot Kaya Pabahay Fund
AKPF-DLP	Abot-Kaya Pabahay Fund Development Loan Program
ALS	Alternative Learning System
ARMM	Autonomous Region in Muslim Mindanao
ASEAN	Association of Southeast Asian Nations
ASLR	Accelerated Sea Level Rise
ATI	Agricultural Training Institute
AUVs	Asian Utility Vehicles
BAR	Bureau of Agriculture Research
BCLUP	Barangay Comprehensive Land Use Plan
BDA	Bangsamoro Development Agency
BDP	Barangay Development Plan
BDIP	Barangay Development Investment Program
BFP	Bureau of Fire Protection
BOD	Biochemical Oxygen Demand
BOT	Build-Operate-Transfer
BP	Batas Pambansa
BPLS	Business Permits and Licensing Systems
BSP	Bangko Sentral ng Pilipinas
BuB	Bottom-Up Budgeting
CALABARZON	Cavite, Laguna, Batangas, Rizal, and Quezon Provinces
CAR	Cordillera Administrative Region
CARAGA	Agusan del Norte, Agusan del Sur, Dinagat Islands, Surigao del Sur
CARP	Comprehensive Agrarian Reform Program
CARPER	Comprehensive Agrarian Reform Program Extension with Reforms
CBD	Commercial Business District
CBMS	Community-Based Monitoring System
CBOs	Community-Based Organizations
CCA	Climate Change Adaptation
CCLUP	City Comprehensive Land Use Plan
CCT	Conditional Cash Transfer
CCTV	Closed-circuit Television
CDC	Clark Development Corporation
CDIP	City Development Investment Program
CDM	Clean Development Mechanism
CDP	Comprehensive Development Plan
CER	Certified Emission Reduction
CGAP	Consultative Group to Assist the Poorest
CHR	Commission on Human Rights
CLUPs	Local Comprehensive Development Plans
CMP	Community Mortgage Program
CNG	Compressed Natural Gas
CO <sub>2</sub>	Carbon Dioxide
CP4D	Climate Proofing for Development
CPH	Census of Population and Housing
CPT	Core Planning Team
CRPP	Comprehensive Rehabilitation and Recovery Plan

CSC	Civil Service Commission
CSCAND	Collective Strengthening on Community Awareness and Natural Disaster
CSIS	Citizen Satisfaction Index System
CSOs	Civil Society Organizations
CV	Crime Volume
DA	Department of Agriculture
DAR	Department of Agrarian Reform
DENR	Department of Environment and Natural Resources
DepED	Department of Education
DHUD	Department of Housing and Urban Development
DILG	Department of the Interior and Local Government
DITC	Department of Information and Communications Technology
DND	Department of National Defense
DO	Dissolved Oxygen
DOE	Department of Energy
DOLE	Department of Labor and Employment
DOST	Department of Science and Technology
DPUCSP	Development of Poor Urban Communities Sector Project
DRR	Disaster Risk Reduction
DRRM	Disaster Risk Reduction and Management
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
“e”	Electronic
ECs	Electric Cooperatives
EDSA	Epifanio de los Santos Avenue
EGF	Environmental Guarantee Fund
EMB	Environmental Management Bureau
EO	Executive Order
ERB	Energy Regulatory Board
EUR	Extended Urban Region
FSTP	Fueling Sustainable Transport Program
GAD	Gender and Development
GBC	Green Building Code
GDP	Gross Domestic Product
GGGI	Global Gender Gap Index
GHG	Greenhouse Gas
GIS	Geographic Information System
GOP	Government of the Philippines
GPS	Global Positioning System
GSIS	Government Service Insurance System
GTC	Geomatics Training System
HDH	High Density Housing
HDMF	Home Development Mutual Fund
HFA	Hyogo Framework for Action
HGC	Home Guaranty Corporation
HIGC	Home Insurance and Guaranty Corporation
HIV	Human Immunodeficiency Virus
HLURB	Housing and Land Urban and Regulatory Board
HUCs	Highly Urbanized Cities
HUDCC	Housing and Urban Development Coordinating Council
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICT	Information and Communication Technology
IDPs	Internally Displaced Persons
IFC	International Finance Corporation

IEC	Information, Education and Communication
ILO	International Labor Organization
IMF	International Monetary Fund
IP	Indigenous People
IPRA	Indigenous People Rights Act
IRA	Internal Revenue Allotment
ISFs	Informal Settler Families
JFPR	Japan Fund for Poverty Reduction
JICA	Japanese International Cooperation Agency
JMC	Joint Memorandum Circular
JMP	Joint Monitoring Programme
KALAHI-CIDSS	Kapit-bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services
KSAs	Key Shelter Agencies
LAMP	Land Administration and Management Program
LAMS	Land Administration and Management System
LCCAPs	Local Climate Change Adaptation Plans
LCMP	Localized Community Mortgage Programs
LCPD	Liters per Capita Daily
LDIP	Local Development Investment Program
LED	Local Economic Development
LEED	Leadership in Energy and Environmental Design
LEP	Labor and Employment Plan
LGC	Local Government Code
LGFBR	Local Government Financing and Budget Reform
LGPMs	Local Governance Performance Monitoring System
LGSP	Local Governance Support Program
LGUs	Local Government Units
LLDA	Laguna Lake Development Authority
LPG	Liquefied Petroleum Gas
LRA	Land Registration Authority
LRBs	Low-Rise Buildings
LRT	Light Rail Transit
LRTA	Light Rail Transit Authority
LTFRB	Land Transportation Franchising and Regulatory Board
LTO	Land Transportation Office
LWUA	Local Waterworks and Utilities Administration
MARINA	Maritime Regulatory Administration
MCCT	Modified Conditional Cash Transfer
MCLUP	Municipal Comprehensive Land Use Plan
MCW	Magna Carta of Women
MDGs	Millennium Development Goals
MDIP	Municipal Development Investment Program
MDP	Municipal Development Plan
MERALCO	Manila Electric Company
MFI	Microfinance Institutions
MGB	Mines and Geosciences Bureau
MHS	Ministry of Human Settlements
MIMAROPA	Mindoro, Marinduque, Romblon and Palawan Provinces
MMC	Metro Manila Council
MMDA	Metro Manila Development Authority
MRFs	Material Recovery Facilities
MRT	Mass Rail Transit
MRTC	Metro Rapid Transit Corporation
MSMEs	Micro, Small and Medium Enterprises

MTPDP	Medium Term Philippine Development Plan
MTPIP	Medium Term Public Investment Program
MTSP	Manila Third Sewerage Project
MW	Megawatts
MWC	Manila Water Company
MWSC	Maynilad Water Services Company
MWSS	Metropolitan Waterworks and Sewerage System
NAMRIA	National Mapping Resources Authority
NAPCC	National Action Plan for Climate Change
NAPOCOR	National Power Corporation
NCC	National Competitiveness Council
NCCAP	National Climate Change Adaptation Plan
NCDA	National Council on Disability Affairs
NCIP	National Commission for Indigenous Peoples
NCR	National Capital Region
NCSO	National Census and Statistics Office
NDRRMC	National Disaster Risk Reduction Management Council
NDRRMF	National Disaster Risk Reduction and Management Framework
NDRRMP	National Disaster Risk Reduction Management Plan
NEA	National Electrification Administration
NEDA	National Economic Development Authority
NFPP	National Framework for Physical Planning
NFSCC	National Framework Strategy on Climate Change
NGAs	National Government Agencies
NGO	Non-Governmental Organization
NGP	National Greening Program
NHA	National Housing Authority
NHMFC	National Home Mortgage Finance Corporation
NHRA	Natural Hazards Risk Atlas
NIPAS	National Integrated Protected Areas
NISUS	National Informal Settlements Upgrading Strategy
NLEX	North Luzon Expressway
NREP	National Renewable Energy Program
NOAH	Nationwide Operational Assessment of Hazards
NSCB	National Statistical Coordination Board
NSO	National Statistics Office
NSSMP	National Sewerage and Septage Management Program
NTC	National Telecommunications Commission
NUDHF	National Urban Development and Housing Framework
NWRB	National Water Resources Board
OCL	Omnibus Commitment Line
OFs	Overseas Filipinos
OFWs	Overseas Filipino Workers
OSY	Out-of-School Youth
PAGASA	Philippine Atmospheric Geoscience and Astronomical Administration
PBSP	Philippine Business for Social Progress
PCEs	Planned City Extensions
PCUP	Presidential Commission for the Urban Poor
PDIP	Provincial Development Investment Program
PDNA	Post Disaster Needs Assessment
PDP	Philippine Development Plan
PETC	Private Emission Testing Centers
PEZA	Philippine Economic Zone Authority
PFPP	Provincial Framework for Physical Planning

PHILVOLCS	Philippine Institute of Volcanology and Seismology
PIDS	Philippine Institute for Development Studies
PLEDGE	Programme for Local Economic Development through Enhanced Governance and Grassroots Empowerment
PMO	Project Management Office
PMS	Pre-Marital Sex
PNP	Philippine National Police
POs	People's Organizations
PPAs	Programs, Plans and Actions
PPACL	Philippine Program against Child Labor
PPPs	Public-Private Partnerships
PPPPs	Public, Private, and People Partnerships
PRRC	Pasig River Rehabilitation Commission
PSA	Philippine Statistics Authority
PSF	People's Survival Fund
PSP	Private Sector Participation
PSSR	Philippine Sustainable Sanitation Roadmap
PWD	Persons with Disability
QRF	Quick Response Fund
RA	Republic Act
RBI	Recognized Rights-based Instruments
RDIP	Regional Development Investment Program
RDP	Regional Development Plan
REDD+	Reducing Emissions from Deforestation and Forest Degradation
RFPP	Regional Framework for Physical Planning
RORO	Roll-on/Roll-off
RPS	Rationalized Local Planning System
RRTS	RORO Terminal System
SBMA	Subic Bay Metropolitan Authority
SEC	Securities and Exchange Corporation
SGH	Seal of Good Housekeeping
SGLG	Seal of Good Local Governance
SHFC	Social Housing Financing Corporation
SIR	Slum Improvement and Resettlement
SLFs	Sanitary landfills
SLP	Sustainable Livelihood Program
SLPBC	Synchronized Local Planning and Budgeting Calendar
SNAP	Strategic National Action Plan
SOCCSKSARGEN	South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos Provinces
SPES	Special Program for Employment of Students
SSS	Social Security System
STAR	Southern Tagalog Arterial Road
STI	Sexually Transmitted Infection
TESDA	Technical Education and Skills Development Authority
TSP	Total Suspended Particulates
UAP	Urban Agriculture Philippines
UCMP	Urban and City Management Program
UDHA	Urban Development and Housing Act
UHI	Urban Heat Island
UHLP	Unified Home Lending Program
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund

UNU-EHS	United Nations University Institute for Environment and Human Security
UPOs	Urban Poor Organizations
UPPI	University of the Philippines Population Institute
USAID	United States Agency for International Development
UVVRP	Unified Vehicular Volume Reduction Program
VA	Vulnerability Assessment
VAT	Value-Added Tax
WEPA	Water Environment Partnership in Asia
WHO	World Health Organization
WIE	Workers in the Informal Economy
YAFS	Young Adult Fertility Study
YEYE	Youth Education-Youth Employment
ZIP	Zonal Improvement Program
ZOs	Zoning Ordinances

# Executive Summary

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In 1996, the Philippines participated in the Second World Conference on Human Settlements or Habitat II. Held in Istanbul, Turkey, the conference addressed two themes of equal global importance: *Adequate Shelter for All and Sustainable Human Settlements Development in an Urbanizing World*. As an active member of the United Nations Center for Human Settlements, now known as UN-Habitat, the Philippines presented its national report entitled “*Shelter And Human Settlements: Philippine Report and Plan of Action*” at the conference. The national report contained the country's 20-year urban development roadmap which was anchored on three interconnected strategies: total human development, global competitiveness and sustainable development. It also contained the country's commitments which focused on infrastructure development in support of human settlements, pursuit of knowledge and livelihood, and ensuring physical, economic and social mobility. Twenty years later and the Philippines appears to have made significant achievements against most of its commitments under Habitat II.

*The Philippines participated in Habitat II and 20 years later appears to have made significant achievements against most of its commitments.*

Over the years, however, it has likewise emerged as one of the most populous countries in the world, with a population of over 100 million. The country's rapid urbanization has put tremendous pressures on city governments' to provide affordable, reliable, and quality basic urban services. The urban reach of Metro Manila—which has transformed into a megacity—has also expanded to the nearby regions as a result of sustained economic growth, making it one of the most populous urban agglomerations in the world. The country's population is predominantly young, with the share of population below 30 years old at around 60%. With this the country faces a demographic window of opportunity from youth dividends which could potentially sustain an annual growth rate of at least 7%. To address this, several initiatives have been launched. The Enhanced Basic Education Act extends formal education from 10 to 12 years in order to harness the county's young and trainable pool of human resources. The Alternative Learning System provides a chance to those who do are unable to do so to attend and finish formal basic education. The Youth Education-Youth Employment Program responds to the needs of the disadvantaged youth. The Youth Entrepreneurship Act provides young people with business acumen by introducing entrepreneurship and finance in the education curriculum. Building the capacity and life skills of its people, particularly the youth, for how to become productive members of a fast modernizing urban economy will be a key challenge of the Philippines in the coming years.

*In the span of two decades since Habitat II,, the Philippines has emerged as one of the most populous countries in the world, confronted by a myriad of urban challenges, including capturing a demographic window of opportunity from youth dividends.*

The country's archipelagic nature and geographic location have made it highly vulnerable to the adverse impacts of climate change and environmental degradation. Climate change in the Philippines has

been acutely felt in the last ten years through increased temperature, precipitation, rainfall, drought, flooding, storm surges, rising sea level, limited water supply, forest fires, and other changing weather patterns. Metro Manila is at high risk from cyclones, floods, and earthquakes. Metro Davao, the largest urban agglomeration in the island of Mindanao, is also exposed to the same risks. Cebu, Tacloban, and Iloilo in the Visayas have likewise sustained tremendous damages from major earthquakes and super typhoons these past years. National and local governments have made significant strides in mainstreaming climate change action (CCA) and disaster risk reduction and management (DRRM) in their city development and comprehensive land use planning. Emerging good practices in CCA and DRRM are being monitored, distilled, and developed as tools for quick application by local governments and communities. But challenges remain in institutionalizing policies, systems, and procedures and in making sure the coordination mechanisms among all stakeholders work.

*The country's archipelagic nature and geographic location have made it highly vulnerable to the adverse impacts of climate change and environmental degradation. Despite significant gains in mainstreaming CCA and DRRM in local development and land use planning, institutional and implementation challenges persist.*

Together, the 1991 Local Government Code (LGC) of the Philippines and the Urban Development and Housing Act (UDHA) of 1992 mandate the preparation of a Comprehensive Land Use Plan (CLUP) and a Comprehensive Development Plan (CDP) by local governments. Guidebooks and sourcebooks are available and regularly updated for the use of local governments in the preparation of their CLUPs and CDPs. They streamline the planning process, integrate environmental guidelines, facilitate cross-sectoral integration, standardize the formats used, and incorporate CCA and DRRM. However, the urban sprawl in the Philippines has become evident, caused mainly by the search for cheaper land outside the metropolises and the weak implementation of local plans and zonal ordinances. Many local governments lack the capacity to properly guide the direction of urban expansion. Transport networks and utility service extensions have been used more to service developments already in place than to shape and influence the direction of development. Open spaces for public use are not being protected sufficiently for the public. Sidewalks, even traffic islands, are being appropriated for private use, particularly in highly urbanized cities. Waterfronts, coastal zones, mountain ridges, and other visual corridors that offer excellent views of landscapes and seascapes have been built over, blocking the public view. Even some heritage sites are not being spared. Urban-rural linkages, particularly to fuel more economic activities and enhance urban as well as peri-urban food production, have yet to be more carefully considered.

*Land and urban planning in the Philippines highlight issues about managing urban form and design. Urban sprawl needs to be curbed and growth in the secondary cities stimulated. The shape of urban development in the country's peri-urban areas has to be better planned, considering the transport and housing needs of a more inclusive society.*

Urban governance in the Philippines involves a number of institutions, resulting in complex vertical-horizontal institutional coordination and linkages for planning, implementation, and operation of infrastructure and services. Although the decentralization process can be deemed a success, the nature of the urban challenges currently confronting Philippine cities calls for some changes, particularly for regional and large-scale infrastructure projects

*Urban governance in the Philippines involves many institutions and is constrained by an under-resourced sector leadership. New areas of urban challenges*

involving inter-jurisdictional cooperation. There have been watershed urban legislations, particularly the LGC and the UDHA which continue to be highly relevant for enabling sector investments, programs, and projects. Several measures have also been adopted for improved urban governance, including the Local Government Performance Management System and the Seal of Good Local Governance. These help measure the effectiveness and efficiency of local governance and promote transparency, accountability, financial management, disaster preparedness, social protection, business friendliness, peace and order, and environmental management.

But the accelerated pace of urbanization in the Philippines, with its archipelagic nature and geographic location making it highly vulnerable to climate change, calls for some modifications to the existing urban governance framework. Strengthening urban sector leadership, addressing the urban legal gaps, and fine tuning the decentralized urban service delivery framework are priorities for the coming years. Transparency and accountability through digital governance are also vital. Participatory mechanisms in the Philippines have become noteworthy, especially those involving NGOs and other civil society organizations. Given the complexity of the evolving urban challenges, however, they need to become even more innovative, aimed at more meaningful placemaking and public space design, leading to neighborhood livability and the public's wellbeing.

Philippine cities, particularly Metro Manila and other highly urbanized cities, have helped to propel the overall urban economy, which in turn has spurred the country's sustained economic expansion. However, many of them are still confronted by a multitude of urban problems such as congestion, overcrowding, poor quality of life, and rapidly growing poor urban communities. There is deficient investment in urban infrastructure—mostly for housing, water supply and sanitation, solid waste management, and low-carbon yielding urban transport. Moreover, unemployment and underemployment persists despite the sustained expansion of the overall economy and its record growth record of late. The highest incidences of unemployment in the country are seen among males, workers with higher educational attainment, and the youth. Meanwhile, underemployment is highest in the agriculture-based regions and in regions more vulnerable to climate change. The combined unemployment and underemployment rates account for the high poverty incidence that lingers in the country. Growth has, therefore, not been inclusive so far. More and better jobs, as well as equal access to improved livelihood opportunities are needed. The fast-growing sectors of the economy, including micro, small, and medium enterprises (MSMEs) should be fully supported.

The delivery of safe water, sanitation, waste management, energy, and transport continues to be a major challenge in the Philippines, particularly with respect to creating the conditions necessary for livability and resiliency in the cities. The strategies to be employed must consider economies of scale—which in many cases can be

*require a multi-level government response and clear, effective intergovernmental relationships. Urban legislative gaps arising from evolving urban challenges also need to be addressed.*

*Digital governance has to be harnessed for a new urban governance framework, while more innovative placemaking and public space design has to be put in place for a more participatory approach to planning and implementation.*

*The Philippine urban economy faces fundamental challenges on two fronts: deficient financing for housing, water supply and sanitation, solid waste management, and low-carbon yielding urban transport; and persistent unemployment and underemployment. Both undermine sustainable and inclusive development, requiring more innovative approaches and enhanced urban-rural linkages.*

*Basic infrastructure and services are deficient for livability and resiliency. A more spatially integrated approach considering*

achieved by a more spatially integrated and regionally balanced approach—as well as sustained private sector participation. Climate change also imposes the inclusion of more "green" features. Investments can be more rationalized using a *co-benefit* approach which espouses that projects to be considered must have multiple benefits in different sectors resulting from one policy, strategy, or initiative.

*economies of scale, a more balanced regional development and sustained private sector participation, as well as more "green" features is necessary.*

On the housing front, the current level of production represents a very small fraction of the estimated housing need—perpetuating the formation of informal settlements and slums in Metro Manila and other urban metropolis around the country. Informal settler families must be transformed and enabled to find secure and better places to live—in resilient communities that are able to withstand climate change and natural disasters, vibrant communities animated with socio-economic dynamism and quality urban infrastructure and services, and connected communities that are linked by transport and telecommunication to employment, sources of livelihood, the urban economy, and the rest of the city.

*Informal settler families, consistent with the National Informal Settlements Upgrading Strategy (NISUS) should be transformed, enabling them to live in resilient, vibrant, and connected urban communities.*

The country's archipelagic setting combined with the magnitude of urbanization makes accessibility between and within the islands costly and time consuming. The intense movement of people, materials and information, combined with generally inadequate urban transport systems in the Philippines, is causing millions in lost productivity and economic opportunities. There has been a bias so far towards planning for individual motorized transport rather than accessibility. This has led to tremendous traffic congestion and urban sprawl. The "*Avoid-Shift-Improve Framework*" is being promoted in planning subsequent urban transport systems. The envisioned outcome is a successful transition to a more inclusive, greener urban transport system with a lower carbon footprint for Metro Manila and other highly urbanized cities nationwide.

*A shift to a demand-based, low carbon yielding urban transport system should be promoted.*

Against this background, the Philippine Government began its national report preparation for the Third World Conference on Human Settlements or Habitat III to be held in Quito, Ecuador on 17-20 October 2016. The New Urban Agenda was formulated using a consultative, participatory, and consensus building approach, entailing a series of thematic, regional, and multi-sectoral workshops. The theme of the New Urban Agenda is *Better, Greener, Smarter Cities in an Inclusive Philippines*—reflective of the aspirations of millions of Filipinos for the future of their cities. *Better Cities* are globally competitive, economically vibrant, and livable. *Greener Cities* are environmentally sustainable, climate resilient, and safe. *Smarter Cities* are connected, physically, spatially and digitally. An *Inclusive Philippines* is equitable, participatory, and provides universal access to quality basic services. It safeguards children, women, the elderly people, and persons with disability. It equalizes access to livelihood opportunities. And last but not least, it facilitates the transformation of informal settler families in the metropolises, enabling them to live their lives with more pride and dignity.

*The Habitat III Philippine National Report presents a New Urban Agenda. The theme of the agenda is Better, Greener, Smarter Cities in an Inclusive Philippines—reflective of the aspirations of millions of Filipinos for the future of their cities.*

# 1 Introduction

In 1996, the Philippines participated in the Second World Conference on Human Settlements or Habitat II. Held in Istanbul, Turkey, the conference addressed two themes of equal global importance: *Adequate Shelter for All and Sustainable Human Settlements Development in an Urbanizing World*. As an active member of the United Nations Center for Human Settlements, now known as UN-Habitat, the Philippines presented its national report entitled “*Shelter And Human Settlements: Philippine Report and Plan of Action*” at the conference. The national report contained the country's 20-year urban development roadmap which was anchored on three interconnected strategies—total human development, global competitiveness, and sustainable development. It also contained the country's commitments which focused on infrastructure development in support of human settlements, pursuit of knowledge and livelihood, and ensuring physical, economic and social mobility. The country committed to a holistic approach, hinged on interagency coordination for human settlements development with poverty reduction, livelihood generation, and environmental protection as national development thrusts.

Twenty years later and the Philippines appears to have made significant achievements against most of its commitments under Habitat II.<sup>1</sup> Over the years, however, it has likewise emerged as one of the most populous countries in the world, with a population of over 100 million. The country's rapid urbanization has put undue pressures on city governments' limited absorptive capacities to provide affordable, reliable, and quality basic urban services. The urban reach of Metro Manila, which has transformed into a megacity, has engulfed nearby regions, making it one of the most populous urban agglomerations in the world. Metro Manila exhibits a relatively sporadic and unplanned urbanization which has resulted in poor quality urban services. Yet, it continues to attract millions of migrants from all over the country, causing social exclusion for those unable to find gainful employment and decent living conditions. Furthermore, the archipelagic nature and geographic location of the Philippines have made it highly vulnerable to the adverse impacts of climate change and environmental degradation. Climate change in the Philippines has been acutely felt in the last ten years in the increased temperature, precipitation, extreme rainfall, drought, flooding, and storm surges, rising sea level, limited water supply, forest fires, and other changing weather patterns. Metro Manila is at high risk from cyclones, floods, and earthquakes. Metro Davao, the largest urban agglomeration in the southern island of Mindanao, is also exposed to the same risks.

Philippine cities, particularly Metro Manila and other highly urbanized cities, have helped to propel the overall urban economy, which in turn has spurred the country's sustained economic expansion. However, many of them are still confronted by a multitude of urban problems such as congestion, overcrowding, poor quality of life, and rapidly growing poor urban communities. There is deficient investment in urban infrastructure—mostly for water supply and sanitation, solid waste management, and low-carbon yielding urban transport. All these reflect the enormity of the urban governance challenge facing the country despite the relative success of the decentralization process.

Against this background, the Philippine Government began its national report preparation for the Third World Conference on Human Settlements or Habitat III to be held in Quito, Ecuador on 17-20 October 2016. The New Urban Agenda was formulated using a consultative,

<sup>1</sup> See Appendix 1 of this report for a summary of the commitments made by the Philippine Government under HABITAT II. Appendix 1 also reports on the achievements made so far against the country's HABITAT II commitments.

participatory and consensus-building approach entailing a series of thematic, regional and multi-sectoral workshops. The theme of the New Urban Agenda is *Better, Greener, Smarter Cities in an Inclusive Philippines*— reflective of the aspirations of millions of Filipinos for the future of their cities. *Better Cities* are globally competitive, economically vibrant, and livable. *Greener Cities* are environmentally sustainable, climate resilient and safe. *Smarter Cities* are connected, physically, spatially and digitally. An *Inclusive Philippines* is equitable, participatory, and provides universal access to quality basic services. It safeguards children, women, the elderly people, and persons with disability. It equalizes access to livelihood opportunities. And equally important, it enables informal settler families to transform in the metropolises, living their lives with more pride and dignity.

This Habitat III national report containing the Philippines' New Urban Agenda consists of 8 chapters. **Chapter 2** discusses the urban demographic issues and challenges for the New Urban Agenda. **Chapter 3** summarizes the land and urban planning issues and challenges. **Chapter 4** focuses on the urban environment, addressing climate change and disaster risk reduction and management as well as the challenges of air pollution and traffic congestion. **Chapter 5** highlights the urban governance challenges, the lessons learned and how urban governance reforms in the Philippines should evolve more quickly, going beyond sectoral policies to promote stronger cooperation among the various agents of government, the private sector, and civil society. **Chapter 6** underscores the urban economy and how it can bolster the cities' capacity to fully transform into drivers of sustainable local economic development, employment creation, and wealth. **Chapter 7** describes the issues and challenges in enabling the urban population to access adequate housing, safe drinking water, basic sanitation, clean energy, and a more inclusive, sustainable means of transport. **Chapter 8** distills the lessons learned, integrates the challenges identified in previous chapters, and presents a consolidated New Urban Agenda.

# 2

## Urban Demography: Issues and Challenges for a New Urban Agenda

The Philippines, an archipelago of 7, 107 islands in the western Pacific Ocean, is the twelfth most populous country in the world. Its population, estimated at about 101.6 million, is equivalent to 1.37% of the world's total population.<sup>2,3</sup> In Asia, it is considered the seventh most populous, next to Japan, and followed by Vietnam.<sup>4</sup> The country's islands are geographically organized into three major groups—Luzon, the Visayas, and Mindanao. Luzon, the largest island group in the Philippines, is located in the northernmost region of the archipelago. It is the economic and political center of the nation and home to Metro Manila, also known as the National Capital Region.

**Metro Manila, also called the National Capital Region (NCR), is the Philippines' largest urban agglomeration. It comprises the built-up area of the capital city of Manila and the 15 cities and one municipality surrounding it to form one contiguous urban area.**

About 52 million Filipinos, more than half of the Philippines' total population, live in the Luzon island group. The Visayas, a collection of large and small islands in central Philippines, is often described as the cradle of the country's civilization because it is where Spain began the process of colonization that profoundly shaped the nation's history. Less than a fifth of the country's total population, estimated at 18 million, live in the Visayas although its main cities—Cebu, Iloilo and Bacolod—have been experiencing rapid population growth in the last 10 years. The third island group, Mindanao, is located in the southernmost part of the country. The second biggest island group in the Philippines, it is home to almost 22 million Filipinos. It is regarded as the agricultural basin of the Philippines and produces 8 of the top 10 agricultural commodity exports from the country. Davao City, the largest city in the country in terms of land area, serves as its main trade, commerce, and industry hub.

The Philippine population had an average annual growth rate of 2.34% during the period 1990-2000. During the period 2000-2010, this rate of growth declined to 1.90%.<sup>5</sup> This growth rate went down further to 1.73% during the period 2010-2015.<sup>6</sup> However, despite the slower pace of growth, the Philippine population continues to increase in absolute numbers. It is estimated that the Philippine population will reach 141.7 million by 2040. Projections by the Government also indicate that the population will expand by 9 million, more or less, every five years or by about 1.8 million every year.<sup>7</sup> By 2050, the Philippine population is projected to reach 148 million, making it the 13<sup>th</sup> most populous country in the world and the 6<sup>th</sup> in Asia, next to Bangladesh and still followed by Vietnam.<sup>8</sup>

Nationwide, the sex ratio is 101.8 males per 100 females (**Table 2-1**). This overall ratio was consistent from 2010-2015. However, there were significantly more females in the older age

<sup>2</sup> Philippine Statistics Authority. *2015 Philippine Statistical Yearbook* (Quezon City: PSA), 1-27.

<sup>3</sup> United Nations, Department of Economic and Social Affairs, Population Division (2015). *The 2015 Revision of World Population Prospects*. <http://esa.un.org/unpd/wpp/>

<sup>4</sup> United Nations, Department of Economic and Social Affairs, Population Division (2015). *World Population Prospects: The 2015 Revision, Key Findings and Advance Tables, Working Paper No. ESA/P/WP.241* (New York: United Nations, 2015) 22.

<sup>5</sup> *2015 Philippine Statistical Yearbook*. 1-10.

<sup>6</sup> <https://www.psa.gov.ph/content/142-million-philippine-population-2045>

<sup>7</sup> <http://www.census.gov.ph/statistics/census/projected-population>

<sup>8</sup> United Nations, Department of Economic and Social Affairs, Population Division (2015). *World Population Prospects: The 2015 Revision*, 24-25.

groups, from 59 years old and above. Here the sex ratios declined to as low as 55.4 males per 100 females for those aged 80 years old and above.

**Table 2-1: Philippine Population, By Sex and By Age Group: 2010 and 2015**

Age Group	2010 (Actual)				2015 (Projected)			
	Both Sexes	Male (%)	Female (%)	Males Per 100 Females	Both Sexes	Male (%)	Female (%)	Males Per 100 Females
Philippines	92,097,978	50.4	49.6	101.8	101,562,300	50.4	49.6	101.8
Under 5	10,231,648	51.7	48.3	107.1	11,327,300	51.4	48.6	105.8
5-9	10,317,657	51.7	48.3	106.9	10,671,000	51.1	48.9	104.5
10-14	10,168,219	51.4	48.6	105.9	10,283,900	51.6	48.4	106.8
15-19	9,676,359	50.8	49.2	103.2	10,136,900	51.4	48.6	105.8
20-24	8,370,398	50.5	49.5	102.2	9,643,400	50.9	49.1	103.5
25-29	7,390,062	50.3	49.7	101.3	8,332,500	50.7	49.3	102.8
30-34	6,744,028	50.7	49.3	102.8	7,342,000	50.4	49.6	101.7
35-39	5,990,108	50.7	49.3	102.9	6,685,300	50.7	49.3	103.0
40-44	5,450,679	50.7	49.3	102.7	5,916,400	50.7	49.3	102.7
45-49	4,664,537	50.5	49.5	101.9	5,351,200	50.5	49.5	102.1
50-54	3,883,630	50.1	49.9	100.4	4,530,000	50.1	49.9	100.6
55-59	2,980,350	49.4	50.6	97.4	3,703,100	49.4	50.6	97.8
60-64	2,224,105	47.7	52.3	91.3	2,765,500	48.3	51.7	93.4
65-69	1,495,115	45.4	54.6	83.2	1,978,400	46.1	53.9	85.5
70-74	1,140,951	43.1	56.9	75.7	1,249,200	43.1	56.9	75.8
75-79	705,977	40.5	59.5	68.0	870,200	40.2	59.8	67.1
80 above	664,155	35.6	64.4	55.4	776,000	35.8	64.2	55.7

Sources: 2015 Philippine Statistical Yearbook, HUDCC estimates.

Note: For 2015, numbers used were projections from the 2015 Philippine Statistical Yearbook which classified those aged 80 and above only in one group.

The country's population is predominantly young, with about 27.6% belonging to the 15-29 years old age group. An additional 33.4% are below 15 years old. This brings the share of the population below 30 years old to 60%. With this, the country faces a demographic window of opportunity from youth dividends which could sustain an annual GDP growth of at least 7%. This could enable the country to attain a higher middle-income status with gross per capita income of USD 4,125 by 2022.<sup>9</sup> The country's total age dependency ratio—defined as the ratio of dependents (people younger than 15 and older than 64) to the working-age population (aged 15-64)—is 60.5%. This is higher than the overall ratios recorded for Asia (47.6%) and Southeast Asia (50.1%) in 2010.

Currently, the islands of the archipelagic Republic of the Philippines are grouped into 18 regions—characterized as administrative divisions that primarily serve to organize the country's provinces.<sup>10</sup> In the National Capital Region (NCR) and CALABARZON, the sex ratio is 96.1 males per 100 females and 99.5 males per 100 females, respectively, indicating that in the country's most urbanized regions the female population is slightly higher (Table 2-2). Notably, the more urbanized regions, namely NCR (48.1), CALABARZON (56.2), Central Luzon (56.) and Davao Region (59.5) posted dependency ratios below the national average.<sup>11</sup>

<sup>9</sup> National Economic Development Authority. *Excerpted from the Philippine Economic Briefing—Macroeconomic Developments and the Role Human Capital Development and Infrastructure, September 2015 (Manila, Philippines).*

<sup>10</sup> A new administrative region—the Negros Island Region in the Visayas—was created through Executive Order No. 183 dated 29 May 2015. This report, however, still show statistics relevant to this new region as part of Region VI—Western Visayas.

<sup>11</sup> 2015 Philippine Statistical Yearbook. 1-18, 1-21 to 1-25.

**Table 2-2: Philippine Population, By Region and By Sex, 2010**

Region	Both Sexes	Male	Female	Males Per 100 Females
<b>PHILIPPINES</b>	92,097,978	46,459,318	45,638,660	101.8
<b>Luzon</b>				
National Capital Region	11,796,873	5,781,807	6,015,066	96.1
Cordillera Administrative Region	1,611,669	821,042	790,627	103.8
Region I – Ilocos Region	4,743,067	2,391,548	2,351,519	101.7
Region II – Cagayan Valley	3,225,761	1,644,710	1,581,051	104.0
Region III – Central Luzon	10,118,478	5,104,434	5,014,044	101.8
Region IV-A – CALABARZON	12,583,009	6,276,619	6,306,390	99.5
Region IV-B – MIMAROPA	2,731,928	1,400,061	1,331,867	105.1
Region V – Bicol Region	5,411,521	2,760,551	2,650,970	104.1
<b>Visayas</b>				
Region VI – Western Visayas	7,089,739	3,597,923	3,491,816	103.0
Region VII – Central Visayas	6,784,538	3,426,307	3,358,231	102.0
Region VIII – Eastern Visayas	4,089,734	2,101,108	1,988,626	105.7
<b>Mindanao</b>				
Region IX – Western Mindanao	3,397,838	1,732,132	1,665,706	104.0
Region X – Northern Mindanao	4,284,594	2,183,786	2,100,808	104.0
Region XI – Davao Region	4,452,549	2,278,648	2,173,901	104.8
Region XII – SOCCSKSARGEN	4,103,105	2,098,776	2,004,329	104.7
Region XIII – CARAGA	2,424,788	1,245,268	1,179,520	105.6
Autonomous Region in Muslim Mindanao	3,248,787	1,614,598	1,634,189	98.8

CALABARZON = Cavite, Laguna, Batangas, Rizal, and Quezon Provinces; MIMAROPA = Mindoro, Marinduque, Romblon and Palawan Provinces; SOCCSKSARGEN = South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos Provinces; CARAGA = Agusan del Norte, Agusan del Sur, Dinagat Islands, Surigao del Sur; ARMM = Autonomous Region in Muslim Mindanao.

Source: 2015 Philippine Statistical Yearbook.

## 2.1 Managing Urbanization

### 2.1.1 A Highly Urbanized Philippines

Up until the very early 2000s, the Philippines had one of the highest levels of urbanization among its neighboring Asian countries, with approximately 48% of its total population reported as living in urban areas. However, in 2003, the National Statistical Coordination Board (NSCB)

**The new definition of an urban area is as follows: A *barangay* (Filipino term for neighborhood, village, district or ward) is considered urban if (i) it has a population size of 5,000 or more; (ii) if it has at least one establishment with a minimum of 100 employees; or (iii) if it has 5 or more establishments with a minimum of 10 employees, and 5 or more facilities within the two-kilometer radius from the *barangay* hall. Furthermore, all *barangays* in the National Capital Region are automatically classified as urban and all highly urbanized cities would be subjected to the urban-rural criteria in order to determine its urban-rural classification.**

approved a new definition for urban areas following a rigorous review of the criteria which has been in use since 1970.<sup>12</sup> With the new definition intended to improve the statistical measurement of urban areas, a reduced but more accurate level of urbanization in the country was determined.<sup>13</sup> In

2007, as a result of the new definition, the NSCB reported that 37.6 million or 42.4% of the country's total population were residents of urban areas, a level of urbanization that was significantly lower than the previously reported 48%. From 2007, the Philippines' level of urbanization increased to 45.3% in 2010. In 2014, the proportion of the Philippines' urban

<sup>12</sup> The old definition of urban areas considered population density, street pattern, and presence of establishments and facilities for basic services. A review of the criteria revealed that some of them were no longer applicable, leading to the conclusion that there was a need to formulate a more up-to-date, practical, and realistic definition of urban areas in the Philippines. The new definition was approved and issued through NSCB Board Resolution No. 9, s 2003.

<sup>13</sup> The new definition revised the criteria for classifying a *barangay*—the smallest administrative division in the Philippines and the native Filipino term for a village, district or ward—as urban or rural.

population to total population was estimated by the United Nations to be 44%, still among the highest in Southeast Asia, but behind countries like Indonesia and Thailand. By 2050, the same UN forecast shows that the urbanization level of the Philippines will reach 56%.<sup>14</sup>

### 2.1.2 Patterns and Trends of Urbanization— The Continuing Primacy of Metro Manila

Provinces, not the regions, constitute the primary political divisions in the Philippines. They are further subdivided into cities and municipalities, which in turn, are subdivided into *barangays*. As of June 2015, there were 81 provinces; 144 cities; 1,489 municipalities; and 42, 029 *barangays* in the Philippines (Table 2-3).<sup>15</sup>

**Table 2-3: Distribution of Provinces, Cities, and Municipalities in the Philippines, By Region**

Region	Provinces	Cities	Municipalities	Barangays
<b>PHILIPPINES</b>	<b>81</b>	<b>144</b>	<b>1,489</b>	<b>42,029</b>
<b>Luzon</b>				
National Capital Region	0	16	1	1,706
Cordillera Administrative Region	6	2	75	1,176
Region I – Ilocos Norte	4	9	116	3,265
Region II – Cagayan Valley	5	4	89	2,311
Region III – Central Luzon	7	14	116	3,102
Region IV-A – CALABARZON	5	18	124	4,011
Region IV-B – MIMAROPA	5	2	71	1,459
Region V – Bicol Region	6	7	107	3,471
<b>Visayas</b>				
Region VI – Western Visayas	5	3	98	3,389
Region VII – Central Visayas	3	10	97	2,446
Region VIII – Eastern Visayas	6	7	136	4,390
<b>Mindanao</b>				
Region IX – Western Mindanao	5	24	105	3,123
Region X – Northern Mindanao	5	9	84	2,022
Region XI – Davao Region	5	6	43	1,162
Region XII – SOCCSKSARGEN	4	5	45	1,195
Region XIII - CARAGA	5	6	67	1,311
Autonomous Region in Muslim Mindanao	5	2	116	2,490

CALABARZON = Cavite, Laguna, Batangas, Rizal, and Quezon Provinces; MIMAROPA = Mindoro, Marinduque, Romblon and Palawan Provinces; SOCCSKSARGEN = South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos Provinces; CARAGA = Agusan del Norte, Agusan del Sur, Dinagat Islands, Surigao del Sur; ARMM = Autonomous Region in Muslim Mindanao.

Source: 2015 Philippine Statistical Yearbook.

Among the administrative regions, the NCR, popularly known as Metro Manila, is the most urbanized with a 100% level of urbanization (Table 2.4). Metro Manila's 2010 total population of 11.86 million<sup>16</sup> actually varies from daytime to nighttime. At daytime, its population is much larger because of the huge number of non-residents commuting to Metro Manila for work every day. For instance, Makati City—the country's financial center, has a nighttime population of 529,039 but swells to 3.2 million in the daytime.<sup>17</sup> Metro Manila's population density is 19, 137 persons per km<sup>2</sup>. This is

**As of 2010, Metro Manila's population has reached 11.9 million, catapulting it to the world's top 20 megacities— defined as metropolitan areas with a total population of over 10 million people. Its total urban area, which encompasses the provinces in Regions III and IV, has an estimated total population of 24.6 million in 2015, counting it among the top five most populous urban agglomerations in the world.**

Sources: Philippines Statistics Authority, HUDCC estimates.

<sup>14</sup> United Nations, Department of Economic and Social Affairs, Population Division (2014). *World Urbanization Prospects: The 2014 Revision, Highlights (ST/ESA/SER.A/352)*. 241 (New York: United Nations, 2014) Annex, Table 1.

<sup>15</sup> 2015 Philippine Statistical Yearbook. 19.

<sup>16</sup> Philippine Statistics Authority. *2010 Census of Population and Housing: National Capital Region*.

<sup>17</sup> Comprehensive Land Use Plan of Makati 2013-2030.

62 times higher than the national average of 308 persons per km<sup>2</sup> (Table 2-5).

**Table 2-4: Urban Population and Level of Urbanization, By Region: 2007 and 2010**

Region	Urban Population		Level of Urbanization	
	2007	2010	2007	2010
<b>PHILIPPINES</b>	37,579,591	41,855,571	42.4	45.3
<b>Luzon</b>				
National Capital Region	11,566,325	11,855,975	100.0	100.0
Cordillera Administrative Region	298,138	424,771	19.6	26.3
Region I – Ilocos Norte	520,071	600,945	11.4	12.7
Region II – Cagayan Valley	268,478	373,407	8.8	11.6
Region III – Central Luzon	4,685,251	5,232,569	48.3	51.6
Region IV-A – CALABARZON	6,404,376	7,256,882	54.5	59.7
Region IV-B – MIMAROPA	465,040	612,615	18.2	22.3
Region V – Bicol Region	647,814	831,380	12.7	15.3
<b>Visayas</b>				
Region VI – Western Visayas	2,205,530	2,446,109	32.2	34.7
Region VII – Central Visayas	2,556,309	2,969,340	39.9	43.7
Region VIII – Eastern Visayas	222,692	358,405	5.7	8.7
<b>Mindanao</b>				
Region IX – Western Mindanao	1,026,456	1,156,754	31.8	33.9
Region X – Northern Mindanao	1,512,087	1,773,032	38.3	41.3
Region XI – Davao Region	2,254,933	2,649,039	54.2	59.3
Region XII – SOCCSKSARGEN	1,645,509	1,911,253	43.0	46.5
Region XIII - CARAGA	731,182	446,246	17.7	13.7
Autonomous Region in Muslim Mindanao	569,399	666,849	24.8	27.5

CALABARZON = Cavite, Laguna, Batangas, Rizal, and Quezon Provinces; MIMAROPA = Mindoro, Marinduque, Romblon and Palawan Provinces; SOCCSKSARGEN = South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos Provinces; CARAGA = Agusan del Norte, Agusan del Sur, Dinagat Islands, Surigao del Sur; ARMM = Autonomous Region in Muslim Mindanao.

Source: National Statistical Coordination Board/Philippine Statistical Authority, 2010.

**Figure 2-1** illustrates the varying levels of urbanization in the Philippines. Growing steadily over the past two decades, Metro Manila’s urbanization has been quite sporadic and unplanned, resulting in poor services for managing solid waste, wastewater, air quality, transportation, traffic,

**The number of informal settlers in Metro Manila has reached 556,526 households—about 3.4 million people— of which 18% or around 614,436 people are living in disaster-prone areas. Households with shanties along major riverbanks, creeks and other waterways in Metro Manila have been estimated at 60,130, equivalent to 360,780 people.**

Source: MMDA Census (2011).

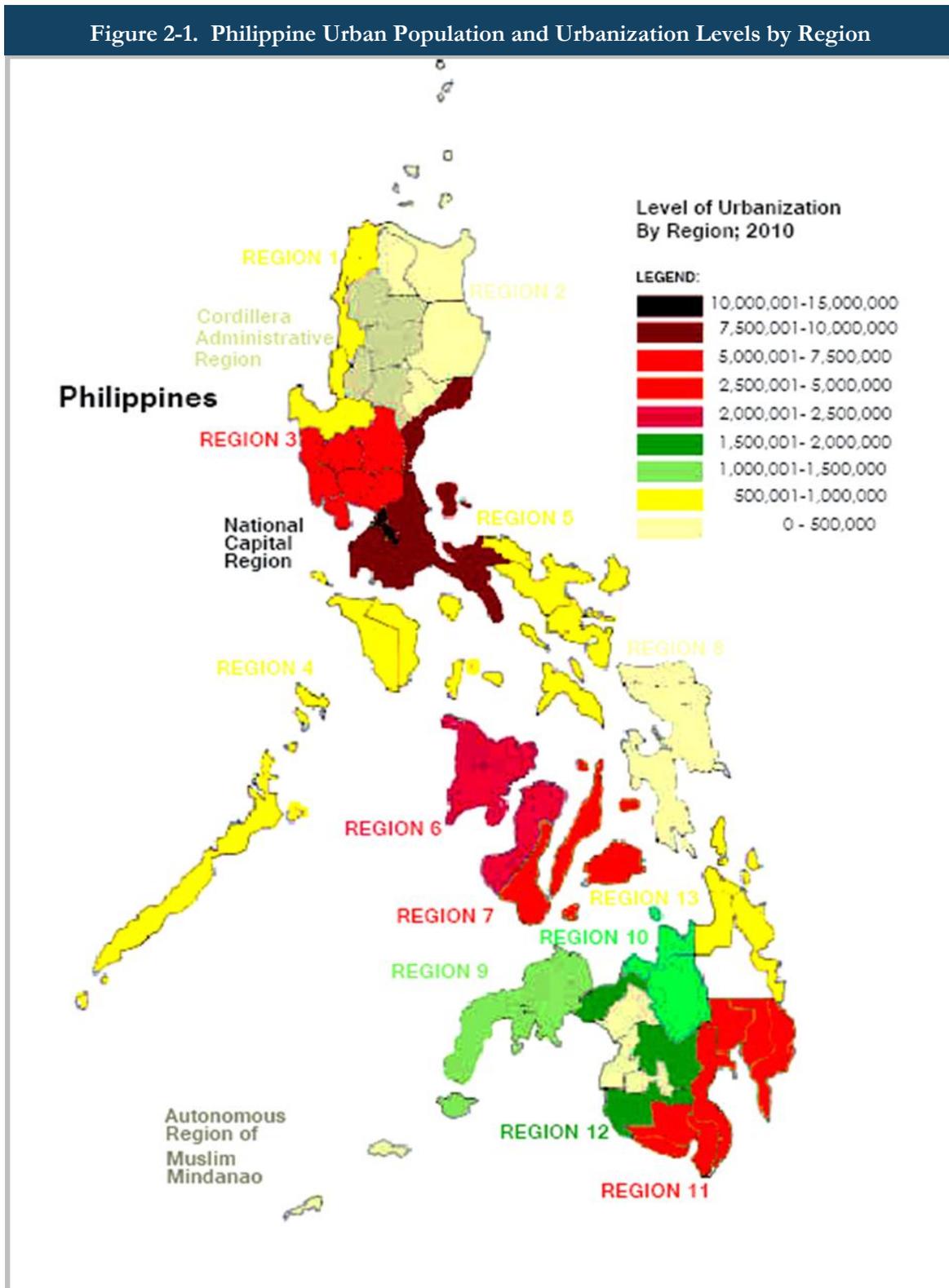
and other needs of a growing urban population. Its rapid urban growth has also resulted in the social exclusion of a huge number of informal settler families (ISFs). These low-income families occupy vacant lands, whether public or private, even in disaster-prone places like along *esteros*<sup>18</sup> and riverbanks, or under bridges since they cannot afford to

acquire a decent house. Their informal settlements have become widespread in the metropolis. They have exploded in number and size over the decades and have become a tremendous challenge in urban management and governance for national government agencies (NGAs) and Metro Manila local governments.

To address the problem of informal settlements, Metro Manila local governments have relocated ISFs to suitable settlement sites in the urban fringes of the NCR, in the nearby provinces of Laguna and Bulacan. However, the government has embarked on a Resettlement Program for ISFs living in danger zones, giving priority to building housing units within Metro Manila instead of “off-city” relocation. To prevent “professional squatters” from taking advantage of the

<sup>18</sup> Filipino word with Spanish origin used to call an estuary or inlet especially when marshy; specifically, a tidal channel used as a drainage canal in populated districts.

government's financial aid, ISFs were registered using a biometric listing/enrolment and registration instrument.



**Table 2-5. Population and Density of Metro Manila Cities: 2000 and 2010**

Region and City	Population		Density (persons/km <sup>2</sup> )	
	2000	2010	2000	2010
<b>Philippines</b>	76,506,928	92,337,852	255	308
<b>National Capital Region</b>	9,932,560 <sup>1</sup>	11,855,975	16,032	19,137
City of Manila	1,581,082	1,652,171	63,294	66,140
Caloocan City	1,177,604	1,489,040	21,104	26,685
Las Piñas City	472,780	552,573	14,463	16,903
Makati City	444,867	529,039	20,624	24,527
Malabon	338,855	353,337	21,569	22,491
Mandaluyong City	278,474	328,699	29,976	35,382
Marikina City	391,170	424,150	18,177	19,710
Muntinlupa City	379,310	459,941	9,542	11,571
Navotas	230,403	249,131	25,772	27,867
Parañaque City	449,811	588,126	9,659	12,629
Pasay City	354,908	669,773	25,405	47,944
Pasig City	505,058	392,869	10,422	8,107
Pateros	57,407	64,147	5,520	6,168
Quezon City	2,173,831	2,761,720	12,660	16,084
San Juan	117,680	121,430	19,778	20,408
Taguig	467,375	644,473	10,338	14,255
Valenzuela City	485,433	575,356	10,324	12,236

Source: 2015 Philippine Statistical Yearbook.

Note: Population counts for the cities/municipalities do not add up to the regional total with some numbers still being disputed by Makati and Taguig cities.

In addition, the rapid pace of Metro Manila's urbanization has placed much pressure on its transport infrastructure. The massive number of daily commuters plying the roads and bridges of Metro Manila every day, to go to work or transact business, has caused monstrous daily gridlocks that cost the economy billions in productivity losses. As a measure to decongest traffic and reduce the number of operating passenger and cargo vehicles, the MMDA implemented a Unified Vehicular Volume Reduction Program (UVVRP). The program, also known as 'number coding', bans all public and private motor vehicles from plying major thoroughfares on weekdays depending on the last digit of their vehicle plate number, except during public holidays.

Other urban management problems have also surfaced. Improper solid waste disposal as a pervasive urban problem is being addressed through the National Ecological Solid Waste Management Act of 2001. This law compels all local governments to install infrastructure and facilities that will promote solid waste reduction, reuse, and recycling. Following the enactment of the solid waste management law, most cities in Metro Manila installed their own solid waste management systems, while sharing the use and management of sanitary landfills in San Mateo, Rizal Province and Payatas, Quezon City.

However, the management of wastewater and sanitation in Metro Manila continues to be a challenge. Of the 11.6 million people in Metro Manila, only about 15% have access to fully piped sewerage in 2012; the remainder relies on septic tanks, pit latrines, or even practice open defecation. Many of the septic tanks are generally of poor construction. Many informal settlements exist along waterways where there are inadequate sanitary facilities. All these continue to pollute the waters, with pathogens finding their way into drinking water aquifers, Manila Bay, or the Laguna de Bay.<sup>19</sup> While this is the grim reality of domestic waste water practices in Manila, the problem is even worse outside the metropolis.

In urban areas outside Metro Manila, particularly the highly urbanized cities, there is virtually no infrastructure for appropriate waste water treatment and disposal.

<sup>19</sup> Excerpted from the National Sewerage and Septage Management Program Full Report 2010.

## 2.1.3

## Internal Migration Patterns and Metro Manila's Peri-Urbanization

Urbanization remains uneven but is veering towards the fringes of Metro Manila—a phenomenon called peri-urbanization. Proximate to Metro Manila, the rapidly urbanizing and industrializing regions of CALABARZON and Central Luzon continue to make the southern part of Luzon the dominant part of the country. These two regions maintain a close linkage with Metro Manila, transforming into major sources of attractions for jobs, small enterprise development, and other livelihood potential for urban migrants from other regions nationwide. Analysis of the Philippines' historical internal migration pattern shows that CALABARZON has become the destination of most urban migrants, attracting 28% of the total long-distance movers during the period 2005-2010—with a significantly large proportion coming from Metro Manila (Figure 2-2). About 20% favored Metro Manila while 13% moved to Central Luzon.<sup>20</sup> The rapid growth of CALABARZON and Central Luzon demonstrates the impact on urbanization of the development strategy to further industrialize regions outside Metro Manila through free port areas and special economic zones. In Luzon, free ports and special economic zones were established in Cavite, Laguna, Batangas, Rizal, and Quezon which constituted the CALABARZON region, and in Bulacan and Pampanga, which are located in the Central Luzon region.

The population distribution of the Philippines, which has tilted heavily toward Metro Manila since the 1960s, has changed. By 2010, five decades later, the pattern of population growth has shifted toward the southern and northern fringes of Metro Manila. Currently, the most populous region in the Philippines is CALABARZON. Located just 70 kilometers south of Metro Manila, it has an estimated population of 12.6 million, surpassing Metro Manila's 11.9 million. The third largest region is Central Luzon, about 100 kilometers north of Metro Manila, which has 10.1 million.

Sources: Philippines Statistics Authority, Commission on Population.

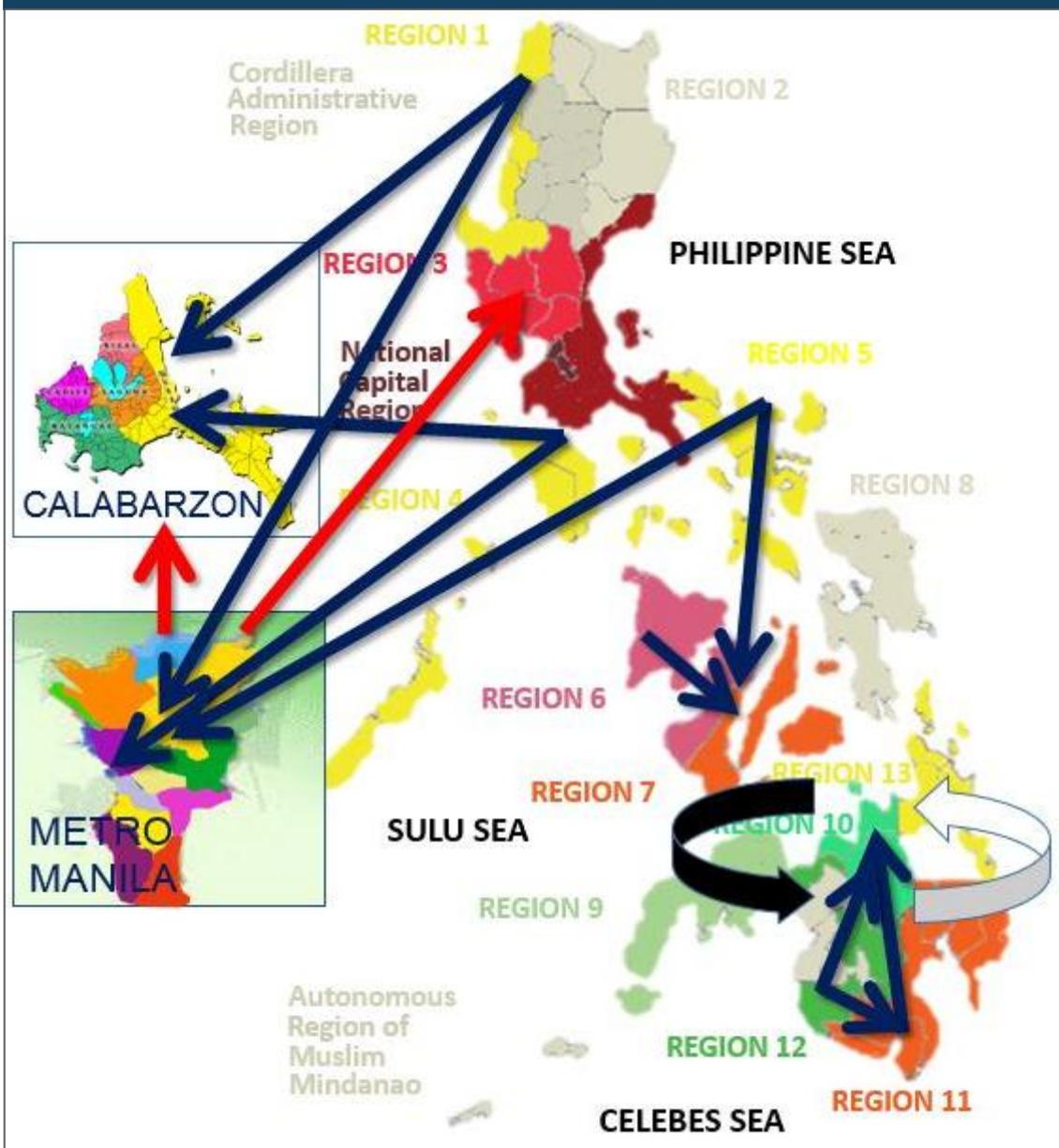
Internal migration from rural areas to the cities has become an important factor in the Philippines' increasing level of urbanization, particularly in regions closest to Metro Manila. Based on the 2000 Census on Population and Housing (CPH), the majority of internal migrants were people in their prime ages, with 52% among those in the working age 20-29. The female population appeared to be drawn to move to urban areas in their earlier ages; 33.6% of female migrants in the 20-29 age group migrated earlier compared to their male counterparts.

In the Philippines, migration is usually motivated by economic conditions due to the lack of employment and income, as well as livelihood prospects. Cases of prolonged and persistent mismatch between educational attainment and available economic opportunities push more migrants to the cities. This partly explains why young female migrants tend to move earlier to the cities. With relatively lesser education and skills, particularly in relation to agricultural activities, they are motivated to respond to the high demand for domestic female helpers in the urban areas. Here the pressures of urban life provide multiple challenges to families, prompting their demand for outside support. Oftentimes, the decision of the migrant is facilitated by an existing social support system in the destination cities.

Still, others migrate as a result of displacements due to natural and environmental disasters. The eruption of Mount Pinatubo in 2001, for example, forced millions of people out of their homes in Central Luzon into informal settlements in Metro Manila.

<sup>20</sup> Juan Antonio Perez III. *Urban Demography Philippines—A Presentation During the National Urban Development and Housing Framework Scoping Workshop*. (Manila: Commission on Population, June 2015).

Figure 2-2. Philippine Internal Migration Pattern



Migration in the Philippines tends to be selective of persons in the prime ages (52% among working age 20-39). It is also highly selective of females in the 20-29 age group (33.6% of female migrants). Migrants usually move as single or unmarried (46% of migrants). Most of them are at least high school graduates (24%). At least 75% find jobs in their areas of destination.

Source: 2000 Census on Population and Housing

Others migrated to other regions, even as far away as Mindanao. More recently in 2013, super typhoon Yolanda devastated the Visayas regions, particularly Eastern Visayas, forcing survivors to migrate to other regions. The archipelagic nature of the Philippines and its vulnerability to natural disasters and climate change heavily impacts the country's demographic structure, particularly through changes in migration patterns.

## 2.2 Managing Urban-Rural Linkages

### 2.2.1 The Rural-Urban Continuum: The Growth of Smaller Urban Centers

Urban and rural communities are essentially different but they are interconnected through a continuum. Structural shifts occur usually slowly from rural to urban, as evidenced by the experience of many developed countries. In the Philippines, the conditions and characteristics distinguishing an urban from a rural community are clear, particularly with the change in the definition of an urban area by NSCB in 2003 (*see footnotes 12*). With only 13.6% of total *barangays* classified as urban and the urbanization level reduced to 45.3% from the higher rates before 2003, less than two out of four persons were living in Philippine cities in 2010. In this context, the movement of Philippine communities along the rural-urban continuum seems to have slowed down.

However, the inter-linkages between urban and rural communities appear to be at work in Metro Manila, Cebu, Davao, and other major urban centers in the Philippines. For instance, many workers in these metropolises are not native residents but are residents of rural *barangays*, or of the peri-urban fringes where they live in either temporary or cheaper accommodations. This migration pattern has resulted in the growth of smaller towns and peri-urban areas, at rates higher than the larger cities, transforming them into opportunities for curbing the ecological and carbon footprints of the larger metropolitan areas. They are smaller than the capital towns and the highly urbanized cities (HUCs) of the Philippines. These peri-urban areas are developing into market towns and administrative centers with the potential to transform into more inclusive, resilient and economically vibrant smaller urban centers.

Small urban centers in the urban fringe of large metropolitan areas in the Philippines are becoming a phenomenon. These centers are evolving into critically important venues for facilitating transactions and exchanges between rural and urban communities. Rural communities depend on them for access to traders and markets to enable them to dispose their agricultural products. It also allows access to retail stores and other facilities like schools, hospitals, or even entertainment facilities like movie houses that are located in these centers. Examples of small urban centers close to Metro Manila include Cainta and San Mateo in Rizal; San Jose del Monte in Bulacan; and Biñan in Laguna. There are also examples in the Visayas and Mindanao regions—Tanuan in Leyte and Carcar in Cebu. These intermediate urban centers also provide employment and small business opportunities for the rural population, helping to ease migration pressures on larger urban centers.

### 2.2.2 The Rural-Urban Migration: The Push-Pull Factors Persist

Development in the country has historically been inclined towards the urban sector at the expense of the rural areas. This development pattern has resulted in sluggish rural development, limiting the educational, employment, and residential prospects in these areas, *pushing* many to

migrate to the cities in search of better opportunities. Environmental and political factors may also play a role in the decision to move as shown earlier. This situation aggravated the *pull factors* which lure many migrants into the cities in the hopes of improving their socioeconomic conditions.<sup>21</sup> Based on the National Census and Statistics Office (NCSO) survey in 2008 the rural poor, comprising about 42.5% of the country's total population, outnumber the urban poor by more than double that of the proportion of the urban poor (19.7%) to total population.

It is envisaged that a reinvigorated agricultural sector encompassing not just production, but processing and marketing as well, will encourage rural people to stay and pursue farming-related economic activities. The focus should also be on higher value crops and agribusiness ventures in dairy, meat processing, fish packaging, canning, and other related industries. The Comprehensive Agrarian Reform Program (CARP) can also boost farmers' morale by facilitating cooperative farming and distribution of agricultural products where the country has a competitive advantage.

## 2.3 Addressing the Needs of the Youth

### 2.3.1 Youth Unemployment: A Major Cause for Concern

Young Filipinos form the base of the country's population structure. About 48.8 million or almost half of the total population are below 25 years old. About 30.7 million or 33.4% are below 15 years of age, and 18.1 million or 19.6% fall between 15 to 24 years old. However, young people also constitute 49% of the unemployed, which is estimated at 2.6 million or 2.6% of the population in 2015. The lack of jobs and/or entrepreneurial opportunities has resulted in millions of unemployed youth. Statistics show that half of the total unemployed youth were without work not only because of inadequate schooling but also because of lack of employment opportunities, or slow entry or re-entry into the labor market. These youth were either discouraged due to a real or perceived lack of employment opportunities (i.e., they experienced or believed no work was available) or they were awaiting the results of previous job applications. Some of them were also waiting to be rehired by their previous employers.

Youth unemployment can also be partly attributed to insufficient academic preparation due to weaknesses in the education system, such as inadequate facilities, poor instruction, and outdated programs or curricula. Of equal concern is the high drop-out rate, low cohort survival rate, high level of out-of-school youth, and low achievement rate.<sup>22</sup>

### 2.3.2 The Urban Youth and the Growing Risks They Confront

The key findings of the 2013 Young Adult Fertility Study (YAFS4) identified the primary non-sexual risk behaviors and sexual behaviors confronted by the urban youth.<sup>23</sup>

For non-sexual risk behaviors, the YASF4 revealed that the incidence of smoking, drinking, and drug use is higher in the urban areas, particularly in Metro Manila, than in the rural areas. There are also significantly more of the male youth who smoke and drink compared to the female youth. The prevalence of smoking among the youth is highest in Metro Manila (27%) and in the Central Luzon region (25%); and lowest in the ARMM (12%) and SOCCSKSARGEN (12%) regions. Across the regions of the Philippines, the prevalence of current drinking among the

<sup>21</sup> *Urban Demography Philippines—A Presentation During the National Urban Development and Housing Framework Scoping Workshop, 2015.*

<sup>22</sup> Department of Labor and Employment. *Labor and Employment Plan: 2011-2016.*

<sup>23</sup> The Young Adult Fertility and Sexuality (YAFS) Study is a series of national surveys on the Filipino youth, conducted since 1982 by the University of the Philippines Population Institute (UPPI) and the Demographic Research and Development Foundation.

youth is also highest in Metro Manila (56%). The Central Visayas and Eastern Visayas regions follow (43% each). Drug use is less common compared to smoking and drinking. The YASF4 also showed a decrease in the proportion of youth who used drugs in the past ten years. This decline is more evident among the older rather than younger age cohorts, and among males rather than females.

For sexual behaviors, the study found that one in every three youth aged 15 to 24 years old has engaged in premarital sex, the number increasing by more than 14% from almost 20 years ago. This translates to about 6.2 million youth who have engaged in sexual intercourse before marriage. A narrowing of the gap in the number of males and females who have engaged in premarital sex was also observed: 35.5% of males and 28.7% of females in 2013, from 26.1% of males and 10.2% of females in 1994. Metro Manila and Central Luzon have the highest prevalence of premarital sex among the youth with 40.9% and 39.1%, respectively. The ARMM region has the lowest prevalence with 7.7%. About 78% of those who engaged in premarital sex for the first time were unprotected against the risk of pregnancy and/or sexually transmitted infection (STI). There were 73.4% of males and 83.8% of females who did not use any form of protection during their first sexual acts.

**Prevalence of teenage fertility in females 15 to 19 years old has worsened, with those who have begun childbearing more than doubling in the past decade. From 4.4% in 2002, the percentage of females 15 to 19 years old who are already mothers has increased to 11% in 2013. From 1.9% in 2002, the percentage of females 15 to 19 years old who are pregnant with their first child has increased to 2.6% in 2013. From 6.3% in 2002, the percentage of females 15 to 19 years old who have begun childbearing has increased to 13.6% in 2013. One in every three females aged 19 years old has already begun childbearing.**

### 2.3.3 Initiatives for the Urban Youth: Capturing the Demographic Dividend

The demographic structure of the Philippines shows that it has a youth bulge—a demographic period in which the proportion of youth in the population is significantly larger compared to other age groups, both older and younger. In a country with a youth bulge, if the increase in the number of working age individuals can be fully employed in productive activities, the level of average income per capita increases. In this case, the youth bulge translates into demographic dividends. However, if a large cohort of young people cannot find employment and earn satisfactory income, the youth bulge may become a demographic bomb, because a large mass of frustrated youth will likely be a potential source of social and political instability.<sup>24</sup> Earlier, it has been shown that the country's population is predominantly young, with about 27.6% belonging to the 15-29 years old age group. An additional 33.4% are below 15 years old. This brings the share of the population below 30 years old to 60%. Without sufficient investments in terms of education, employment, and healthcare, the country's vast population of young people will be unproductive or unemployed. The result will be one big missed opportunity for the Philippines to reap the potentially sizeable demographic dividends from its youth bulge.

Consequently, a number of programs and projects are being implemented to address the needs of the youth to support their entry into productive economic activities. First, to curb the increasing trend among rural youth to migrate in large numbers to the cities, the MDG Fund 1942 devoted resources on “Alternatives to Migration: Decent Jobs for Filipino Youth,” a project which aims to improve policy coherence and implement youth employment as well as migration programs. A most helpful education program that has been designed for out-of-school youth (OSY) and other interested persons is the Alternative Learning System (ALS).

<sup>24</sup> <http://blogs.worldbank.org/developmenttalk/youth-bulge-a-demographic-dividend-or-a-demographic-bomb-in-developing-countries>.

Projects developed by the Department of Labor and Employment (DOLE) that are directly targeting the youth are the Youth Education-Youth Employment (YEYE) Program and Special Program for Employment of Students (SPES). The former aims to (i) address the needs of the disadvantaged youth to pursue an academic or technical-vocational, post-secondary course towards becoming more employable and more productive members of the labor force; (ii) support human capital build-up by providing the youth some workplace experience while studying; and (iii) develop among the youth proper work values and ethics through exposure to formal workplace situations and challenges under responsible adult supervision. These are to be achieved through apprenticeships and school to work transition, among others. The Modified Conditional Cash Transfer (MCCT) Program, which provides cash grants to street and displaced families, has also been extended to include coverage of the 15- to 18-year-old children of registered households in urban communities.

**The Alternative Learning System (ALS) is a parallel learning system in the Philippines that provides a practical option to the existing formal manner of instruction. It is designed to cater to Filipinos who do not have a chance to attend and finish formal basic education. It has two major programs, one is the Basic Literacy Program and the other is the Continuing Education Program. Both programs are modular and flexible, which means that learning can take place anytime and in any place, depending on the convenience and availability of the learners.**

Source: Department of Education

**The YE-YE is a project that addresses the education-to-employment (E2E) needs of the youth which envisions them as educated, endowed with proper work habits, disciplined and highly employable individuals.**

School. The following topics are integrated in all relevant subjects: (i) values formation; (ii) knowledge and skills in self-protection against discrimination, sexual violence and abuse, and teen pregnancy; (iii) physical, social, and emotional changes in adolescents; (iv) children's and women's rights; (v) fertility awareness; (vi) STI, HIV and AIDS; (vii) population and development; (viii) responsible relationship; (ix) family planning methods; (x) proscription and hazards of abortion; (xi) gender and development; and (xii) responsible parenthood.

A landmark legislation is the Enhanced Basic Education Act of 2013 (Republic Act 10533) which extends formal education from 10 to 12 years, seeking to harness and hone the Philippines' young and highly trainable pool of human resource. By shifting from the ten-year basic education cycle to the K-12 Basic Education Program and increasing investments in education, the country seeks to prepare students for higher education, middle-level skills development, employment, and entrepreneurship. Another milestone is the Youth Entrepreneurship Act (Republic Act No. 10679) which seeks to instill business acumen among the youth by introducing entrepreneurship and finance subjects in the educational curriculum. It mandates the development of entrepreneurship and financial literacy modules for tertiary and post-secondary students. It puts in place financing and grants to provide the necessary support for young entrepreneurs.

**The Youth Entrepreneurship Act aims to encourage the Youth to go into business for themselves as alternative to unemployment and underemployment.**

## 2.4 | Protecting the Rights of Disadvantaged and Vulnerable Groups

### 2.4.1 | Safeguarding the Older Persons

The aging population of the Philippines is low but slowly growing. In 2010, Filipinos aged 60 and older accounted for 6.8% of the population, which remained almost unchanged since 2000. In line with the principle that older persons constitute a valuable and important component of a society's human resources, the Philippines has instituted policies that aim to assist older persons in enhancing their productivity. These policies are driven mainly by the Expanded Senior Citizens Act of 2003— a social protection legislation intended to provide older Filipinos with benefits and privileges such as granting 20% discounts on medicine, transportation, and other services. The law also exempts them from paying value-added tax (VAT).

To ensure their right to a proper place in society and to make this the concern of the family, community, and government, the law requires the public agenda on housing, employment, and health, among others, to include their interests and well-being.

### 2.4.2 | Protecting Persons with Disabilities

Persons with disability (PWDs) are also protected by the law. In 2010, it was estimated that 16 persons per thousand of the country's population had disability. The National Council on Disability Affairs (NCDA), the latest iteration in a succession of government agencies established since 1987, is tasked to formulate policies and coordinate the activities of all agencies concerning disability issues and concerns. It monitors the implementation of relevant laws to ensure the protection of differently-abled persons. Most prominent of these laws is Republic Act 7277 of 1992, known as the Magna Carta for Disabled Persons. Expanded in 2006, the Magna Carta for Disabled Persons extended a host of incentives and privileges to PWDs, similar to those extended to senior citizens such as discounts on medical and dental services, transportation, and tax incentives. Moreover, the law penalizes public ridicule and vilification of PWDs. Equally important is the state's commitment to ensure that PWDs are provided with access to quality education and sufficient opportunities to develop their skills. The law also stipulates that no disabled person shall be denied access to opportunities for suitable employment.

### 2.4.3 | Responding to the Needs of Indigenous Peoples

The National Commission for Indigenous Peoples (NCIP) was created in 1997 to implement the Indigenous Peoples Rights Act (IPRA). The most recent assessment of NCIP estimates that there are about 12 to 15 million Indigenous Peoples (IPs) in the Philippines.<sup>25</sup> They are mainly concentrated in Northern Luzon (in the Cordillera Administrative Region, 33%) and in Mindanao (61%), with some groups found in the Visayas area. All through the years, the IPs have felt neglected, claiming that their existence as cultural communities is continually threatened by government development projects and by non-indigenous groups who 'encroach' into their territories. Another law that was passed to protect IPs is the National Integrated Protected Areas System (NIPAS) Act. However, problems have arisen due to overlapping claims based on the IPRA and the NIPAS. In 2007, efforts to clarify issues by harmonizing the IPRA with existing laws on protected areas and ancestral domains were initiated. The IPRA allows IPs to claim and delineate areas as their ancestral domains, where they are free to live according to their cultural

<sup>25</sup> Jacqueline K. Cariño. *IFAD Country Technical Notes on Indigenous Peoples Issues: Republic of the Philippines* (2012). <https://www.ifad.org/documents/10180/0c348367-f9e9-42ec-89e9-3ddbea5a14ac>.

traditions. These areas should be identified in the land use plans of local governments and accorded certain privileges such as (i) exemption from real property taxes and (ii) respect for the right of IP communities to self-governance and self-determination within such areas.

More than a decade after the implementation of IPRA, there are many subsectoral and crosscutting issues involving IPs that remain unresolved. They include the following: (i) protection and sustainable development of ancestral domains and land and natural resources, (ii) strengthening of IP's self-determination, (iii) protection and promotion of their social justice and human rights, and (iv) the protection and preservation of their culture, tradition, and institutions. The resolution of issues is a priority concern of the Indigenous People's Master Plan 2011-2016.

#### 2.4.4 Preventing Child Labor

An appalling revelation about the youth came from a survey conducted by the NSO and ILO in 2011. The survey reported that Filipino children were engaged in the worst forms of child labor, including hazardous activities in agriculture and domestic service. About 3.1 million children are engaged in child labor, of which 2.99 million work in hazardous labor.<sup>26</sup> The Philippine Program against Child Labor (PPACL), launched by DOLE in 2007, works to transform the lives of child laborers, their families, and communities, towards their sense of self-worth, empowerment and development. It is a network of mutually enabling social partners working towards the prevention and progressive elimination of child labor through protection, withdrawal, healing and reintegration of child workers into a caring society.

The PPACL would achieve this by: (i) establishing a functional multi-level information system; (ii) strengthening strategic partnerships at all levels; (iii) improving access to quality and integrated services such as livelihood, entrepreneurship, health, education and training programs; (iv) mainstreaming child labor agenda in development policies and programs at all levels; and (v) strengthening enforcement and compliance with relevant laws and policies.

## 2.5 Mainstreaming Gender in Urban Development

### 2.5.1 Global Recognition in Gender Equality

In the field of gender equality, the country has achieved remarkable progress globally. In 2015, it ranked seventh (7<sup>th</sup>) in the Global Gender Gap Index (GGGI) of the World Economic Forum and was the only Asian country to be included in the top ten. It is the only country in the Asia Pacific region that has fully closed the gender gap in education and substantively defied inequality in health, attaining first rank in the areas of Education Attainment and Health and Survival (Life Expectancy).

### 2.5.2 Persistence of Gender Problems amid Achievements

However, gender issues are still prevalent among Filipino women, particularly urban women—a circumstance which hinders their productivity, empowerment, and eventually their development. The Philippine Commission on Women is the government agency that champions women empowerment and gender equality in the Philippines. As the overall monitoring body and oversight agency to ensure the implementation of the Magna Carta of Women (MCW), the commission ensures that gender is mainstreamed in the political, economic and societal spheres,

<sup>26</sup> 2011 Survey on Children: Preliminary Results, NSO & ILO.

and that women are able to actively participate in, contribute to, and benefit equally with men in the holistic development of the nation,<sup>27</sup> including urban development. Likewise, the Housing and Urban Development Coordinating Council (HUDCC) is mandated by the MCW to ensure the full participation and involvement of women in urban development, and to facilitate access to basic services, facilities, employment, and livelihood opportunities responsive to their needs, especially to women belonging to the marginalized sectors.

In addition, new laws have been enacted to promote gender equality in the country which could serve as guide in developing an effective and gender-responsive urban development agenda. They include: (i) the Solo Parents Act, (ii) the Anti-Rape and Rape-Victim Assistance and Protection Act, (iii) the Anti-Violence against Women and their Children Act, (iv) Anti-Sexual Harassment Act; (v) the Anti-Human Trafficking Act; and (vi) Lactating Corners Act, among others.

## 2.6 | Challenges Experienced and Lessons Learned

### 2.6.1 | Rapid Urbanization and Its Unintended Consequences

The Philippines, an archipelagic country in the western Pacific Ocean, has continued to rapidly grow and urbanize in the last 20 years, transforming its national capital region (more popularly known as Metro Manila) and its peripheries into one of the world's ten most populous urban agglomerations. About 11.6 million people or 28% of the urban population now live in the thriving metropolis of Metro Manila. But its growth and level of urbanization have also exacerbated the inadequacies of its urban infrastructure and services, problems with environmental pollution and congestion, and residential overcrowding, visibly manifested by the proliferation of informal settlements deeply affected by urban poverty.

### 2.6.2 | Migration in the Philippines: Spurring Growth, Urbanization, and Urban Sprawl

An industrial-driven growth strategy through the establishment of free port areas and special economic zones outside Metro Manila has pushed and pulled many urban migrants into the nearby regions of CALABARZON and Central Luzon. As a result, these two regions have become the fastest growing in the Philippines, with a combined urban population that exceeds that of Metro Manila. Rural-to-urban migration, while slowing down, continues to be the primary driver of urbanization and urban sprawl in the country. Young people, both male and female, mostly in their prime ages, are choosing to move, live, and work in the cities or at their fringes due to various *push and pull* factors relating to employment and income as well as livelihood opportunities.

### 2.6.3 | The Philippines' Youth Bulge: Dividend or Bomb?

The Philippines, with about 27.6% of its population belonging to the 15-29 years old age group, has a predominantly young population. This youth bulge offers the Philippines a window of opportunity where demographic dividends can support a sustained annual GDP growth rate that can catapult the country into a higher-middle income status. Without the necessary investments in education, and technical as well as life skills development for the youth, the country's vast population of young people will end up becoming unproductive or unemployed. The result will

<sup>27</sup> Magna Carta of Women (Republic Act No. 9710, 2010).

be one big missed opportunity for the Philippines to reap the potentially sizeable demographic dividends. Worse, the country can be confronted by a demographic bomb, with a large mass of frustrated youth engaged in urban crimes or causing social and political instability.

#### **2.6.4 Protecting the Rights of the Vulnerable and Disadvantaged**

Older persons, PWDs, and IPs have rights that must be protected through appropriate social welfare programs. Children today are facing tremendous pressures and risks. Out-of-school youth need sustainable targeted financial assistance that will help them with their educational needs, in order to alleviate the risks they confront with hazardous jobs in agricultural production and domestic services. Gender mainstreaming as a process must continue to minimize the risk women face in the urban setting, particularly in the workplace.

## **2.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda**

The urban demographics of the Philippines pose future challenges and issues that should provide the cornerstone for a New Urban Agenda. They are briefly discussed below.

#### **2.7.1 Investing in People, Capturing the Youth Dividend**

The New Urban Agenda of the Philippines for the 21<sup>st</sup> century should serve as a prominent guidepost for developing the youth, in recognition of the country's window of demographic dividend. The Filipino people, particularly the youth, will be instrumental in enabling the Philippines to achieve a sustainable urban development that can drive its transition to a higher middle income country. One of the key challenges of the Philippines is how to build the capacity and life skills of its people, particularly its relatively young population, to become productive members of a fast modernizing urban economy that effectively links to the rural sector.

#### **2.7.2 Pursuing a More Spatially and Regionally Balanced Development**

The distribution of economic development has been uneven so far. This induces migration toward the faster growing regions, away from the slower growing ones. The New Urban Agenda needs to facilitate the formulation and implementation of spatially linked regional and local urban development strategies that allows a more balanced growth among the regions, based on their unique regional or local competitive advantages, and taking into account the archipelagic structure of the Philippines. These strategies should be supportive of efficient rural-urban linkages, encouraging trade, connectivity, and mutually beneficial partnerships.

#### **2.7.3 More Effective Gender Mainstreaming in Urban Development**

Considering the trend that there are more females rather than males in the Philippines' highly urbanized regions, there is significant untapped potential for women to play key roles in urban development that has long been overlooked. Many of the past and present trends in urban planning and development reflect only the male perspective, regarding the role of women as mere primary caregivers. Urban infrastructure and the built environment need to be designed such that they promote gender equality and inclusiveness in the use and benefits of urban space. Women's participation is essential for this endeavor to succeed.<sup>28</sup>

<sup>28</sup> *Gender Equality and Urban Development: Building Better Communities for All*, Monika Jaeckel and Marieke van Geldermalsen, Global Urban Development Magazine, March 2006. [www.globalurban.org](http://www.globalurban.org)

#### **2.7.4 Safeguarding the Vulnerable and Disadvantaged**

Budget support for targeted subsidies that benefit the older persons, PWDs, IPs, children, and women will continue to be necessary. But they will have to be supplemented by innovative financing mechanisms involving the private sector and civil society organizations to be sustained. Gender must be mainstreamed in the area of employment. The social protection needs of women must also be addressed by establishing a one-stop mechanism that facilitates their access to social protection services. Social safety nets and labor market intervention for women are also necessary, especially for jobs in the urban centers with attractive pay and benefits. This will reduce the need for them, especially the mothers of young children, to leave the country and work in high risk jobs.

#### **2.7.5 Developing Improved Capacity for Urban Demography**

The systematic study of urban demography in the Philippines is constrained by limited resources and capacity. Urban population data are no longer published as part of the yearly statistics, there are no mechanisms for monitoring urban population movements, and there are no recent quantitative studies on internal migration that should feed into development planning and policy-making. The New Urban Agenda for the Philippines for the 21<sup>st</sup> century must recognize that accurate, available, and reliable urban population statistics are vital to sustainable urban development planning.

# 3

## Land and Urban Planning: Issues and Challenges for a New Urban Agenda

The Philippines has a well-defined framework for land and urban planning. At the national level, a National Framework for Physical Planning (NFPP) shapes the allocation, use and management of the country's land and other physical resources. Simultaneously, the Philippine Development Plan (PDP) provides the blueprint for formulating policies and implementing programs to pursue rapid, sustainable economic growth and development, empower the poor and marginalized, and enhance social cohesion. These plans complement each other, anchored on the shared vision and principles of pursuing growth and development.

**The Philippine Development Plan 2011-2016 adopts a framework of inclusive growth, which is high growth that is sustained, generates mass employment, and reduces poverty. With good governance and anti-corruption as the overarching themes of each and every intervention, the Plan is translated into specific goals, objectives, strategies, programs and projects.**

At the municipal and city levels, the Local Government Code (LGC), enacted in 1991 and considered a groundbreaking legislation on Philippine decentralization,<sup>29</sup> mandates the preparation of a Comprehensive Land Use Plan (CLUP). It is a ten-year spatial plan that delineates what type of development and where it should take place, to be enacted through zoning ordinances in order to rationalize the use of land resources in each city or municipality. In addition to the CLUP, the LGC prescribes the formulation of a local Comprehensive Development Plan (CDP). The CDP is a multi-sectoral plan embodying the vision, sectoral goals, objectives, and medium-term development strategies and policies of a city or municipality. It contains the corresponding actions which form the basis for local investment programming, as well as the subsequent budgeting and implementation of identified programs and projects in the locality.<sup>30</sup> LGUs are required to develop both plans and ensure these are consistent with the national and sub-national development goals. **Figure 3.1** summarizes the hierarchy and interrelationships of physical and sectoral planning in the Philippines at the national, regional, and local levels.

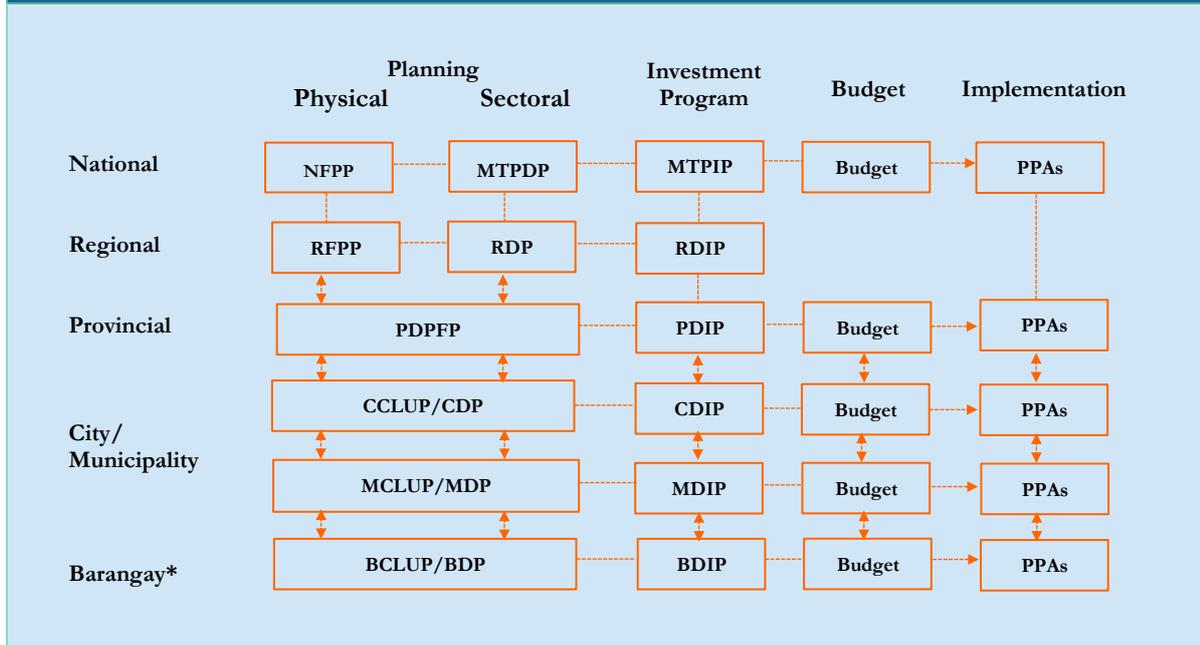
In addition, a National Urban Development and Housing Framework (NUDHF), stipulated by the Urban Development and Housing Act (UDHA) of 1992, lays out the national vision and guiding principles as well as strategic thrusts for a sustainable housing and urban development sector. The NUDHF is prepared by the Housing and Land Use Regulatory Board (HLURB) under the direction of the Housing and Urban Development Coordinating Council (HUDCC), the sector's overall oversight agency, with the participation of the local governments, the private sector, and civil society organizations (CSOs). At the local level, CLUPs are prepared in accordance with the NUDHF as embodied in the guidelines of the HLURB.

**The NUDHF 2009-2016, developed in accordance with UDHA, updates the 1999-2004 version. It focuses on urban competitiveness and poverty reduction, housing affordability and delivery, development and management of sustainable communities, and performance-oriented governance.**

<sup>29</sup> The passage of the Local Government Code of the Philippines, also known as Republic Act No. 7160, was hailed as a major step in decentralization. It paved the way for increased local autonomy, expenditure responsibility and revenue authority. Under the code, the major responsibility for the delivery of basic social services were devolved to the local governments.

<sup>30</sup> Republic of the Philippines. *DILG-NEDA-DBM-DOF Joint Memorandum Circular No. 1 Series of 2007 on Guidelines on the Harmonization of Local Planning, Investment Programming, Revenue Administration, Budgeting and Expenditure Management.* (Manila, Philippines), 2.

Figure 3.1: Hierarchy and Interrelationships of Planning in the Philippines



Source: Corpuz, 2013 \* Barangay level added to fully illustrate the actual planning process followed at the local level.

BCLUP = Barangay Comprehensive Land Use Plan; BDIP = Barangay Development Investment Program; BDP = Barangay Development Plan; CDIP = City Development Investment Program; CDP= Comprehensive Development Plan; CCLUP = City Comprehensive Land Use Plan; MCLUP = Municipal Comprehensive Land Use Plan; MDIP = Municipal Development Investment Program; MDP = Municipal Development Plan; MTPDP = Medium Term Philippine Development Plan; MTPIP = Medium Term Public Investment Program; NFPP = National Framework for Physical Planning; PDPFP = Provincial Development and Physical Framework Plan; PDIP = Provincial Development Investment Program; PPAs = Programs, Plans and Actions; RFPP = Regional Framework for Physical Planning; RDIP = Regional Development Investment Program; RDP = Regional Development Plan

### 3.1 | Ensuring Sustainable Urban Planning and Design

The National Government, through the Department of Interior and Local Government (DILG) and the HLURB, works with local governments in formulating and implementing the CDP and CLUP. Amid the country's growing population, emerging new demands on land, rapidly expanding cities, and increasing threats from climate change, never have the tasks of preparing and implementing the CDPs and CLUPs been more pivotal to sustainable urban development.

#### 3.1.1 | Shifting to More Strategic and Innovative CDPs and CLUPs

Despite the LGC and UDHA stipulations that local governments prepare a CDP and CLUP, a recent study underscored that most planning in the Philippines lack a strategic direction and long-term vision. Too often “boiler plate” plans were produced,<sup>31</sup> while the horizon for the CDPs always seemed too short, seldom incorporating strategic thinking, often ending as a “wish list” of unfunded investment projects.<sup>32</sup> This can be traced partly to the 3-year term limit of local politicians tasked to approve the plans. The desire to deliver the most tangible, easiest to implement projects first in the least possible time, with the view of getting re-elected, contributes to this short-sightedness. Against this background and additional concerns pointing to the

<sup>31</sup> This refers to some LGUs' practice of reusing their old CDPs and CLUPs and passing them off as the new ones with a few updates and very little substantive changes.

<sup>32</sup> ICF International. *Developing a National Informal Settlements Upgrading Strategy for the Philippines: Comprehensive Assessment Report*. Submitted to the Housing and Urban Development Coordinating Council and the World Bank. (Manila, Philippines: 2014), 75.

limited creativity and innovations in the local plans being produced, DILG and HLURB are continuously refining and revising the planning policies and guidelines for the CDPs and CLUPs.

*Planning Strategically* was developed by HLURB in 2001 as a guide to assist LGUs in preparing more responsive CLUPs using strategic thinking and processes. Intended for use in planning for highly urbanized or rapidly urbanizing areas, *Planning Strategically* was envisioned as the primary tool for facilitating better application of the remaining 10-volume HLURB planning guidelines. In 2006, HLURB updated these guidelines as part of a continuing program to streamline the

**In 2013, HLURB revised the CLUP guidelines further to mainstream climate change adaptation and disaster risk reduction and the growing demand for the integration of planning for critical resources such as upland, coastal, biodiversity areas, heritage, ancestral domains, and urban greening.**

Source: 2013 CLUP Guidebook, HLURB.

CLUP preparation process, integrate environmental guidelines, facilitate cross-sectoral integration in the planning process, standardize the formats used, and incorporate information, education, and communication for implementation and monitoring. The 2006 CLUP guidelines comprised five volumes:

Volume 1: A Guide to CLUP Preparation; Volume 2: A Guide to Sectoral Studies in the CLUP Preparation; Volume 3: A Guide to Data Management in the CLUP Preparation; Volume 4: Planning Strategically; and Volume 5: Model Zoning Ordinance.

For the CDPs, the *Rationalized Local Planning System (RPS) Sourcebook* was developed and launched in 2008 by DILG<sup>33</sup> to assist local governments with more innovative local planning. To operationalize the RPS, the DILG also formulated the *Enhanced Guide to Comprehensive Development Planning (CDP) for LGUs*. As a reference, the Guide offers procedures, tools and techniques designed to respond to the varying capabilities of local governments in local comprehensive planning. It contains four volumes: Volume 1: Organizing and Mobilizing the Planning Structure, Volume 2: Preparing the CDP, Volume 3: Implementing the CDP, and Volume 4: Plan Monitoring and Evaluation.<sup>34</sup>

**With the support of the Metro Manila Council members led by the Mayors, the Metropolitan Manila Development Authority (MMDA) has spearheaded a strategic planning process called the Metro Manila Greenprint 2030. This seeks to address the challenges that impede development of the metropolis and make Metro Manila cities more competitive, resilient and inclusive in the coming decades. The Greenprint 2030 will provide metropolitan-wide spatial guidance, demonstrate coordination mechanisms, and identify areas for catalytic investments. It goes beyond the trees and open spaces—Greenprint encompasses efficient transportation, affordable housing, and more resilient infrastructure. It emphasizes sustainable urban development as the underlying principle across the three themes of inclusivity, connectivity, and resiliency.**

Source: MMDA

### 3.1.2 Harmonizing the Vertical and Horizontal Planning Processes of Local Development Plans

In a major policy initiative, DILG and HLURB issued a Joint Memorandum Circular (JMC-001 S. 2009) to harmonize the preparation of the CDP and the CLUP by the local governments. Through this effort, the points of convergence of strategies for spatial and multi-sectoral planning were established. The policy also delineated the institutional mandate and roles of DILG and HLURB in the provision of technical assistance to the LGUs, and in the issuance of

<sup>33</sup> Under Memorandum Circular No. 2008-156.

<sup>34</sup> The issuance of both the RPS and the Enhanced Guide to CDP comes in the context of JMC No.1 s. 2007 which was signed by the DILG with NEDA, DBM and DOF.

guidelines in the preparation of their local development and land use plans. The DILG is currently developing tools to strengthen the vertical and horizontal linkages of local plans and budgets through Joint Memorandum Circular 2007-01. Also known as JMC 1 or *Guidelines on the Harmonization of Local Planning, Investment Programming and Revenue Administration*, this was issued with the three other oversight agencies (NEDA, DBM and DOF). A second JMC (JMC 2) for this purpose is intended to be issued in 2016 with additional updates and tools.

A tool to be introduced in the updated JMC 2 is the *CDP Review Guide* which intends to review CDP preparation of the component cities and municipalities and its linkages to their respective Provincial Development and Physical Framework Plan. This will ensure plan complementation and augmentation, thereby promoting the efficient use of limited resources. Another tool is the *Resource Mobilization Plan Manual* which intends to guide LGUs on how they will fund the priority programs in the CDP and the CLUP.

The second JMC will also update the *Synchronized Local Planning and Budgeting Calendar (SLPBC)* to ensure that the plan links effectively to the LGU's budget. The SLPBC helps to earmark the corresponding budgetary requirements for implementation continuity and sustainability through the prescribed three-year Local Development Investment Program (LDIP), in addition to the Annual Investment Program (AIP), as basis for the LGUs' Annual Budget Document. The mechanism will include questions on whether the CDP was anchored on the CLUP and provincial development goals, including the mainstreaming of climate change adaptation and mitigation and DRRM local plans. It will also assess whether the LDIP and the AIP were formulated in accordance with the CDP. At the national level, the NUDHF guides the entire land and urban planning process.

### 3.1.3 Integrating Climate Change Adaptation and Disaster Risk Reduction and Management

The Philippine archipelago is considered one of the most disaster-prone in the world. Based on the United Nations Office for Disaster Risk Reduction Report, *The Human Cost of Weather Related Disaster Report 1995-2015*, the Philippines was fourth in the world among countries hit by disasters in terms of number of affected people in the last 20 years.

An estimated 70% of cities in the Philippines are coastal and vulnerable to environmental hazards. Millions of ISFs reside in urban areas along dangerous coastal zones and waterways, as well as landslide- and earthquake-prone areas. As one of the countries located in the Pacific Ring of Fire,<sup>35</sup> the Philippines' metropolitan centers, particularly Metro Manila with its dense and huge urban population, have become highly vulnerable to climate change-induced natural disasters such as droughts more severe with each El Niño episode, and massive flooding more destructive with each La Niña event.<sup>36</sup>

In response to Ondoy and other disasters, the Philippine Climate Change Act of 2009 was enacted by the Philippine Congress. It created a Climate Change Commission tasked with formulating, implementing and monitoring plans to better prepare for and respond to climate change impacts. Subsequently, the National Framework Strategy on Climate Change 2010-2022

<sup>35</sup> The Pacific Ring of Fire represents the arc around the Pacific Ocean within which volcanoes, earthquakes, and other natural hazards exist.

<sup>36</sup> GHK Consulting Ltd. 2nd Wave: *Design Work Socialized Housing and Livelihood Support and Land Use Planning Components for Taguig City— Building the Resilience and Awareness of Communities in Metro Manila to the Impacts of Natural Disasters and Climate Change*. Submitted to the Australian Agency for International Development. (Manila, Philippines: 2010), 1-4.

was approved—paving the way for the formulation of the National Climate Change Adaptation Plan (NCCAP) and Local Climate Change Adaptation Plans (LCCAPs).

**In September 2009, tropical storm Ondoy (international code name *Ketsana*) hit the Philippines. The large volume and prolonged duration of its rainfall exceeded the carrying capacity of Marikina River and Laguna Lake, generating unprecedented and widespread flooding in the cities comprising Metro Manila and its neighboring Rizal and Laguna provinces. Results of the Post Disaster Needs Assessment (PDNA) confirmed the staggering damage and losses inflicted by the two typhoons, reaching nearly 2.7% of Gross Domestic Product (GDP). The housing sector suffered massively. The typhoons left about 220,000 homes completely destroyed or partially damaged by the floodwaters in Metro Manila and across Luzon. Hundreds of thousands of people lost their homes and their sources of livelihood.**

Source: Report of Government of the Philippines.

The Philippine Congress also passed the Disaster Risk Reduction and Management (DRRM) Act in 2010. The National Disaster Risk Reduction and Management Framework and Plan guide the preparation of local DRRM programs and plans. In 2012, the National Economic Development Authority (NEDA) issued the Guidelines on Mainstreaming DRRM in Sub-National Planning.

Despite the massive gains achieved, Typhoon Yolanda (international code Name *Haiyan*) — considered the deadliest Philippine typhoon recorded in modern history—still caused

catastrophic destruction in the Visayas. Cities were not spared particularly in Samar and Leyte, Cebu, Capiz, Negros, and Iloilo. According to the National Disaster Risk Reduction Management Council (NDRRMC), 16.1 million people were affected,<sup>37</sup> with many left homeless. Typhoon Yolanda emphasized the reality of climate change and its adverse impacts on the Philippines, accentuating further the need to incorporate climate change adaptation (CCA) and DRRM in local planning.

In 2014, HLURB approved and issued the *"The Supplemental Guidelines on Mainstreaming Climate Change and Disaster Risk in the Comprehensive Land Use Plans."* These guidelines were hailed by the Philippine Climate Change Commission as the first planning document of its kind in Southeast Asia that paved the way for integrating appropriate CCA interventions into the CLUPs. Understanding the potential risks and vulnerabilities of their localities have allowed LGU decision-makers and other stakeholders to make more informed, meaningful decisions about their local goals, strategies, and land use policy formulation and development.

**The 2014 supplemental guidelines issued by HLURB for mainstreaming CCA and DRRM in the preparation of CLUPs established a deeper understanding of natural hazards, in terms of frequency of occurrence and magnitude, as well as climate change impacts that may affect the local territory. They facilitated planning to address local vulnerabilities, as well as informed on the magnitude of risks involved in order to identify the pressing and potential development issues and challenges facing Philippine cities and municipalities.**

DILG, for its part, issued Memorandum Circular 2015-77 which provided guidelines for *Mainstreaming DRR/CCA in the Comprehensive Development Plans (CDP)*. Joint Memorandum Circular 2015-01, issued with DBM and CCC, directed LGUs to tag local expenditures allotted for climate change interventions.

Progressive-minded local governments have also launched innovative means to adopt green building technologies, heritage conservation, and environmental governance as part of their CCA and DRRM initiatives. Increasingly, they are also asking private sector and civil society groups to participate more actively in the preparation of CLUPs.

<sup>37</sup> Update on the Final Report on Effects of Typhoon Yolanda, November 6-9, 2013.

## 3.2 | Improving Urban Land Management

### 3.2.1 | Addressing the Inefficiencies of the Urban Land Market

The demand for urban land far outstrips supply in the Philippines. Access to affordable, well-located, and suitable urban land has been severely constrained by several weaknesses in land use policy, administration and management that adversely affect the efficiency of the urban land markets. The key constraints include: (i) unclear and inconsistent land policies; (ii) a weak land administration infrastructure; (iii) highly politicized land and tax system; (iv) an inadequate agrarian land reform program; and (v) a deficient housing development program. One of the main bottlenecks encountered in accelerating the urban land development process has been the tedious, time consuming, and costly maze of regulations which developers, including those engaged in socialized housing, have to surmount. Convolutioned titling and registration processes lacked an efficient mechanism for resolving urban land disputes and fail to generate reliable information needed by the courts to hear and settle land cases expeditiously.<sup>38</sup> These shortcomings compromised everyday transactions in the urban land market, drove up the costs

**In the Philippines, land has been the subject of a multiplicity of inconsistent laws, regulations, processes, and standards, and has been managed by overlapping institutions with limited collaboration. Land information, unsurprisingly, has been neglected such that about 45% of the country's 24.2 million land parcels remain untitled (of which about 70%, or 7.8 million, are residential). Duplication of functions impacts almost all components of land administration including surveying and mapping, land classification, land titling, transfers of title, land information and records, land taxation, and land valuation. The primary executing agency is the Department of Environment and Natural Resources, especially the Land Management Bureau, which conducts land survey and land titling. However, other key players include the National Mapping and Resource Information Authority; the Land Registration Authority, especially the Registry of Deeds; the Department of Agrarian Reform; the National Commission on Indigenous Peoples; the Courts; the Department of Finance, in particular the Bureau of Local Government Finance; and the Assessor's Office in the LGUs at provincial, city, and municipal levels.**

Source: Building Modern Land Administration Systems, ADB Knowledge Showcases, April 2015. Issue 62.

of land, and undermined confidence in land titling. The offshoot has been the “artificial shortage of urban land”—exacerbating the high cost of land, making housing even more unaffordable to the urban poor who, due to poverty, had already suffered from low housing affordability limits.

To some extent, the availability of urban land has been affected by the need to balance demand with concerns for food security and equitable land distribution. The peri-urbanization of Metro Manila and the other HUCs in the Visayas and Mindanao has put pressure on the use of alienable and disposable land, entailing the conversion of large tracts of agricultural land into urban residential land. But while the LGC authorizes cities and municipalities to reclassify agricultural lands into non-agricultural uses, the process can be tedious and time consuming.

HLURB's guidelines clarify that cities and municipalities with approved CLUPs may authorize the reclassification of agricultural only when (i) the land ceases to be economically feasible for agricultural purposes as determined by the Department of Agriculture (DA); and (ii) when the land shall have substantially greater economic value for residential, commercial, and industrial purposes. Agricultural land covered under the Comprehensive Agrarian Reform Program

<sup>38</sup> GHK Consulting Ltd. *Urban Land Reform Conference Proceedings: Accelerating Pro-Poor Housing through Rights-Based Secure Tenure*. Appendix 12 in Final Report. ADB TA 4293 Philippines — Capacity Building for Housing Microfinance. 2009.

(CARP) cannot be reclassified and for the purpose of reclassification, a certification that the land is not covered by CARP is required from the Department of Agrarian Reform (DAR).<sup>39</sup>

**The Comprehensive Agrarian Reform Program, more popularly known as CARP, is a land reform initiative of the Philippines based on the Comprehensive Agrarian Reform Law (Republic Act No. 6557). CARP redistributes private and public agricultural lands to help beneficiaries survive as small independent farmers, regardless of tenurial arrangement. Among its goals are to provide landowners equality in terms of income and opportunities, empower landowner beneficiaries to have equitable land ownership, enhance agricultural production and productivity and consequently the country's food security, provide employment to more agricultural workers, and put an end to conflicts regarding land ownership. CARPER, or the Comprehensive Agrarian Reform Program Extension with Reforms, is the amendatory law that extended the deadline of distributing agricultural lands to farmers.**

Source: Department of Agrarian Reform.

Without more alienable and disposable land being made available, the “artificial shortage of urban land” continues to feed land price inflation and speculation. For the majority of the urban population, specifically the urban poor, these contribute considerably to insecure tenure and to the proliferation of informal settlements occupying public lands, areas of high risk, and urban fringes such as riverbanks and coastlines, among others. To expand the pool of available land for the urban poor, the government has also proclaimed 106 sites comprising about 27,340 hectares of idle government lands as socialized housing sites.<sup>40</sup> These proclamations potentially benefits 250,650 informal settlers. Local governments are also mandated under the UDHA to identify land for socialized housing and resettlement areas, and to include them in their CLUPs. In addition, UDHA provides for balanced housing development, requiring developers to allocate an area for socialized housing equivalent to at least 20% of their total project area or 20% of their total project cost. From 1994 to 2013, about 485,000 socialized housing units with matching funds of approximately Php40.3 million have been produced under this balanced housing provision of UDHA through a menu of options enforced by the HLURB.<sup>41</sup>

Other policy reforms being considered to facilitate urban land accessibility and affordability include (i) streamlining titling, transfer, and land acquisition processes, (ii) rationalizing the use of land resources to reduce the tension between the conversion of agricultural lands and the demands of urbanization, (iii) better use of fiscal and taxation tools such as an improved idle land tax, (iv) land banking, and (v) land reclamation.

### 3.2.2 Managing Urban Form and Design

The search for cheaper land by property developers and the weak implementation of local plans and zoning ordinances are contributing to urban sprawl. This is evident in the growing suburban areas in the country's metropolitan areas and urban centers. Some HUCs have taken initiatives to control urban sprawl by redirecting growth patterns through the enforcement of innovative zoning standards and controls such as allowing mixed-used development, “township” concept, densification, transport-oriented condominium projects and in-fill projects in rundown areas

<sup>39</sup> Memorandum Circular No. 54. Office of the President. *Prescribing the Guidelines Governing Section 20 of RA 7160 Otherwise Known as the Local Government Code of 1991 Authorizing Cities and Municipalities to Reclassify Agricultural Lands into Non-Agricultural Uses.* 1993. The reclassification is limited to a maximum of 15% of total agricultural land for HUCs and to 10%, for component cities and first to third class municipalities.

<sup>40</sup> Executive Order 131 s, 2002. *Office of the President. Declaring Open to Disposition for Socialized Housing Purposes Certain Government-Owned Lands Defined under Republic Act No. 7279, Otherwise Known as the Urban Development And Housing Act of 1992, and Providing for Disposition Thereof.*

<sup>41</sup> The options include development of new settlements through joint venture with accredited developers of socialized housing projects, contributions to new socialized housing projects of NGOs, slum upgrading, joint venture with local governments and housing agencies, and participation in the Government's Community Mortgage Program (CMP).

within the city. The flaws of the “simple subdivision scheme” or the 9-lots partitioning, which has been taken advantage of by unscrupulous entities in the selling of raw lots, eventually result to the proliferation of illegal subdivisions thereby violating standards of housing development.

A little over a century after the Spaniards stopped their urbanization policy, the *poblacion* remains the visible core in majority of the Philippines's cities and municipalities. Urban development, defined simply as the creation of the built environment, occurs in three morphological types in contemporary Philippines. The first, and the most simple, consist of predominantly rural towns with the *poblacion* as the only urban sector. The second type is exemplified by the town with a much expanded urban area extending beyond the old limits of the *poblacion* with the contiguous built-up area still confined within the territory of the town. The third type is characterized by metropolitan sites' built-up area expanding into the territory of neighboring towns. With the exception of the first type, none of the present urban areas have benefited from any deliberate effort to shape urban growth. Some argue that city-and town-building in the Philippines has become a private-led affair. This has led to many undesirable outcomes.

**The *poblacion* has, since the Spanish regime, served as the administrative, religious, cultural, commercial, and service center of a town. It is compact in form which is the inevitable outcome of the gridiron street pattern prescribed by the King of Spain. Although diminishing in importance, it is nevertheless a very useful reference point when trying to understand the Philippines' contemporary urban development setting.**

For one, the production of residential space has been completely dominated by private developers, leaving out a large segment of the population who have no capacity to pay. This translates to an unbridgeable gap in environmental quality between two residential enclaves: the high-end "gated" village on the one hand, and the makeshift and overcrowded ghettos on the other. Another outcome of free-for-all urban development is the location of industrial and commercial establishments. The choice of location is left entirely in the hands of private investors often resulting in incompatible land use mixes.

**Despite state regulation of real estate developments, however, the government has not been able to effectively influence the direction and location of developments. This is due mainly to highly centralized powers and resources. Local governments have been nothing more than passive spectators to the developments occurring in their territories resulting from actions and reactions of the private sector on one hand, and the national government, on the other. Local governments, for example, have not been able to properly guide the direction of urban expansion by their failure to extend the *poblacion* streets towards desired urban expansion areas. Transport networks and utility service extensions by and large, have not been used to shape and influence the direction of development but merely to service developments that are already in place.**

Source: Ernesto M. Serrote. *Property, Patrimony, and Territory: Foundations of Land Use Planning in the Philippines*, 2004.

Yet another undesirable outcome of unplanned growth is that open space for public use and benefit is not protected for the public. Sidewalks, even traffic islands, get appropriated for private use. Waterfronts, coastal zones, mountain ridges, and other visual corridors that otherwise offer excellent view of landscapes and seascapes are built over, blocking the public view.

Some HUCs have taken initiatives to redirect urban growth patterns through the enforcement of innovative zoning standards and controls such as (i) adequate space for streets and an efficient street network, (ii) densification to promote sustainable urban growth and prevent urban sprawl,

(iii) a range of compatible land uses and a balanced mix of activities, cohesion and interaction between diverse socio-cultural and economic groups, and (iv) limiting single-function blocks.<sup>42</sup>

### 3.3 | Enhancing Urban and Peri-Urban Food Production

Most of the food consumed in the cities comes from rural areas. The food security policy of the government targets a 100% staple food self-sufficiency and a decreased food subsistence incidence from 10.8% in 2009 to 8.3% of the population by 2015 (PDP, 2011-2016). These targets are to be achieved through strategic agriculture programs and projects.

#### 3.3.1 | Fostering Urban Agriculture

Urban Agriculture Philippines (UAP) was formally adopted as a national program in 1998 by the Department of Agriculture (DA).<sup>43</sup> The UAP Program, which also involved the Bureau of Agriculture Research (BAR), LGUs, and government academic institutions targeted urban agricultural activities at three levels: (i) at the household level, such as backyard and container gardens, (ii) at the community level, such as gardens and farms jointly managed by local informal groups, and (iii) at the institutional level, such as farms managed by schools, civic, and religious groups and cooperatives. In particular, the program helped to negotiate the use of public and private lands for the use of urban farming groups, conducted training in crop management, provided planting materials and access to financial support for needed inputs, mobilized resources to set up support infrastructure, and undertook monitoring and evaluating. By December 2000, the program had supported the cultivation of about 129,410 m<sup>2</sup> of space.<sup>44</sup>

The "Joy of Farming Program" is a successful urban agriculture initiative to help cultivate vegetable gardens in the communities and schools in Quezon City. Supported by the DA, the Department of Education (DepEd), and the Department of Science and Technology (DOST), as well as civil society, it has been instrumental in developing 34 farms in public elementary schools, 42 community-based farms, and rooftop gardens, including a demonstration farm.

In 2000, DAR initiated the five-year Inter-Regional Integrated Research Development and Extension Program on Urban Agriculture (IIRDEP). An Inter-Agency Core Planning Team (CPT) was formed and given the task of formulating a program for research, development, and extension. The CPT identified three key problem areas for urban agriculture in the Philippines: (i) low production and productivity; (ii) weak marketing system, and (iii) environmental degradation. These efforts led to the establishment of the National Integrated Research and Extension Program for Urban Agriculture. The program was initiated to conduct research on appropriate technologies for urban farming and to support the department's pilot program in Quezon and Lipa cities. Later in the year, a more comprehensive urban agriculture program was launched targeting the urban poor in Metro Manila with possible expansion in Metro Cebu and Metro Davao. It was implemented, in coordination with the Metro Manila LGUs and civic organizations, in schools, vacant lots, and backyards, including in subdivisions, public lands, and individual homes. Doable and "single" technologies like receptacle farming, urban and human waste composting, home energy production, and simple food processing, packaging and marketing were adopted.

<sup>42</sup> UN-Habitat Philippines. *Achieving Sustainable Urban Development. Planned Cities Extensions*. 2014.

<sup>43</sup> Pedrito S. Nitoral. *Urban Agriculture in the Philippines: Its Beginning and Status*, 2001.

<sup>44</sup> Duldulao, Gulayan, at Bulaklakan: *A Component of the Government's Urban Agricultural Program*, 2001.

The Agrikulturang Pilipino or Agri-Pinoy followed and currently serves as the overall strategic framework of the DA. Since 2011, the DA has helped establish urban farms in 164 communities in Metro Manila and trained 22,266 households in basic vegetable production. Through the Agricultural Training Institute (ATI), the DA has also conducted training that promotes urban farming technology, tunnel type nursery establishment, and management for vegetables. It also discusses container gardening, edible landscaping, vertical/horizontal gardening, composting, hydroponics, and small-scale chicken or quail production, among others.

On the policy front, there are bills proposed in the Philippine Congress to institutionalize urban gardening and vertical farming in the cities.

### 3.4 Addressing Urban Mobility Challenges

The country's transport infrastructure system was designed to support the decentralized pattern of development by providing opportunities for growth, especially in regions and areas adjacent to Metro Manila.<sup>45</sup> Transport systems in Philippine cities are almost entirely road-based, with the exception of Metro Manila where electrified rail-based mass transport systems are in place. Transport services consist mainly of privately-owned and operated jeepneys serving as public utility vehicles, buses, Asian utility vehicles (AUVs), and taxis. Filcabs,<sup>46</sup> tricycles, and pedicabs are also available, but are restricted to serving local areas to provide a feeder service to the larger-scale public transport services.

Consistent with the objective of accelerating the provision of safe, efficient, reliable, cost-effective and sustainable infrastructure, regional connectivity was planned and pursued through major infrastructure projects from 2004-2010. The completion of expressways linking the North Luzon Expressway (NLEX) to Central Luzon provinces and the construction of the Southern Tagalog Arterial Road (STAR) Expressway in the Southern Luzon Corridor have paved the way for the development of the industrial belt outside of Metro Manila. Other infrastructure projects in other parts of the country have been either completed or initiated, including the intermodal road-RORO terminal system (RRTS) connecting Luzon, Visayas, and Mindanao.<sup>47</sup>

At the local level, initiatives for more efficient planning for urban transport and mobility are being implemented. In Metro Manila, where traffic congestion has made a

**The cost of traffic in Metro Manila will likely increase to Php6 billion a day – from Php2.4 billion today – if there are no appropriate interventions by 2030, according to a 2014 study conducted by the Japanese International Cooperation Agency (JICA) and the National Economic Development Authority (NEDA). The study presents a road map to a modern, affordable, and a well-coordinated and integrated transport system for the Metro Manila extended urban region by 2030. The study proposes key development strategies both at the regional and Metro Manila level. At the regional level, they include balanced development of agriculture, manufacturing and services, avoidance of urban sprawl, development of regional growth centers, strengthening of connectivity, and improvement of public transport services and logistics. At the Metro Manila level, they include planned and guided expansion of urban areas, affordable housing and improved living environment for low income groups, retrofitting existing urban areas for integration with public transport, multi-modal public transport network and services, and traffic and demand management.**

<sup>45</sup> Philippine Development Plan, National Economic Development Authority: 2011-2016.

<sup>46</sup> Also found in the Philippines although more in Cebu rather than in Metro Manila, the filcab also called the "mini-jitney" is essentially a four-wheeled motorcycle that can carry up to 11 passengers.

<sup>47</sup> Terminals for RORO (roll-on/roll-off) vessels designed to carry wheeled cargo, such as automobiles, trucks, semi-trailer trucks, trailers, and railroad cars that are driven on and off the ship on their own wheels or using a platform vehicle, such as a self-propelled modular transporter.

turn for the worse, programs to relieve the worsening traffic bottlenecks and facilitate travel include the Metro Manila Urban Transport Integration Project and the Integrated Bus Terminal Plan. According to NEDA, the Philippines is losing \$2.4 billion per day in potential income because of the amount of time people spend in heavy traffic instead of spending it at work. Big-ticket transportation infrastructure, nonetheless, remains concentrated in Luzon. Interconnectivity between major urban centers in Mindanao remains challenging. It is difficult and time-consuming for the people of Mindanao to converge or transact business within the region because of poor connectivity. There is no regional railway system and airfare costs are prohibitive. It is more costly to fly to Mindanao from Manila than to several neighboring Southeast Asian countries. However, urban transport infrastructure requires huge capital and operating costs, making it difficult for local governments to finance them on their own. Facilitating connectivity in the Philippines through integrated public transport systems, complemented by carefully planned urban expansions, requires not only the support of the national government but the private sector as well.

Beset by fiscal constraints in the past, the Philippines has in fact become one of the pioneers of private sector participation (PSP) in major infrastructure projects. The Build-Operate-Transfer (BOT) Law of the Philippines, enacted in 1990, was the first of its kind in Asia. Amended later to introduce many variations including Public-Private-Partnerships (PPPs), it enabled investments from the private sector and generated positive results, benefiting road infrastructure and other development projects. Over the years, BOT-PPPs have become a key source of capital in sectors such as electricity, water distribution, toll-ways, airports, ports, mass transport systems and expressways. From 1990 to 2008, the BOT program generated capital investments of more than US\$19 billion by leveraging private financing and expertise. Recent BOT-PPP awarded projects include: the Daang-Hari-SLEX Link Road, NAIA Expressway Project, LRT Line1 Cavite Extension, and the Mactan-Cebu International Airport Passenger Terminal Project.

Nonetheless, urban transport and mobility issues persist. Despite the many initiatives pushed by Government and the private sector, fundamental issues remain unresolved. These include: (i) weak land use and transport planning and implementation, (ii) reactive rather than strategic planning, (iii) inadequate landside infrastructure,<sup>48</sup> and (iv) lack of integrated regional planning which magnifies logistics costs and traffic problems in metropolitan areas.

### 3.5 Improving Technical Capacity for Land and Urban Planning

Local governments, because of the powers and responsibilities devolved to them by the LGC, are expected and compelled to deliver basic urban services, manage their environment and financial resources, and provide an environment conducive to broad-based and sustainable economic growth. This necessitates that they acquire or build the competencies required for them to function efficiently and effectively. Acquiring or building the capacity for land and urban planning constitutes one of the critical first steps for LGUs to perform efficiently and effectively in the Philippines' rapidly urbanizing environment.

#### 3.5.1 Building Capacity for Local Urban Planning and Management

DILG is the primary agency tasked with developing and scaling up the capacities of local governments. Through the years, DILG has been working in partnership with the Local Government Academy (LGA), the various leagues of local governments, academic institutions

<sup>48</sup> Landside infrastructure is aimed at expanding the airport's capacity to handle passenger and freight.

and service providers, as well as international development agencies to improve local government capacities. In the area of land use and urban planning, the DILG has institutionalized initiatives to harmonize capacity building with performance oversight and access to incentives. They include (i) enhancing LGU capacity in the preparation and updating of their CDPs taking into consideration the mainstreaming of emerging sectoral and thematic concerns such as CCA/DRRM, gender sensitivity, and conflict-sensitivity, among others; (ii) encouraging the use of the Community-Based Monitoring System (CBMS) which is an organized and automated way of gathering household-level information; and (iii) policy guidelines for addressing urban governance challenges particularly in metropolizing clusters of cities through the Metropolitan Governance Framework.

HLURB complements DILG's initiatives by providing LGUs with technical assistance to prepare their CLUPs and Zoning Ordinances (ZO). Recent initiatives by HLURB emphasize the importance of adopting a more strategic and forward-looking approach to preparing the CLUPs. In addition they have, as earlier discussed, issued guidelines for mainstreaming CCA/DRRM in the CLUPs. HLURB's CLUP preparation guidebook contains new measures and performance standards for responding to urban issues, hazards, risks, urban design, and area conservation.

For Metro Manila, the MMDA and HLURB jointly conduct technical reviews of the proposed/updated Comprehensive Land Use Plans and Zoning Ordinances (CLUPs/ZOs) of the 17 LGUs before they are approved by their respective *Sanggunian Panglunsod* (or city councils). After this, the CLUPs/ZOs are presented to and approved by the Metro Manila Council (MMC) which then endorses them to the HLURB for ratification.

### 3.5.2 Professionalizing Local Development Planners

Environmental Planning, as how Urban and Regional Planning is known in the Philippines, was established as a profession requiring a government license to practice in 1977. The Environmental Planning Act of 2013 (Republic Act No. 10587) seeks to strengthen the role of planners in local development processes.

By 2018, the new law will require a bachelor's or post-graduate degree before a person can take the national licensure exam. In relation to local governments, the law mandates all City and Municipal Planning and Development Officers be licensed Environmental Planners. City and municipal planning officers without urban or city planning background would have to undergo special training and pass the licensure examinations conducted annually.

### 3.5.3 Improving Urban Data Quality and Availability

**The Project NOAH is the response of DOST to the need for a more accurate, integrated, and responsive disaster prevention and mitigation system, especially in high-risk areas throughout the Philippines. The Project will harness technologies and management services for disaster risk reduction activities offered by the DOST through PAGASA, PHIVOLCS, and the DOST-Advanced Science and Technology Institute (ASTI), in partnership with the UP National Institute of Geological Sciences and the UP College of Engineering.**

In terms of geo-spatial information, there has been significant progress. Through the Collective Strengthening of Community Awareness for Natural Disaster (CSCAND) Project, government agencies such as the Philippine Institute of Volcanology and Seismology (PHIVOLCS), Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), Mines and Geosciences Bureau (MGB), and the National Mapping and Resource Information Authority (NAMRIA) have been capacitated through

competence development and change readiness. This resulted in the preparation of multi-hazard maps such as flood-prone area maps, storm surge maps, ground rupture maps, ground shaking maps, liquefaction maps, earthquake-induced landslide maps, tsunami maps, volcanic maps, and fault line maps, among others.<sup>49</sup> As of 2010, PHILVOCs has mapped approximately 90% of the on-land stretch of the Philippine Fault Zone, identifying high seismic risks posed by fault zones which are needed for seismic hazard mitigation.

In 2010 the DENR, through the MGB, completed the geo-hazard assessment and mapping of all the 1,634 municipalities and cities of the Philippines using a scale of 1:50,000. For Metro Manila, 1:5,000 scale geo-hard mapping has been accomplished in 2012. The availability of geographic information system (GIS) technology is also being increasingly used in planning—particularly in map preparation and overlaying of several variables resulting in better empirical analysis and interpretation of data.

**The institutionalization of Geospatial Information Management in the different agencies in the country, not only for the purpose of land and urban planning, has been constrained largely not just by the cost and budgetary requirement but also by the lack of proper education and training. In line with this, NAMRIA operates and manages the Geomatics Training Center (GTC) which provides training on information, communication and technology (ICT) courses, including Geospatial Information Management. Low-cost and open source GIS software like QGIS, including computer hardware, has also become more available.**

The DILG as part of the rationalized planning system has also mandated LGUs to prepare an ecological profile which contains information on the social, economic, infrastructure, environment, and institutional sectors of their localities. The information collected serve as the basis for assessing the city or municipality, and can be used for future planning purposes as well as integrated into the GIS mapping. As part of their CLUP preparation, HLURB also conducts GIS training for LGUs.

#### 3.5.4 Assessing Vulnerabilities for Natural Disasters and Climate Change

To support local planning for climate change adaptation, vulnerability and impact assessment tools are being made available to local governments to help them evaluate their vulnerabilities against increased climate uncertainties and extreme weather events. The Climate Change Commission has prepared a compendium of these tools which can be used by LGUs in addressing CCA and DRR concerns in their localities. The compendium is guided by the development thrusts set in the National Climate Change Action Plan 2011-2028, PDP 2011-2016, and other related sectoral plans like the Draft Climate Change Research and Development Agenda. It contains 35 tools/studies developed by Filipino and foreign experts.

### 3.6 Challenges Experienced and Lessons Learned

A globalizing economy and urbanization require cities to be more than competitive. A well-formulated city development plan and comprehensive land use plan—incorporating CCA and DRRM—and supported by an integrated transport infrastructure plan can guide cities toward their desired urban growth path, resulting in the development of inclusive communities. As early as 1960, the problems associated with rapid and unbridled urbanization—slums, informal settlements, traffic congestion, environmental degradation, inefficient transport facilities, inadequate and unreliable basic infrastructure and services, and more—have increasingly been experienced not only in Metro Manila but also other HUCs throughout the country. Much has

<sup>49</sup> Ready II Project Mid-Term Review Report on Hazards Mapping and Assessment for Effective Community-based Disaster Risk Management, UNDP, 2010.

been accomplished in the Philippines toward formulating policies, programs, and knowledge products geared towards improving land and urban planning. In the process, difficult challenges have also been encountered and lessons learned.

### **3.6.1 Weaknesses and Constraints Affecting CDP and CLUP Implementation**

Despite the vast powers and legal mandates vested by the LGC to local governments, many of them are weak at implementing their CDPs and CLUPs. Contributing factors cited are inadequate resources and lack of technical competencies, exacerbated by inconsistent and contravening policies of some national government agencies (NGAs). The weak synchronization in the implementation of national programs and local plans is often discussed as another reason.

The implementation and sustainability of local plans are also affected—often adversely—by the weak political support for an effective and efficient implementation. The three-year term of elected local officials does not help, often leading them to choose projects that can be completed within their terms. The preferred projects have been generally small and providing short-term solutions to critical urban problems which often require long-term implementation if they were to appropriately respond to the LGUs' urbanization challenges.

### **3.6.2 Land Market Inefficiencies and the Prolonged Reform Process**

Despite the policy gains of the past 10 years, land regulation in the Philippines remains fragmented and outdated, with formal judicial proceedings required to effect even the most simple property transaction. This makes the conveyance of freehold—the most commonly known and preferred type of secure tenure—a lengthy, complex, and costly process which disadvantages the urban poor the most.<sup>50</sup> From a legal perspective, there is a need to legislate the separation of the right to ownership of land from the right to develop and occupy the land. Tools such as transfer of development rights and land value capture should be explored in order to increase the supply of urban land, especially for socialized housing and the public space.

### **3.6.3 The Challenge of Mobilizing Transport Infrastructure Finance**

Most local governments in the Philippines do not generate adequate local revenues to finance the urban infrastructure and services required by their fast growing urban population. They rely heavily on transfers and subsidies from the national government. Integrated public transport infrastructure, meanwhile, require huge capital outlays, making it difficult for local governments to finance them on their own. Additional development guidelines may be adopted for specific areas such as planned city extensions (PCEs), public spaces, and road networks.

### **3.6.4 The Challenge of Enticing Private Sector Participation**

To complement efforts of the national and local government in planning and implementation, private sector participation through Public, Private, and People Partnerships (PPPPs) can be used more to mobilize adequate resources and cooperation for urban transport infrastructure.

<sup>50</sup> Freehold involves the conveyance of permanent and absolute property rights which allow the owner to exercise full acts of dominion. Freehold may also be delayed, with ownership or title made conditional until payments have been completed.

### 3.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda

Land and urban planning in the Philippines highlight a few challenges and issues that should be considered in formulating a New Urban Agenda. They are briefly discussed below.

#### 3.7.1 Boosting Local Capacity for Strategic and Urban Planning, Incorporating Climate Change Adaption and Disaster Risk Reduction and Management

The DILG and HLURB continuously update and revise their policies and guidelines for formulating CPDs and CLUPs, including detailed guidelines for specific areas like PCEs and PUDs. The New Urban Agenda needs to promote mechanisms for how local governments can adopt a more strategic and spatially interlinked approach in urban planning—enabling them to promote economic competitiveness, environmental resiliency, and social inclusiveness. Particularly within the Philippines archipelagic setting, the guidelines must promote integration and connectivity.

The land and urban planning guidelines must also be updated to reflect a more inclusive approach. There is a need to eliminate obsolete and overly Western standards that work to discriminate against the urban poor and other marginalized groups in society, which includes women, children, PWDs, and IPs.

#### 3.7.2 Managing Urban Form and Design through Effective Regional Planning and Development

To guide urban development and control the current sprawl, the New Urban Agenda can stimulate growth in the secondary cities to redirect population movements and economic development to these areas, easing the burden on major urban centers. The thrust of the national transportation and infrastructure plans should likewise be reoriented to include secondary cities. Adopting an infrastructure-guided development policy can be a potent, strategic tool for managing uncontrolled urban growth. Additionally, the shape of subsequent development in the peri-urban areas manifesting urban sprawl has to be planned carefully. Plans should consider the transport, communication, and housing needs of all, including the vulnerable and disadvantaged groups, as well as the associated investment costs that go with them.

Overall, reforms may be undertaken to ensure regional plans take on a greater role as being the administrative basis for approval of the national agencies' regional budgets and PPAs. Furthermore, and as mentioned earlier, LGUs must be encouraged to adopt the "Planned City Extension" approach to curb sprawl and direct urban growth and development to pre-planned locations. These plans should include a network of collector roads as well as a system of public open spaces and parks. The latter should, in fact, establish the framework for area development.

#### 3.7.3 Generating Livelihoods and Improving Food Security through Urban Agriculture

Cities in the Philippines are generally dependent on agriculture-producing provinces and towns for their food supply. When disasters strike and cut off the supply of food from the rural areas, prices go up as a result of supply shortage. The New Urban Agenda should promote sustainable urban agriculture to help reduce the over-reliance of cities on the rural areas for their food

security, especially during disasters. For the urban poor, urban agriculture also presents livelihood and income generation opportunities.

#### **3.7.4 Shifting to a More Integrated and Inclusive Transport Planning**

In addressing transport mobility issues, the New Urban Agenda must underscore the need to rethink the country's transport policy planning approach to make it more integrated and inclusive. Integration will facilitate connectivity and accessibility. On the other hand, the essence of inclusive urban mobility is public transport modes that can transport more people, making the system work for the poor and vulnerable.

#### **3.7.4 Redefining Security of Tenure by Mainstreaming Rights-Based Approaches and Land Use Rights Instruments**

As policy reforms move toward improving inefficiencies in land management and land valuation in the Philippines, HUDCC has spearheaded the move to alleviate the difficulties of ISFs in accessing rights over the land they occupy, facilitating secure tenure. As a result, the *Bangko Sentral ng Pilipinas (BSP)* issued Memorandum Circular No. M-2008-015 and recognized rights-based instruments (RBIs) or other forms of secure tenure instruments—such as usufruct, other lease variants, and right to occupy or build—to serve as collateral substitutes. The New Urban Agenda should acknowledge that, by designing these instruments to exhibit validity, integrity, security, negotiability, and bankability, RBIs can be an efficient way of addressing the remaining inefficiencies in land management, including land valuation, in the Philippines. RBIs offer a less costly approach to providing secure tenure to segments of society unable to secure freehold titles, particularly the urban poor.

# 4

## Environment and Urbanization: Issues and Challenges for a New Urban Agenda

Cities around the world serve as the engines of economic growth—creating jobs and stimulating investments as well as innovations. In the process, however, they have also become the primary contributors to unprecedented levels of greenhouse gas (GHG) emissions, loss of biodiversity, water scarcity, and various forms of environmental pollution. Most climate scientists agree that the current global warming trend stems from the urban-driven human expansion of the "greenhouse effect." Carbon dioxide (CO<sub>2</sub>) and other greenhouse gases act like a blanket, absorbing infrared radiation and preventing it from escaping into outer space. The net effect is the gradual heating of the Earth's atmosphere and surface, a phenomenon popularly referred to as global warming.<sup>51</sup> The long-term offshoot of global warming is climate change—defined as the broader set of changes that accompany global warming, including changes in weather patterns, the world's water systems, and ecosystems.<sup>52</sup>

Uncontrolled and rapid urbanization have also been consistently linked to environmental degradation, the deterioration of the environment through depletion of natural resources such as air, water and soil; the destruction of ecosystems; and the extinction of wildlife.<sup>53</sup> Environmental degradation is a significant factor that reduces the capacity of societies to deal with disaster risks in many countries around the world. Environmental destruction on a global scale has increasingly become a direct threat to human beings. Where slopes have been deforested and where protective reefs, mangroves and wetlands have degenerated or even completely disappeared, the forces of nature hit with more impact and increase the risks and consequences of disasters, particularly in the densely populated urban areas. Unplanned urbanization and industrialization have caused water, air, and sound pollution—jeopardizing not only the environment and the economy, but public health and urban lives as well.<sup>54</sup>

Today, three billion people, half of the world's population, live in cities. One billion urban residents live in slums, condemned to a life of poverty and ill health, because they are exposed to air pollution and are denied clean water, basic sanitation, and adequate shelter. There can be no social and economic development in cities without a healthy environment, especially where it concerns the urban poor. Environment and poverty are interdependent: The urban environment is a resource to reduce poverty and improve health conditions, while poverty reduction can have positive effects on the environment. The environmental impact of cities goes beyond the impact on the health and well-being of residents. Cities have a strong influence on the environment at the national, regional, and global levels. The urban dimension of climate change, water, energy, biodiversity, chemicals, wastes, trans-boundary air and river pollution, and pollution of coastal areas, is becoming more and more evident.

Source: Towards Sustainable Development, UN-Habitat and UNEP.

The archipelagic nature and geographic location of the Philippines make it highly vulnerable to the adverse impacts of climate change and environmental degradation. Without concerted efforts on how its cities can better adapt to climate change, reduce their carbon footprints, and shift toward a greener economy—while living more efficiently within the country's fair share of

<sup>51</sup> Marc Lallanila, "What is the Greenhouse Effect?" Live Science, January 28, 2015, accessed November 25, 2015, <http://www.livescience.com/37743-greenhouse-effect.html>.

<sup>52</sup> Climate Change Impacts. <https://www3.epa.gov/climatechange/impacts/>

<sup>53</sup> Swati Tyagi, Neelam Garg<sup>1</sup> and Rajan Paudel. Environmental Degradation: Causes and Consequences, accessed December 5, 2015 [http://www.academia.edu/7235669/Environmental\\_Degradation\\_Causes\\_and\\_Consequences](http://www.academia.edu/7235669/Environmental_Degradation_Causes_and_Consequences).

<sup>54</sup> World Risk Report, 2012. Presented by German Alliance for Development Works (Alliance), United Nations University Institute for Environment and Human Security (UNU-EHS) and The Nature Conservancy.

ecological resources<sup>55,56</sup>—the urban challenges the Philippines will face in the medium- and long-terms will escalate. This will have monumental negative consequences to its economy and people.

## 4.1 Addressing Climate Change

### 4.1.1 Assessing the Climate Change Risks

The lives and livelihoods of more than 100 million Filipino people will be affected by what is done—or not done—in urban areas to respond to climate change in the next five to ten years. The appalling condition of the country's natural resources due to overuse, inadequate livelihood opportunities in natural-resource-dependent communities, and high population densities along coastlines exposed to natural disasters warn of significant environmental degradation further made worse by climate change.

Climate change in the Philippines is evidenced in seasonal changes in temperature and rainfall, as well as extreme temperature and extreme rainfall events. Recently, it has been acutely manifested by the rise in temperature, precipitation, extreme rainfall, drought, flooding, storm surges, rising sea levels, limited water supply, forest fires, and other changing weather patterns. Typhoon Yolanda (international code name *Haiyan*) which hit Tacloban and other parts of the Visayas region in 2013 is a concrete local example. Even before this, there was the excessive flooding brought about by typhoon Ondoy (international code name *Ketsana*) in Metro Manila, and that of Typhoon Pablo (international code name *Bopha*) in the city of Cagayan de Oro in Mindanao. The Philippines ranks among the top 10 countries whose economic activity is most at risk from intensification of storm surges. It counts three cities among the top 25 whose population is at

**Accelerated sea level rise (ASLR) is one of the most certain outcomes of global warming. With a coastline of 34,000 km, the Philippines has taken a serious view of the potential effects of and possible responses to ASLR. An early joint study conducted by PAGASA, NAMRIA and DENR showed that areas along the Manila Bay coastal area, if inundated by a 1 meter sea level rise, would include *barangays* from 19 cities or municipalities of Metro Manila, Bulacan, and Cavite. The physical effects would include submergence of low-lying wetland and dryland, erosion, saltwater intrusion, increased risk of flooding, and storm damage. These physical changes may cause substantial socioeconomic losses and ecological damages.**

Source: Rosa T. Peres, et.al. *Climate Change Impacts and Responses in the Philippine Coastal Sector in Climate Research*, Vol.12: 91-107, 1999.

risk of being affected by storm surges (Manila is ranked first; Taguig, 23<sup>rd</sup>; and Caloocan, 25<sup>th</sup>). Out of a sample from the 327 largest coastal cities world-wide most at risk of storm surges, the Philippines has, by far, the largest number of cities at risk with 48 cities, followed by Indonesia with 28 cities. The population in these at-risk Philippine cities account for 18.3% of the global in-cities population at risk.<sup>57</sup>

Metro Manila, one of the largest urban agglomerations in the world, is

at high risk from cyclones, floods, and earthquakes. Four other large coastal cities in Asia are at a similarly high risk, including Davao—the largest urban agglomeration in Mindanao—which is also exposed to the same natural hazards as Metro Manila. Over the past five years, the Philippines had in fact experienced more intense tropical cyclones, changes in rainfall patterns,

<sup>55</sup> Stephen Hammer, et al, “Cities and Green Growth: A Conceptual Framework”, OECD Regional Development Working Papers 2011/08, OECD Publishing. <http://dx.doi.org/10.1787/5kg0tflmzx34-en>, 14-17.

<sup>56</sup> Michael Wackernagel, et.al. *The Ecological Footprint of Cities and Regions: Comparing Resource Availability with Resource Demand*. In Environment and Urbanization. (International Institute for Environment and Development, 2006).

<sup>57</sup> Susmita Dasgupta, et.al. *Climate Change and the Future Impacts of Storm-Surge Disasters in Developing Countries*. Center for Global Development: Working Paper 182. (Washington DC, 2009) 10-15.

and sea level rise. These developments have adversely impacted the country's natural ecosystems, in turn affecting food security, water resources, human health, and human settlements. The damages caused by Tropical Storm Sendong (international code name *Washi*) in the cities of Cagayan de Oro and Iligan in 2011 and the worst devastation ever by Typhoon Yolanda in 2013 in Tacloban City and other parts of the Visayas demonstrate the severe climate change impacts that will be felt in the Philippines for years to come.

The urban heat island (UHI) effect has also become unmistakable in major Philippine cities. The surface of a city, the materials, and shapes of its structures affect the distribution of heat, and building materials like asphalt and concrete absorb and trap the heat from the sun. Built with such materials, Metro Manila and other HUCs in the Philippines have become urban heat islands. Air pollutants also block the rise of heat from the surface to the atmosphere. This explains the distinctly warmer temperatures prevalent in these cities even during evenings compared to their surrounding rural areas.<sup>58</sup> Heatstroke, heat exhaustion, heat syncope, and heat cramps are some of the documented adverse health impacts of UHIs. A wide number of diseases may also become worse, particularly among older persons and young children. The incidence of respiratory and lung diseases has also been shown to be positively related to high ozone levels induced by heat events.<sup>59</sup>

**The urban heat island (UHI) effect is the observed higher temperature that cities or urban areas experience compared to the surrounding rural areas. It is caused by urbanization, a process of land cover change where natural land and vegetation are replaced by built surface materials such as asphalt, cement, brick and stones. The presence of buildings in cities not only prevents the surface heat from escaping into the upper atmosphere but also causes friction, hampering heat loss through advection or movement of cool air from the rural areas.**

Source: <http://www.urbanheatislands.com>

#### 4.1.2 Climate Change Mitigation and Adaptation

To mitigate the effects of climate change, the Clean Air Act of the Philippines (Republic Act 8749) was enacted in 1999. The law, which aimed to control GHG emissions and to reduce air pollution, was part of the government's commitment to the 1997 Kyoto Protocol of the United Nations. Furthermore, through the implementation of the Kyoto Protocol, the Philippine Clean Development Mechanism or CDM paved the way for the United Nations Framework Convention on Climate Change (UNFCCC) Adaptation Fund which was established to finance adaptation projects and programs in developing countries. The CDM allows emission-reduction projects in developing countries to earn Certified Emission Reduction (CER) credits. These can be traded and used by industrialized countries to meet a part of their emission reduction targets under the Kyoto Protocol. In June 2004, the DENR was designated the national authority for CDM. Since then, CDM projects have supported climate change mitigation through the reduction and/or avoidance of GHG emissions. These in turn contribute to the achievement of sustainable development objectives through the environmental, economic, and social co-benefits they generate. Two additional relevant legislations were subsequently passed: (i) the Biofuels Act of 2006 (Republic Act 9367), and (ii) the Renewable Energy Act of 2008 (Republic Act 9513).

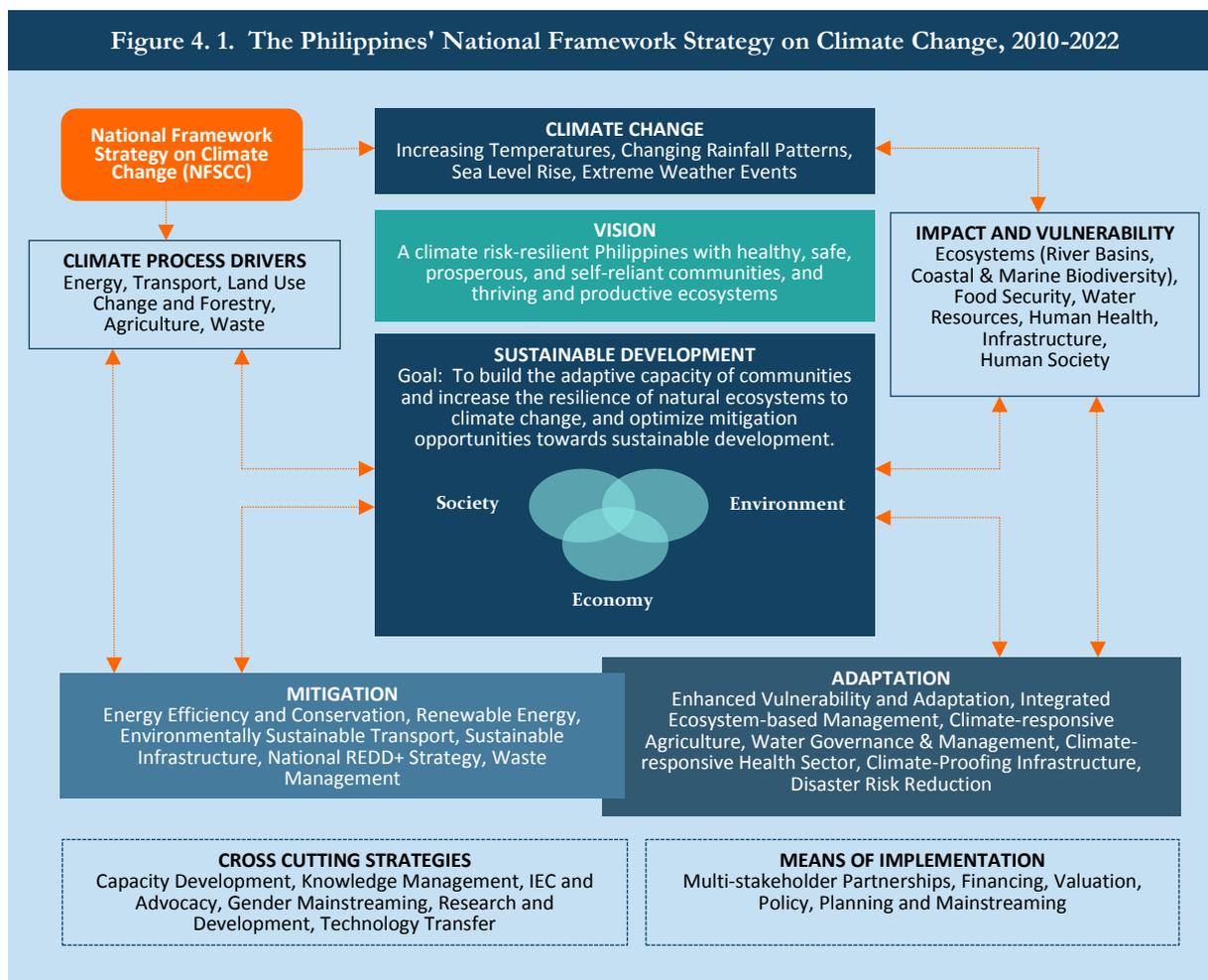
In 2009, the Climate Change Act was approved through Republic Act 9729 to (i) mainstream climate change adaptation—in synergy with DRR—into the national, sectoral and local development plans and programs; (ii) establish the Framework Strategy; and (iii) create the Climate Change Commission (CCC). The CCC was tasked with the formulation of the

<sup>58</sup> M. Tiangco, A.M.F. Lagmay, and J. Argete. *ASTER-based Study of the Night-Time Urban Heat Island Effect in Metro Manila*. International Journal of Remote Sensing. I-First Article. 2008. 1-20. <https://www.academia.edu/506496>.

<sup>59</sup> <http://www.urbanheatislands.com>.

Framework Strategy and program. In 2010, the National Framework Strategy on Climate Change (NFSCC) was approved by the Office of the President.

The NFSCC provided the basis for the national program on climate change, also known as the National Action Plan for Climate Change (NAPCC). It identified key result areas to be pursued in key climate-sensitive sectors in order to address the adverse effects of climate change. This would be achieved through the synergy of adaptation and mitigation supported by cross cutting strategies. The framework was based on the fundamental principles of sustainable development and its three pillars—economic, environmental and social—which aspire to fulfill human needs while maintaining the quality of the natural environment for current and future generations. It envisioned a climate risk-resilient Philippines with healthy, safe, prosperous, a self-reliant communities, and thriving and productive ecosystems (Figure 4.1).



In 2011, the Climate Change Act was amended by Republic Act 10174 to establish the People's Survival Fund (PSF) to finance CCA programs and projects. At least Php1 Billion, to be sourced from the national budget, has been allotted to the PSF. This allocation may be augmented by other funding sources such as the LGUs, the private sector, and individuals supportive of adaptation initiatives. The PSF will finance eligible adaptation activities such as water resources management, land management, agriculture and fisheries, and health. It can also guarantee the risk insurance needs of farmers, agricultural workers and other concerned stakeholder groups.

In addition, the PSF may also be used to establish regional centers and information networks and to strengthen existing one to set up forecasting and early warning systems against climate-related hazards. The PSF can also be used to support institutional development such as preventive measures, planning, preparedness, and management of impacts relating to climate change, including contingency planning for droughts and floods.

On a related front, to pursue more vigorously the country's commitment to reduce emissions from deforestation and forest degradation, the Philippine Government issued Executive Order 881 (EO 881) in 2010. The executive order appointed DENR as the operational head of the UNFCCC's program on the conservation and sustainable management of forests and the enhancement of forest carbon stocks in developing countries, also known as Reducing Emissions from Deforestation and Forest Degradation (REDD+). This initiative is expected to reduce emissions by approximately 38.5 million tons of CO<sub>2</sub> from 2011 to 2030.<sup>60</sup>

A reinvigorated National Greening Program (NGP), initiated in 1978, is likewise being pursued as a key strategy for climate change mitigation and adaptation. Executive Order 26 (EO 26) declared the NGP as a government priority program to reduce poverty, promote food security, environmental stability and biodiversity conservation, and enhance climate change mitigation and adaptation. Under the program, 750 million to 1.5 billion trees will be planted on about 1.5 million hectares of land in suitable areas all over the country from 2011 to 2016. A total of 396 million seedlings and saplings have already been planted on almost 685 thousand hectares of land from 2011 to 2013.<sup>61</sup>

**Aside from being a reforestation initiative, the NGP was also formulated as a climate change mitigation strategy as it seeks to enhance the country's forest stock to absorb carbon dioxide, which is largely blamed for global warming. It has also been designed to reduce poverty, providing alternative livelihood activities for marginalized upland and lowland households in seedling production and in the care and maintenance of newly-planted trees.**

Source: National Greening Program, DENR.

Notable efforts have been undertaken to mainstream CCA into the national, sub-national and local-level planning, investment programming, and budgeting. In 2014, HLURB approved and issued the "*The Supplemental Guidelines on Mainstreaming Climate Change and Disaster Risk in the Comprehensive Land Use Plans.*" DILG, for its part, issued Memorandum Circular 2015-77 which provided the guidelines for *Mainstreaming DRR/CCA in the Comprehensive Development Plans (CDP)*. LGUs were directed to tag local expenditures allotted for climate change interventions through Joint Memorandum Circular 2015-01, issued by DILG with the DBM and CCC.<sup>62</sup>

In education, modules to integrate climate change adaptation and disaster risk reduction in the college curriculum are being developed. In the government sector, DENR has been undertaking activities to mainstream climate change in its programs as well as climate proof other major government programs. A training toolkit on climate proofing for development—the CP4D Toolkit—has also been prepared and published.

A key result area of the NSFCC is the transition towards lower GHG emissions for sustainable development. This requires energy efficiency and conservation which entails the development and enhancement of clean energy sources. There is also a need to realize the full potential of the country's renewable energy capacity so as to further contribute to energy security and promote

<sup>60</sup> Department of Environment and Natural Resources – Forest Management Bureau. The Philippine National REDD-plus Strategy. [www.unredd.net/index.php?option=com\\_docman&task=doc\\_download](http://www.unredd.net/index.php?option=com_docman&task=doc_download).

<sup>61</sup> <http://www.gov.ph/2011/05/18/briefer-on-the-national-greening-program-may-18-2011>.

<sup>62</sup> For more on this topic, see Chapter 2, *Land and Urban Planning: Issues and Challenges for a New Urban Agenda*, 4-5.

low-carbon growth in the energy sector. Reducing carbon footprint through energy-efficient design and materials for public infrastructure and settlements is also vital.

Current initiatives towards lower GHG emissions are directed towards creating a market-based environment that is conducive to private sector investment and participation while encouraging technology transfer, research, and development. Fiscal incentives promote renewable energy technologies and projects that are environmentally sound. Renewable energy is foreseen to account for at least half of the country's energy mix by 2030, when demand for energy is forecast to exceed 30,000MW, more than twice today's 12,000MW. Leveraging on its geological assets, the Philippines has strong capacity in hydropower and geothermal power, which together make up 5,274MW of its total capacity of 16,163MW, or about 30% of the total. But other renewable energy sources, such as wind, solar and biofuel, make up only 117MW of the total, indicating great potential for growth.<sup>63</sup>

In line with this, the Philippines has submitted to the United Nations its Intended Nationally Determined contributions last October 1, 2015. Through the Climate Change Commission, the initial submission intends to reduce the country's emission by 70% by 2030 from the "business as usual scenario" from 2000 to 2030. The 70% reduction target will come from energy, transport, forestry, waste, and industrial sector. The Philippines' INDC was a product of 16 multi-stakeholders consultations, and was based on the current data available. The document was also anchored on the country's policy declaration under the Climate Change Law of 2009, as amended in 2012. Further, the Philippines' INDC highlighted that the reduction target is conditioned on the extent of developed countries' financial assistance, including technology development and transfer and capacity building. To date, the Philippines is on the process of revisiting and reviewing its initial INDC submission.

Meanwhile, the Department of Public Works and Highways (DPWH) has launched a Green Building Code (GBC) in 2015 to improve the efficiency of new buildings through a framework of standards and sustainable building regulations, focusing on energy efficiency, water and wastewater management, materials sustainability, solid waste management, and indoor environmental quality. It follows the Leadership in Energy and Environmental Design (LEED) certification standard, a rating system for the design, construction, operation, and maintenance of green buildings, homes and neighborhoods all over the world. When implemented properly, the GBC is expected to generate up to Php35.2 billion (or US\$800 million) savings among businesses and consumers by 2030, placing the Philippines at par with other developing countries.<sup>64</sup>

## 4.2 | Disaster Risk Reduction and Management

### 4.2.1 | Increased Natural Disaster Risks

The 5th annual Natural Hazards Risk Atlas (NHRA) assessed the natural hazard exposure of over 1,300 cities, selected for their importance as significant economic and population centers in the coming decade. Of the 100 cities with the greatest exposure to natural hazards, 21 are located in the Philippines, 16 in China, 11 in Japan and 8 in Bangladesh. The analysis considered the combined risk posed by tropical storms and cyclones, floods, earthquakes, tsunamis, severe storms, extra-tropical cyclones, wildfires, storm surges, volcanoes, and landslides. The Philippines' extreme exposure to numerous natural hazards, according to the report, is reflected

<sup>63</sup> <http://www.theguardian.com/environment/2015/jun/18/philippines-sees-slow-take-up-of-renewable-energy>.

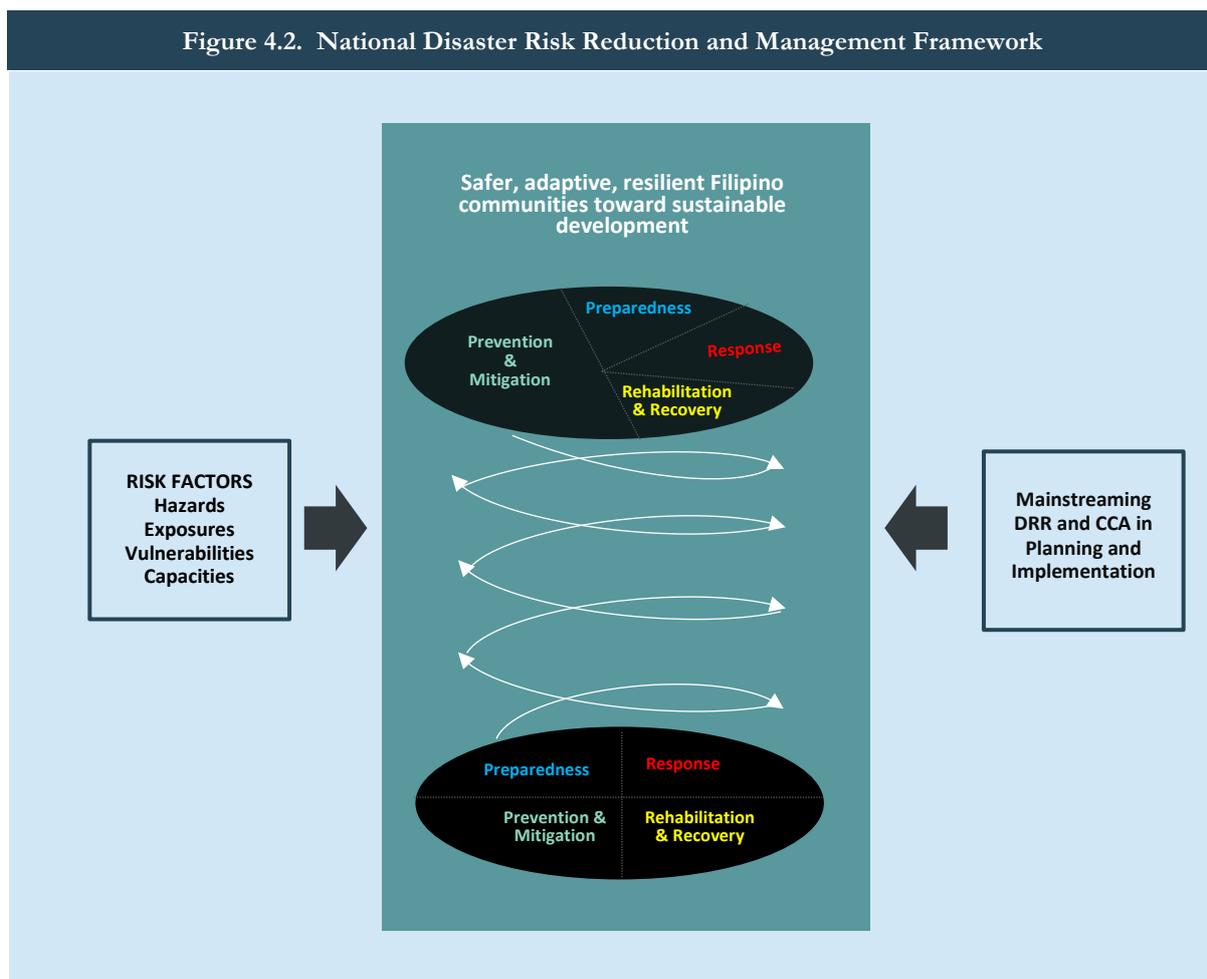
<sup>64</sup> <http://www.asiagreenbuildings.com/8536/philippines-dpwh-crafting-green-building-code-reduce-greenhouse-emissions>

by the inclusion of eight of its cities among the ten most at risk globally. These cities include Tuguegarao (ranked 2<sup>nd</sup>), Lucena (ranked 3<sup>rd</sup>), Manila (ranked 4<sup>th</sup>), San Fernando (ranked 5<sup>th</sup>) and Cabanatuan (ranked 6<sup>th</sup>). Port Vila in Vanuatu (ranked 1<sup>st</sup>) and Taipei City in Taiwan (ranked 8<sup>th</sup>) are the only cities not located in the Philippines to feature in the top 10.<sup>65</sup>

### 4.2.2 Reducing and Managing Disaster Risks

In 2010, the Philippine Disaster Risk Reduction Act (Republic Act 10121) was issued to deal specifically with reducing and managing disaster risks. The law integrated the principles of disaster risk reduction and management (DRRM) into the various levels of development planning, as well as prescribed the institutional structures for ensuring disaster preparedness and efficient government response during calamity events.

It required all local governments to install disaster-risk reduction measures (DRRM) in their CLUPs and to create task forces at the barangay and city levels to effectively implement them. It also created the National Disaster Risk Reduction Management Council (NDRRMC) with the Department of National Defense (DND) serving as chair. Four other agencies were also tasked as vice-chairs to coordinate efforts in the following key areas: (i) the DILG, with its supervisory function of LGUs, for disaster preparedness; (ii) the Department of Social Welfare and Development (DSWD) for disaster response efforts such as the provision of relief goods during calamities; (iii) the Department of Science and Technology (DOST) for disaster prevention and mitigation, and (iv) NEDA for disaster rehabilitation and recovery.



<sup>65</sup> Natural Hazards Risks Atlas, 2015. <https://maplecroft.com/portfolio/new-analysis/2015/03/04/56-100-cities-most-exposed-natural-hazards-found-key-economies-philippines-japan-china-bangladesh-verisk-maplecroft>

NDRRMC is guided by the National Disaster Risk Reduction and Management Framework (NDRRMF) which provides for a multi-sectoral and community-based approach to DRRM (Figure 4.2).<sup>66</sup> The framework indicates the country's paradigm shift towards a proactive approach to disaster management. It emphasizes that resources invested in disaster prevention, mitigation, preparedness, and CCA will be more effective towards attaining the goal of safer, adaptive, resilient communities.

In fulfillment of its mandate, the NDRRMC has prepared the National Disaster Risk Reduction Management Plan (NDRMMP) based on the NDRRMF to guide local governments in undertaking their primary responsibilities in DRRM. The NDRMMP has four components: (i) disaster prevention and mitigation, (ii) disaster preparedness, (iii) disaster response, and (iv) post-disaster management. To support local planning for disaster-preparedness, the NDRRMC makes available geo-hazard assessments and maps prepared by DENR. To support local planning for disaster-preparedness, the NDRRMC makes available multi-hazard assessments and maps prepared by CSCAND agencies (MGB, NAMRIA, PAG-ASA, and PHIVOLCS). These maps are essential in identifying hazard areas—a critical element in avoiding loss of lives, damage to properties, and economic loss.

Since LGUs have primary responsibility as first disaster responders, regions, provinces, cities, and municipalities are all mandated to create Local DRRM Councils and Offices and to prepare specific Local DRRM Plans for their localities. Republic Act 10121 enables LGUs to fulfill their DRRM duties through the Local DRRM Fund which can be used for pre-disaster preparedness programs, such as training and purchasing of necessary supplies and equipment, and post-disaster activities. No less than 5% of an LGU's estimated revenues is set aside for the Fund, 30% of which is allotted as a Quick Response Fund (QRF). The QRF is to be used to normalize emergency situations in areas affected by calamities or disasters as soon as possible. This facility expands the coverage of the Calamity Fund of LGUs originally provided for LGUs through the

Local Government Act (Republic Act 7160), which previously could only be used for responding to calamities in their localities.

**The Flood Management Master Plan for Metro Manila and Surrounding Areas is a comprehensive flood risk management (FRM) plan that will serve as the roadmap of the Government until 2035, containing directions for both structural and non-structural measures. The Plan has a total coverage area of 4,345 sq. km and covers the entire Metro Manila including the provinces of Rizal, Laguna, and some parts of Bulacan. It encompasses the Pasig-Marikina, Malabon-Tullahan, South Parañaque-Las Piñas, and Meycauayan River Basins, as well as Laguna Lake basins and other drainage basins. The non-structural mitigation measures and projects under the Master Plan include the (i) Strengthening of the Flood Information and Warning System (FIWS), (ii) Capacity Building for Strengthening Community-based FRM, and (iii) Improvement of Management Information System (MIS) for Disaster Risk Management.**

Integration efforts and initiatives on CCA and DRRM at various levels of governance have been put in place. However, these will need to be enhanced in order to ensure effective and efficient delivery up to the household level. International experience points out that integrating and coordinating CCA and DRRM at the local level have corresponding governance implications.

<sup>66</sup> This diagram is based on the original version of the NDRRMF which was signed on June 2011. In the original diagram, the quadrants containing the DRRM aspects were colored as follows: (i) prevention and mitigation was green to show care for the environment; (ii) preparedness was blue for to show alertness and readiness; (iii) response was red to show the emergency status and immediate action for the affected people; and (iv) rehabilitation and recovery was yellow to show hope. The upward motion indicated by the spiraling arrows represented a bottom-up participatory process, enhanced level of awareness, strengthened multi-stakeholder partnerships, and pooling of resources.

## 4.3 | Battling Traffic Congestion

### 4.3.1 | Traffic Agonies in the Philippines

Inadequate transport planning and ineffective traffic management are evident in most Philippine cities and towns. Nationwide, urban public transport is dominated by jeepneys, taxicabs, and tricycles, providing door-to-door service. Unfortunately, they contribute to severe traffic congestion, particularly around transit terminals and public markets due to ineffective franchising and enforcement practices. Buses are common in Manila but not in the smaller urban centers. An urban light rail transit services Metro Manila but it is heavily subsidized. The Manila Metro Rail Transit System, also known as the MRT Line 3, MRT-3, or Metrostar Express, is a rapid transit system in Metro Manila and is composed of a single line that runs in the general direction along the north and south lanes of Epifanio de los Santos Avenue (EDSA)—the main thoroughfare passing through six of the capital region's 17 local governments. EDSA is the longest and the most congested highway in the Philippines, stretching some 23.8 kilometers.

The number of vehicles in the Philippines continues to grow rapidly. In 2012, the total registered vehicles were 7.5 million units, almost 4.5 times the total number of vehicles registered in 1990. Of these registered vehicles, more than 50% were motorcycles/tricycles with most (27%) found in Metro Manila. The average growth per year in the number of vehicles from 1990-2012 is 2.99% for cars, 5.01% for utility vehicles, 16.18% for sports utility vehicles, 4.54% trucks, 3.11% for buses, 11.47% for motor tricycles, and 3.53% for trailers. The vehicle to population ratio has also tripled over the span of 22 years.

In Metro Manila, about 70% of commuters take public transport while 30% use private vehicles. However, the share of road space in Metro Manila is only 20% for public transport while private vehicles occupy 80%. In other cities or towns, it is estimated that 80% take public transport.

Among the major issues and concerns in traffic and transportation management are vehicle volume reduction, elimination of road obstructions and illegal structures, the need to improve traffic flow, a rationalized public transport system, lack of road safety, poor law enforcement and motorists' lack of education. The Metropolitan Manila Development Authority (MMDA) is the agency tasked with the regulation and supervision over the delivery of metro-wide services within the 16 cities and 1 municipality in its jurisdiction, without diminution of the

**The Philippines is the fifth country in the world with the worst traffic conditions, according to the online database Numbeo. The Philippines had a traffic index score of 201.31 based on Numbeo's Traffic Index for Country 2015 Mid-Year Report. The Traffic Index is a composite index of time consumed in traffic due to job commute, estimation of time consumption dissatisfaction, carbon dioxide consumption estimation in traffic, and overall inefficiencies in the traffic system. Egypt topped the worst traffic list with an index of 284.51, followed by South Africa (215.34), Thailand (211.86), Iran (202.90), the Philippines, Turkey (198.61), Russia (195.51), India (195.02), Brazil (194.29) and Argentina (186.46).**

autonomy of the local government units concerning local matters. MMDA's functions include clearing all roads in Metro Manila from all types of obstructions—illegal vendors, structures encroaching traffic, side-street pedestrian accidents, and vehicle-pedestrian conflicts.

### 4.3.1 | Initiatives to Reduce Traffic Congestion

In a recent global survey conducted by Waze, a GPS-based navigation app, Metro Manila topped the poll for the longest time spent commuting from home to office with an average time of 45.5

minutes. With the public outcry, Government directed the Highway Patrol Group of the Philippine National Police to untangle traffic, opened up alternate routes dubbed as Mabuhay Lanes, and is now in the process of constructing modular steel bridges in selected areas.

A number coding scheme formally known as the Unified Vehicular Volume Reduction Program has actually been operational since 2003 to curb the high volume of vehicles plying Metro Manila city roads, specifically during the peak-hour traffic. Sidewalk clearing operations are also done regularly by MMDA. Emergency bays have been constructed to provide safe space for motorists who may have minor car problems and to troubleshoot without worry of being towed. Other current initiatives to reduce volume of vehicles are being introduced. Road emergency stations are being designed to enable traffic personnel to immediately act on vehicular accidents and to remove all forms of obstructions within fifteen (15) minutes. The rotunda scheme using U-turn slots mitigates angle collision accidents that happen mostly at intersections.

MMDA is also trying to rationalize the public transport system in Metro Manila by developing an EDSA-North road rail terminal, improving loading/unloading bays, and creating an EDSA organized bus route program. It has constructed footbridges, installed see-thru fences, pedestrian signages and facilities for safer mobility of pedestrians, faster flow of vehicle traffic, as well as better pedestrian/road access by PWDs and senior citizens. To improve law enforcement and motorists' education, MMDA has established the Traffic Academy and regular airings of MMDA programs at radio stations. It also provides a 24-hour access to complaints and queries through MMDA Metro Call 136. With regard to reducing red tape and corruption, the MMDA uses CCTVs for traffic ticketing and non-physical contact apprehension.

In Metropolitan Cebu where traffic is also worsening, new initiatives being explored include (i) the construction of alternate roads to service the heavily populated areas, (ii) educating drivers better on how to use the roads, (iii) stricter enforcement of traffic rules and drivers' licensing requirements; and (iv) intensification of campaign against illegally parked vehicles.

## 4.4 Combating Water and Air Pollution

### 4.4.1 Water Quality under Urban Pressure

Water quality is poorest in the urban areas, the main sources of pollution being untreated discharges of industrial and municipal wastewater, says an ADB report.<sup>67</sup> The depletion of groundwater resources is likewise an increasing problem particularly for Metro Manila and other HUCs due to reduced aquifer recharge and saltwater intrusion.

There are about 85,000 manufacturing industries in the Philippines, with Metro Manila as the prime industrial region. The discharge of domestic and industrial wastewater and agricultural runoff has caused extensive pollution of the receiving water-bodies. This effluent is in the form of raw sewage, detergents, fertilizer, heavy metals, chemical products, oils, and even solid waste. Nearly 2.2 million metric tons of organic pollution are produced annually by the domestic (48%), agricultural (37%), and industrial (15%) sectors. Moreover, uncollected garbage ends up mostly in rivers, *esteros*,<sup>68</sup> and other water bodies, clogging the drainage system and leading to floods and the pollution of major water bodies.

<sup>67</sup> Asian Development Bank. Asian Water Development Outlook 2007. Manila, Philippines.

<sup>68</sup> An estuary or inlet especially when marshy; specifically, a tidal channel used as a drainage canal in populated districts.

According to government reports, the Biochemical Oxygen Demand (BOD) levels of 10 rivers (Bocaue, Anayan, Malaguit, Paniqui, Calapan, Iloilo, Luyang, Sapangdaku, Cagayan de Oro and Balili) are within the normal standard, with BOD levels of these rivers having improved. However, waterways in major urban centers, especially *esteros*, are unfit for human activities, despite recent clean-up efforts. At least six rivers in the NCR and in the CALABARZON and Central Luzon regions have failed in terms of both dissolved oxygen (DO) and BOD. These are the Parañaque, San Juan, Marikina, Pasig, Meycauayan, and Ylang-Ylang rivers.

Meanwhile, access to clean and adequate water remains an acute seasonal problem in urban and coastal areas of the Philippines. Metro Manila, Central Luzon, CALABARZON, MIMAROPA, and Central Visayas—with the highest urbanization levels in the country—are the critical regions in terms of water quality and quantity. The Government's monitoring data indicate that: (i) only 36% of the country's river systems are classified as sources of public water supply; (ii) 58% of groundwater sampled is contaminated with coliform and needs treatment; (iii) approximately 31% of illness monitored for a five-year period were caused by water-borne sources; and (iv) many areas are experiencing a shortage of water supply during the dry season. In fact, urban water coverage even decreased from 95% in 1990 to 87% in 2004.

**The adverse impact of water pollution costs the economy an estimated Php67 Billion annually (more than US\$1.3 Billion). The government continues its fight against worsening water pollution by espousing and including among its priorities environment policies, legislation, and decrees that address the growing need to control water pollution. In the last few years, the government has employed economic instruments such as pollution fines and environmental taxes.**

Source: Philippine Development Plan 2011-2016

#### 4.4.2 Deteriorating Urban Air Quality

Air pollution in the urban areas remains high despite government's efforts. Air pollution in Metro Manila and other HUCs come from (i) stationary sources—any building or immobile structure, facility or installation which emits any air pollutant like factories and power plants, (ii) mobile sources—any vehicle/machine propelled by or through oxidation or reduction reactions such as motor vehicles, airplanes, locomotives, and other engines and equipment that can be moved from one location to another; and (iii) area sources—relatively large areas of specific activities that generate significant amounts of air pollutants such as burning forests and dumpsites. About 43.4% of air pollution in the country comes from mobile sources, while area and stationary sources account for 38.17% and 18.43%, respectively. In the case of Metro Manila, mobile sources account for a considerably large share of air pollution, registering 80% on account of the large number of vehicle traffic in the region, which averages around 2.2 million daily. Area sources contribute only 17% and stationary sources only 3%.<sup>69</sup>

**The World Health Organization (WHO) estimated that air pollution by sources ranging from cooking fires to auto fumes contributed to about seven million deaths worldwide in 2012. The biggest air pollution-related killers were heart disease, stroke, pulmonary disease and lung cancer. The hardest-hit regions of the globe were what the WHO labels Southeast Asia, which includes India and Indonesia, and the Western Pacific, ranging from China and South Korea to Japan and the Philippines. Together, they accounted for 5.9 million deaths.**

Air pollution in Metro Manila, as measured in total suspended particulates (TSP),<sup>70</sup> has reached 130 microgram per cubic meter (ug/Ncm) in 2015, up from 106ug/Ncm in 2014. Although this

<sup>69</sup> Department of Environment and Natural Resources. *2009 National Emissions Inventory*.

<sup>70</sup> Total suspended particulate (TSP), which is a measure of the mass concentration of particulate matter (PM) made up of a number of components, including acids such as nitrates and sulphates, organic chemicals, metal and soil or dust particles.

has been the lowest so far in the past 9 years, this is still higher than the acceptable level of 90ug/Ncm set by DENR. The total direct cost of the effects of particulate matter on respiratory health due to exceeding the air quality guidelines in Metro Manila alone has been estimated at Php368.8 million and Php400 million in 2004 and 2007, respectively.<sup>71</sup>

At the national level, four out of the ten leading causes of morbidity identified by the Department of Health (DOH) can be traced to air pollution. These are (i) acute respiratory infection, (ii) acute lower respiratory tract infection and pneumonia, (iii) bronchitis, and (iv) TB respiratory diseases. Acute respiratory infection remains the leading cause of death in the Philippines, with a total of 2.79 million cases or a rate of about 2,900 per 100,000 population.<sup>72</sup>

#### 4.4.3 Tackling Water and Air Pollution

The Clean Water Act of 2004 (Republic Act 9275) aims to protect the country's water bodies from pollution from land-based sources, which includes industries, commercial establishments, agriculture, and community and household activities. Under this law, the water supply and sewerage facilities and/or concessionaires in Metro Manila and other HUCs are required to connect to existing sewage lines, subject to sewerage services charges or fees. It also established an Area Water Management Fund for the maintenance and upkeep of water bodies. Furthermore, an Environmental Guarantee Fund (EGF) was established to finance the conservation of watersheds and aquifers, and the needs of emergency response, clean-up or rehabilitation.

**In accordance with the Clean Water Act of 2004, several programs were implemented including: (i) DOH's SALINTUBIG Program, Water Safety Plan Project, and National Search for Barangay with Best Sanitation Practices; and (ii) the Water Security Legacy Roadmap of the Metropolitan Waterworks and Sewerage System (MWSS). The MMDA's Estero Blitz Program, an intensified clean-up of selected esteros, was also launched entailing dredging, declogging, and desilting of the capital region's waterways. From 2011 to August 2015, the program has covered 155 esteros and has removed and disposed 30,697 m<sup>3</sup> of garbage (equivalent to 4,278 truckloads).**

In terms of air quality management, the Philippines has issued laws and policies aimed at improving air quality in areas of concern such as health, climate change, energy management, the environment, as well as sectors in the transport, manufacturing, and construction industries that affect air pollution directly or indirectly. The Clean Air Act of 1999 (Republic Act 8749) has, to date, been the most important legislation passed. The law mandated the reduction of air pollution in all urban centers by limiting TSP to within acceptable standards. It focused primarily on preventing air pollution rather than controlling it, as well as on the application of the "polluters pay" principle.

Consistent with this, the DENR has initiated the Linis-Hangin Program (Clean Air Program which launched the "BantayTambutso" (Carburetor Watch), the "BantayTsimineya" (Chimney Watch), and the "BantaySunog" (Fire Watch). It has also issued a number of administrative orders on air quality management such as the Amended Guidelines and Procedures for the Monitoring of Accredited and Authorized Private Emission Testing Centers (PETC) and the LTO Emission Testing Activities

<sup>71</sup> Estanislao, Manapat, Pabila, et.al. 2011. *Respiratory Disease and Varying PM2.5 and PM10 Concentrations in Metro Manila from 2000-2007*. <http://www.citytransportemissions.org.ph/national-situation-externalities-air-pollution.html>.

<sup>72</sup> Department of Health. *The 2013 Philippine Health Statistics*.

The DOE, for its part, has been implementing an environmental management program with the following components: (i) Fuel Conservation and Efficiency Program, (ii) Electricity Conservation and Efficiency Program, (iii) Renewable Energy Program, and (iv) Clean Coal Technology Program. It is likewise actively engaged in ensuring a low carbon future through the promotion of clean and alternative fuels such as (i) the Auto-LPG, and the use of Compressed Natural Gas (CNG), (ii) and support for mass transport including the E-Trike, Pinoy CNG buses, and the Electric Light Rail Transit.

With its commitment to reduce GHG emissions and improve air quality, the Philippine Government has been promoting the use of electric vehicles across the country, including as a form of public transportation. Executive Order 488 (s. 2006) was issued to support the manufacturing of e-vehicles, as well as to further reduce the country's fossil fuel consumption. In Metro Manila, major cities have started to make use of e-vehicles to transport local residents and transient workers. Electric jeeps and electric tricycles are also getting more and more common in the country's major business districts and urban areas. The establishment of "green cities" is also expected to generate higher demand for e-vehicles for public transportation.

Other initiatives include continued implementation of industrial enforcement programs for stationary sources; intensive information, education and communication campaigns; designation of attainment and non-attainment areas;<sup>73</sup> and strengthening the collaboration of local governments and other concerned agencies on plans to address pollution.

The country has several laws on forestry, land management, mining, solid waste management, clean water, and clean air. To support the enforcement of these environmental laws, the Supreme Court has designated environmental courts which follow the rules of procedures for Special Civil Actions of the *Writ of Kalikasan* and the *Writ of Continuing Mandamus*, among others. In December 2008, the Supreme Court of the Philippines issued a *Writ of Continuing Mandamus*, ordering many government agencies to clean up Manila Bay through the rehabilitation of the waterways that empty into it. Moreover, it has issued *Writs of Kalikasan* in several instances, such as stopping the operation of a landfill in Quezon City, as well as halting a road opening and other development projects in a watershed in Benguet Province.

In April 2010, the Philippine Supreme Court issued A.M. No. 09-6-8-SC: The Rules of Procedure for Environmental Cases that further clarified, among others, the Special Civil Actions of the Writ of Kalikasan and the Writ of Continuing Mandamus. The first is a remedy to protect the right of persons whose constitutional right to a balanced and healthful ecology is violated or threatened with a violation. The Writ of Continuing Mandamus, on the other hand, is an order by a court directing an agency or instrumentality of government to perform an act or a series of acts, which can be used in relation to environmental cases.

## 4.5 | Challenges Experienced and Lessons Learned

### 4.5.1 | CCA and DRRM as a Dynamic, Integrated Process

CCA and DRRM, to be effective, must be viewed as a process comprising multiple actors- from the national and local governments, the private sector, research bodies, to civil society including community-based organizations playing different but complementary roles to manage risk, all synchronized in accordance with their accepted functions and capacities. Adaptation to climate

<sup>73</sup> The Clean Air Act of 1999 and its implementing rules and regulations, requires the designation of airsheds for effective management of the country's air quality. The designated airsheds around the country have been classified by DENR into "attainment area" for places that were not polluted, and "non-attainment areas" for those which were polluted. An airshed referred to areas with common weather or meteorological conditions and sources of pollution such as industries or vehicles affecting the interchange or diffusion of pollution in the atmosphere.

change and disaster risk management also requires a range of complementary approaches for managing the risks of climate extremes and disasters. Effectively applying and combining approaches in response to current climate change and future scenarios will benefit from a dynamic consideration of the broader spectrum of sustainable development.<sup>74</sup> In the Philippines, effective CCA and DRRM has been implemented using an integrated yet decentralized approach that builds on exchanging, sharing, and integrating knowledge about climate-related risks and initiatives among all the stakeholder groups.

#### 4.5.2 Bottlenecks to the Policy Reform Process and Beyond

Appropriate policies to improve air and water quality entailed more than a decade of attempts to go through the legislative process. The passage of the ensuing laws such as the Clean Water Act was prompted more than anything by the escalating threats of ground water and surface water pollution nationwide. After their passage, there is even greater challenge in implementing the reforms, with the need to formulate their implementing rules and regulations, followed by mainstreaming the changes they bring into the various national and local development policies and programs. A multi-sector, consensus building approach will help expedite the environmental policy reform and implementation processes in the Philippines.

#### 4.5.3 The Mounting Garbage Problem

Improper solid waste disposal because of urban anthropogenic activities remains a major contributor to the degradation of water quality. The problem of solid waste management in the urban centers is human behavior—mainly characterized by poor individual and community habits in proper waste disposal, exacerbated by the lack of facilities and system to manage solid waste. The problem is felt most acutely in Metro Manila with its immense population, high consumption rates, and volume of packaged goods, some of which are made with raw materials that are toxic and non-biodegradable.<sup>75</sup>

The Ecological Solid Waste Management Act (Republic Act 9003) mandated the country to adopt a systematic, comprehensive, and ecological solid waste management program for reducing the volume of waste, its proper disposal, and composting. It created the necessary institutional mechanisms and incentives, appropriated funds, declared certain acts as prohibited, and provided the appropriate penalties. However, more than a decade after its passage, enforcement and compliance with the law remains a challenge due to technical, organizational, political, and financial limitations of responsible agencies and LGUs. Only around 112 sanitary landfills (SLFs) have been established with 43 operational as of June 2012. This number of individual or shared facilities available to LGUs is relatively small compared to the 1,600 cities and municipalities comprising the Philippines. Similarly, only about 8,800 out of 42,000 barangays have access to 7,700 material recovery facilities (MRFs) in the country. Nevertheless, many LGUs and private entities have done well on their solid waste management programs, particularly in segregation at source and the application of the 3Rs principle (reduce-reuse-recycle).<sup>76</sup> A more strategic approach in planning and implementation is required.

<sup>74</sup> Intergovernmental Panel on Climate Change. *Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation*. Edited by Christopher B. Field, et.al. (New York: Cambridge University Press) 2012, 25-30.

<sup>75</sup> Notwithstanding the increase in the volume of garbage collected and disposed by Metro Manila in the past three (3) years, the metropolis is assured of adequate disposal facilities for the next 6-10 years. Also, Metro Manila is now more than ready to adopt the most appropriate Waste-to-Energy (WTE) technology for its waste disposal. It had submitted to NEDA for its approval the Development of Appropriate Waste-to-Energy Technologies for LGUs south of Metro Manila.

<sup>76</sup> Voltaire Acosta, et.al. *Development of the Philippines National Solid Waste Management Strategy 2012-2016*. Presented at The 7<sup>th</sup> International Conference on Waste Management and Technology. Procedia Environmental Sciences 16 (2012) 9 – 16.

#### 4.5.4 Deficient Sanitation: Causes and Consequences

Despite several national sewerage and sanitation policies such as the Sanitation Code of 1975 and the Clean Water Act, investment in sanitation, sewerage, and septage facilities has remained low. Improper hand washing or none at all is still common. Open defecation is still practiced, especially in highly populated areas where toilets are not available to the urban poor households.<sup>77</sup> This has resulted in polluted waterways and the spread of fatal and infectious diseases, the most prevalent of which in the Philippines are urinary tract infection and diarrhea.<sup>78</sup> Wastewater treatment facilities are increasing, but many more are needed. Outside Metro Manila, only a few cities (including Baguio, Vigan, and Zamboanga) have sewerage systems, though these serve less than 3%–5% of the service area population. Therefore, domestic wastewater largely goes untreated into groundwater or public canals and drainage systems, which eventually goes into rivers and other water bodies, thus exposing the majority of the population to raw sewage.<sup>79</sup>

There is considerable underinvestment by the Government in sanitation and sewerage, indicating a low spending priority, though it ranked as a high priority in the Philippines Agenda 21 of 1996. Only 7% of the country's total population is connected to sewer systems and only a few households have acceptable effluent from on-site sanitation facilities. Estimates show that over a 10-year period, the country will need to invest Php250 billion (nearly US\$5.4 billion) in physical sanitation infrastructure. While LGUs recognize emerging water quality problems, they are constrained by high investment and operating costs, limited willingness-to-pay, and restricted space available in the low-income urban areas where sewage is disposed of indiscriminately. Some of the Government's budget, which is directed mostly towards water supply (97% of the total), needs to be diverted to sewerage and sanitation. Individuals are not yet aware and willing to pay for these services, and Government incentives are justified in the short-term for the larger community-wide benefits the additional sanitation investment will bring.

## 4.6 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda

### 4.6.1 Building the Capacity for a Highly Effective CCA and DRRM

CCA as well as disaster planning and preparedness are instruments that will go a long way in averting or mitigating the adverse impacts of natural disasters. After a considerable policy reform process, the country has put in place the laws, basic policies, plans, and programs for a more effective CCA and DRRM. The challenge lies in institutionalizing these policies, systems and procedures, and in making sure the coordination mechanisms among government agencies, local governments, communities and schools will work. Activities have to be supported with adequate budgets on a continuing basis. Institutionalization will require strengthening the capacity of national government agencies, local governments, and partner stakeholders. DRRM tools such as weather forecasting need to be strengthened. Building the disaster resiliency of communities through seminars, review of disaster-preparedness procedures, preparing household checklists on what to do before, during, and after a disaster, as well as conducting emergency drills will be

<sup>77</sup> ADB, 2013. Philippines Water Supply and Sanitation Sector Assessment, Strategy and Road Map (Manila, Philippines), 16-17.

<sup>78</sup> The 2013 Philippine Health Statistics indicates that urinary tract infection and diarrhea are among the top ten leading causes of morbidity in the country with a rate of 240 cases per 100,000 population and 76 cases per 100,000 population, respectively. The World Health Organization describes diarrhea as a symptom of infection caused by a host of bacterial, viral and parasitic organisms most of which can be spread by contaminated water. Water contaminated with human feces from municipal sewage, septic tanks and latrines may cause diarrhea. Diarrhea can also spread from person to person, aggravated by poor personal hygiene. Food is another major cause of diarrhea when it is prepared or stored in unhygienic conditions. Urinary tract infection, like diarrhea, may also be caused by drinking contaminated water. Contaminated food may also cause the disease.

<sup>79</sup> ADB, 2013. Philippines Water Supply and Sanitation Sector Assessment, Strategy and Road Map.

necessary. Efforts will include harnessing and mobilizing the participation of CSOs, the private sector, and volunteers in the government's CCA and DRRM programs and projects.

#### 4.6.2 Accelerating Climate Change and Disaster Resiliency

Urban environmental challenges persist and they include recurrent flooding, traffic congestion, air pollution, water pollution, sea-level rise, land subsidence, encroachment along riverbanks and fragile coastal areas, lack of appropriate sewage disposal facilities, inadequate sewerage connections, and improper waste disposal. All of these challenges combined cause tremendous environmental damages to the country, increasing the public health risks to urban residents.

Many of these challenges can be addressed by improved and adequate urban infrastructure—appropriately designed to promote climate change and disaster risk resiliency as well as green growth. But there is also need to continually integrate local knowledge with additional scientific and technical knowledge. An iterative process of monitoring, research, evaluation, learning, and innovation will also prove beneficial. Potential strategies or measures that will provide benefits under current climate conditions and a range of future climate change scenarios include (i) early warning systems; (ii) risk communication between decision makers and local citizens; (iii) sustainable land management, including land use planning; and (iv) ecosystem management and restoration. Other measures to consider include (i) improvements to water supply, sanitation, and drainage systems; (ii) climate-proofing of infrastructure; (iii) development and enforcement of building codes; and (iv) better education and awareness.<sup>80</sup>

#### 4.6.3 Greening Solid Waste Management

Only about 70% of the more than 8,000 tons of garbage that are produced every day in Metro Manila are actually collected. The rest often winds up in the streets and local rivers, exacerbating floods that paralyze the capital region. The waste collected is taken to dump sites that often catch fire or contaminate local water supplies. The waste decomposes and produces methane, a greenhouse gas that is 21 times more potent than carbon dioxide and a major cause of climate change. Cities in the Philippines, particularly those in Metro Manila and other highly urbanized centers, need to convert their garbage dumps into sanitary landfills to better manage waste disposal while contributing to the fight against climate change. Under the Ecological Solid Waste Management Act (Republic Act 9003), the LGUs, communities, and the private sector can generate carbon credits for compliance with its provisions. The law calls for phasing out open dump sites and converting them into sanitary landfills to reduce the risks of fire, water contamination, and methane emissions.

#### 4.6.4 Improving Access to Clean, Safe Water

The polluted rivers and waterways caused by untreated domestic and industrial waste have made urban communities in the Philippines, particularly those in the metropolitan areas, highly prone to diarrhea, cholera, skin diseases, and other water-borne diseases. Reversing this trend will necessitate first and foremost a stronger and more streamlined regulatory framework, as well as improved monitoring mechanisms and adequate financial resources. The government leadership required to push efficient, effective, and sustainable sanitation programs must be provided. Laws and standards relating to sanitation and wastewater management need to be integrated and updated. LGUs—tasked by the LGC to be at the forefront of implementing, monitoring, and, to

<sup>80</sup> Intergovernmental Panel on Climate Change. *Managing the Risks of Extreme Events and Disasters to Advance Climate Change Adaptation*.

some extent, regulating sanitation programs and projects—must be adequately informed about their potential costs and benefits.

There have been few investments in proper sewage collection and treatment, especially outside Metro Manila. The net benefits of sanitation projects are still not broadly appreciated. Beneficiary willingness to pay also depends on the cost recovery and tariff strategies adopted, as well as the subsidies that can be provided which are initially justified given the public benefits the investments in sanitation will generate.<sup>81</sup> All these will require effective information, education, and communication (IEC) programs tailored to each stakeholder group.

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<sup>81</sup> ADB, 2013. Philippines Water Supply and Sanitation Sector Assessment, Strategy and Road Map.

# 5

## Urban Governance and Legislation: Issues and Challenges for a New Urban Agenda

Urban governance is defined by UN-Habitat as the many ways that institutions and individuals organize the day-to-day management of a city, and the processes used for realizing the short term and long-term agenda of a city's development.<sup>82</sup> Good urban governance entails making sure that all levels of the government system understand their roles and responsibilities, and that the allocation of resources across levels of government is fair and equitable. It develops policies and approaches to meet the needs of the communities in the cities, involving them in identifying their needs and wants, and in the processes of planning, implementing and monitoring the delivery of public goods and services that respond to their needs and wants.<sup>83</sup> Equality, efficiency, transparency, accountability, popular participation, and security: these are among the basic principles that lie at the heart of good urban governance. Subsidiarity—an organizing principle theoretically linked to decentralization and which states that matters ought to be handled by the smallest, lowest, or least centralized competent authority<sup>84</sup>—is equally important, providing the rationale for why cities must play the pivotal role in efficient and cost-effective urban governance.

**Urban governance is the software that enables the urban hardware to function; requiring an adequate legal framework, efficient political, managerial and administrative processes, as well as strong and capable institutions. Urban legislation, on the other hand, is the collection of policies, laws, decisions, and practices that govern urban management and sustainable development. Urban management is the process by which the goals and aspirations of cities are achieved, within the boundaries set by the legal and political frameworks, using resources efficiently and effectively.**

Source: UN-Habitat

Discussions about urban governance in the Philippines are subsumed into the more generic term of governance. A recent study conducted by ADB shows that the Philippines' form of urban governance involves many institutions with overlapping mandates resulting in inefficient vertical-horizontal institutional coordination for planning, implementation, and operation of infrastructure and service (**Figure 5.1**). Although the decentralization process can be deemed a success, the lack of effective urban governance mechanisms, particularly for regional-scale infrastructure projects involving inter-jurisdictional cooperation, has resulted in negative impacts on economic competitiveness, the environment, and the delivery of reliable, affordable, and resilient urban services. A capacity needs assessment conducted indicated an overall weakness for development planning, management, and enforcement. This can be traced to lingering, unaddressed policy issues affecting institutional structures, inter-governmental and multi-level governance relationships, management and technical capacity, as well as unmet public and private financing needs.

On the upside, "lessons learned indicate the strong capacity of organized communities and their homeowners' associations, jointly with their local governments and local neighborhood (*barangay*) offices to supervise and implement their own settlement development and upgrading projects."<sup>85</sup>

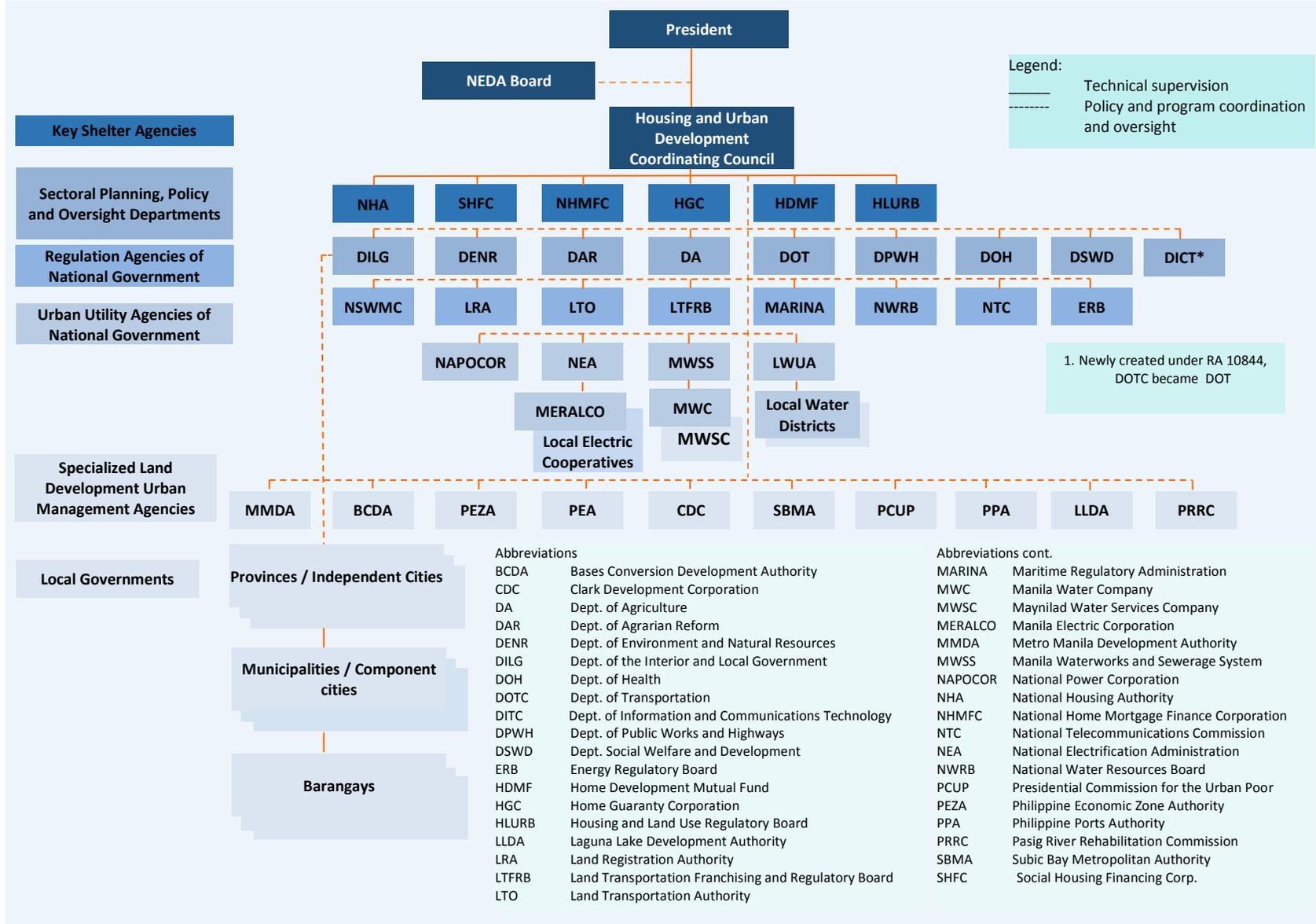
<sup>82</sup> [unhabitat.org/urban-themes/governance](http://unhabitat.org/urban-themes/governance).

<sup>83</sup> The World Bank. *Understanding Good Urban Governance and Management*. Urban and City Management Program—Workbook Session One & Two. <http://info.worldbank.org/etools/docs/library/166856/UCMP/UCMP/session1-2>.

<sup>84</sup> Albert Breton, et.al. 1998. *Decentralization and Subsidiarity: Toward a Theoretical Reconciliation*. In University of Pennsylvania Journal of International Law Volume 19:1 (United States: University of Pennsylvania Law School).

<sup>85</sup> Ramola Naik Singru and Michael Lindfield (2014). *Republic of the Philippines National Urban Assessment* (Mandaluyong City, Philippines: Asian Development Bank).

Figure 5.1. Urban Governance Framework of the Philippines



Against this background, urban governance in the Philippines should evolve more quickly— to face the compelling challenges posed by its growing population, expanding economy, vulnerability to climate change, environmental degradation, and deepening urban poverty. Reforms will have to go beyond sectoral policies and promote stronger cooperation— vertically and horizontally- among the various agents of government and the private sector, as well as civil society organizations, fostering a balanced distribution of powers, capacities and resources.<sup>86</sup> It should above all underscore the structures, relationships, systems, and processes that facilitate demand-driven initiatives responsive to the needs and priorities of rapidly urbanizing cities and their urban communities. This chapter assesses various key aspects of urban governance, as defined by UN-Habitat, and identifies key challenges as well as lessons learned essential to formulating the cornerstone of a new urban governance framework for the Philippines.

## 5.1 | Improving Urban Legislation

### 5.1.1 | The Philippine Urban Governance Legal Framework

There are two laws that serve as the backbone of urban governance in the Philippines. The first is Local Government Code (LGC) of 1991, also known as Republic Act No. 7160. The LGC devolved to the local governments—specifically the cities and the provinces—the efficient and effective delivery of "low-cost housing and other mass dwellings" and other basic services to its constituents.<sup>87</sup> More importantly, it created and recognized local governments as both political and corporate units. As such, they were vested with the authority to exercise powers as a political subdivision of the national government and as a corporate entity representing the residents of its territory.

**"The Congress shall enact a local government code which shall provide for a more responsive and accountable local government structure instituted through a system of decentralization..."**

The 1987 Philippine Constitution  
Article X, Section 3

The LGC explicitly provides local government units with the power and authority (i) to establish an organization that shall be responsible for the efficient and effective implementation of their development plans, program objectives and priorities; (ii) to create their own sources of revenue and to levy taxes, fees, and charges which shall accrue exclusively for their use and disposition and which shall be retained by them; (iii) to have a just share in national taxes which shall be automatically and directly released to them without need of any further action; (iv) to have an equitable share in the proceeds from the utilization and development of the national wealth and resources within their respective territorial jurisdictions including sharing the same with the inhabitants by way of direct benefits; (v) to acquire, develop, lease, encumber, alienate, or otherwise dispose of real or personal property held by them in their proprietary capacity; and (vi) to apply their resources and assets for productive, developmental, or welfare purposes, in the exercise or furtherance of their governmental or proprietary powers and functions and thereby ensure their development into self-reliant communities and active participants in the attainment of national goals. Since the passage of the LGC, LGUs have been undertaking their own local planning and implementation through their respective CDPs, CLUPs, and investment programming which are approved by their local councils. Although these plans must be synchronized with various national and subnational frameworks, they allow the LGUs to shape their political, economic, social, and physical landscapes.

<sup>86</sup> Habitat III Policy Paper. 2016. 4—*Urban Governance, Capacity and Institutional Development*.

<sup>87</sup> Excluding the programs and projects funded by the Social Security System (SSS), Government Service Insurance System (GSIS), and the Home Development Mutual Fund (HDMF) or Pag-IBIG.

The second is the Urban Development and Housing Act (UDHA) of 1992 which was enacted through Republic Act 7279. This law paved the way for the government to formulate and implement a comprehensive and continuing urban development and housing program, in cooperation with the private sector and nongovernment organizations. Consistent with the subsidiarity principle, it placed the responsibility for implementing UDHA with the local governments, supported by HUDCC, the key shelter agencies (KSAs), private sector groups, nongovernment organizations (NGOs), and the Presidential Commission for the Urban Poor.

The program objectives of UDHA include the following: (i) delivery of decent and affordable housing, basic services, and employment opportunities to the underprivileged and homeless citizens in the urban areas; (ii) security of tenure to eligible program beneficiaries without jeopardizing the rights of small property owners; (iii) effective people's participation in the urban development process; (iv) reduction in urban dysfunctions particularly those that adversely affect public health, safety, and ecology; (v) policies to direct urban growth and encourage a more balanced urban-rural interdependence; and (vi) capacity development for local governments in undertaking urban development and housing projects. It also prescribed the preparation of a National Urban Development and Housing Framework (NUDHF) under the leadership of HUDCC. Toward this approach, the law defined the eligibility criteria for socialized housing beneficiaries as well as the mechanisms for their registration, organization, and participation in the program. UDHA also stipulated a balanced housing development strategy that required the private sector to develop an area for socialized housing equivalent to at least 20% of the total area or total cost of their proposed subdivision projects.

Other laws, policies, and regulations comprising the Philippine urban legislation framework concern urban planning and development, social housing finance, housing microfinance, planning standards and technical requirements for economic and social housing, land pooling and management, and participatory mechanisms for the urban poor (Table 5-1).

**Table 5-1: Key Urban Legislation in the Philippines**

Law/Executive Issuance	Title/Summary Description	Relevance to Urban Development
RA 7279 (1992)	Urban Development and Housing Act of 1992	Provided for a comprehensive and continuing urban development and housing program and established mechanisms for its implementation by the local governments, with support from HUDCC, national government agencies, the private sector, NGOs, and PCUP
RA 7160 (1991)	Local Government Code of the Philippines:	Devolved the planning and implementation of socialized housing and the delivery of basic urban services to the local governments; corporatized local governments; and vested in them the authority to create their own sources of revenue and to levy taxes, fees.
BP 220 (1982)	Establishment and Promulgation of Different Levels of Standards and Technical Requirements For Economic and Socialized Housing Projects	Prescribed the minimum physical standards and technical requirements for economic and socialized housing projects, incorporating environmental ecology, hygiene and cleanliness, physical, cultural and spiritual development and public safety concerns.
RA 7835 (1994)	Comprehensive Integrated Shelter and Financing Act of 1994	Increased and regularized the yearly appropriation of the national shelter program, including the <i>Abot-Kaya Pabahay Fund</i> . Augmented the capitalization of NHMFC and HIGC.

Law/Executive Issuance	Title/Summary Description	Relevance to Urban Development
EO 70 (1986) as amended by EO 357 (1989) and EO 20 (2001)	Creating and strengthening HUDCC	EO 70 abolished the Ministry of Human Settlements, and created HUDCC to serve as the highest policy making body for housing. Subsequent EOs gave HUDCC overall administrative supervision over the key housing agencies.
EO 71 (1993)	Devolving the Powers of HLURB	Pursuant to the LGC, devolved the powers of HLURB to approve subdivision plans, to cities and municipalities, including those for economic and socialized housing.
EO 72 (1993)	Preparation and Implementation of Comprehensive Land Use Plans (CLUPs)	In accordance with the LGC, prescribed the preparation and implementation of CLUPs by cities and municipalities.
EO 124 (1993)	Evaluation of Areas Proposed for Land Conversion	Established the priorities and procedures for evaluating areas proposed for land conversion in regional agro-industrial centers, regional industrial centers, tourism development areas and sites for socialized housing.
EO 82 (1986) as amended by EO 69 (2012)	Creation and Strengthening of the Presidential Commission for the Urban Poor (PCUP)	EO 82 created the PCUP. EO 69 strengthened the organization and mandate of the PCUP to be able to strictly monitor all demolition and eviction activities against the underprivileged and the homeless and to support the implementation of the President's Ten-Point Covenant with the urban poor.
EO 184 (1994)	Creation of Socialized Housing One-Stop Processing Centers	Established socialized housing one-stop processing centers to facilitate the issuance of permits, clearances, certifications and licenses for the implementation of socialized housing projects.
EO 272 (2004)	Creation of the Social Housing Finance Corporation (SHFC)	Authorized NHMFC to establish and organize the SHFC as its wholly-owned subsidiary. Tasked SHFC as the lead government agency for undertaking social housing programs for the formal and informal sectors in the low-income bracket.
RA 10693 (2015)	Strengthening NGOs Engaged in Microfinance	Provided for the establishment of the Microfinance NGO Regulatory Council by the SEC. Authorized microfinance NGOs to undertake housing microfinance, insurance, and agriculture microfinance in addition to their core programs, subject to existing laws and regulations.
RA 10884 (2016)	Strengthening Balanced Housing Development Program under RA 7279	Expanded the definition of socialized housing to include residential condominium units and likewise expanding the coverage of Balanced Housing Compliance to condominium projects (vertical development).

BP = Batas Pambansa (National Assembly); CLUPs = Comprehensive Land Use Plans; EO – Executive Order; HIGC = Home Insurance and Guaranty Corporation; HLURB = Housing and Land Urban and Regulatory Board; HUDCC = Housing and Urban Development Coordinating Council; LGC = Local Government Code; NHMFC = National Home Mortgage Finance Corporation; NGOs = nongovernment organizations; PCUP = Presidential Commission for the Urban Poor; RA = Republic Act; SEC = Securities and Exchange Corporation; SHFC = Social Housing Finance Corporation.

### 5.1.2 Addressing the Urban Legal Gaps

UDHA was considered a watershed urban legislation when it was enacted in 1992. It ushered pioneering approaches to (i) inter-governmental and multi-level relationships, (ii) self-help and incremental housing, (iii) urban renewal, (iv) private sector participation, (v) participatory planning and implementation, (vi) land assembly for low-income and pro-poor housing, and (vii) a decentralized low-income housing and basic urban services delivery system. Complemented by the LGC-mandated devolution of the urban development and socialized housing functions to the local governments, UDHA facilitated the central government's transition from being a direct provider of housing and basic urban services to the role of an enabler.<sup>88</sup> This shift in approach enabled NGOs and the private sector to participate more actively in urban development and housing, leading to a total direct housing provision of more than 1.7 million units and distributing secure tenure to more than 615,000 families during the period 2001-2015.

But it has also been over twenty years since the passage of UDHA and the LGC. During these years, urban development has continued to evolve, posing new challenges to urban governance. The accelerated pace of urbanization in the Philippines—combined with its archipelagic nature and geographic location which makes it highly vulnerable to climate change—call for revisions to the existing urban governance framework, starting first and foremost with urban legislation. Several laws have in fact been proposed in Congress to address this need for change. An important pending legislation is the creation of a Department of Housing and Urban Development (DHUD). This will rationalize the structure and functions of the different housing and urban development agencies given the evolution of urban development in the country, and harmonize all housing and urban development plans, policies, programs, and projects at all levels of government. A strong DHUD will address, among other things, the affordability and accessibility of housing, especially to those who are threatened by persistent poverty, the adverse consequences of environmental and climate change impacts, and social exclusion. Other bills under consideration include the proposed National Land Use Act which seeks to create a national framework for the management and allocation of the country's natural resources, in the process minimizing the conflicts and tensions arising from competing land uses. Amendments to UDHA have likewise been proposed.

**It is essential to improve interfacing between local government officials and representatives of regional and national government agencies to improve implementation at the local program and project levels. It is imperative for HUDCC to broaden its scope to lead and coordinate urban development management to meet the objectives and goals outlined in the updated NUDHF. However, in the absence of budget control and resource allocation powers, HUDCC has been inherently weak as the sector's lead agency and the main coordinative mechanism at the national level. This presents a strong case for the proposed Department of Housing and Urban Development.**

Source: ADB, 2014

A 2015 consultative review of the LGC proposed the following areas for amendments in order to fully capacitate the LGUs to deliver basic services, strengthen local governance, and improve the welfare of the local communities: (i) authority to tax; (ii) clarity in expenditure assignment; (iii) increasing and equalizing the Internal Revenue Allotment;<sup>89</sup> (iv) facilitate LGU borrowing; (v) requirement for LGU creation and reclassification; (vi) establishing a framework to create and

<sup>88</sup> This approach was consistent with the Global Strategy for Shelter to the Year 2000, launched by the United Nations, which rather than emphasizing direct government interventions, called on governments to enact policies and other incentives that will encourage all nongovernmental sector stakeholders to participate more actively in housing and urban development.

<sup>89</sup> In the Philippines, intergovernmental transfers or central government transfers to local government units (LGUs) are of three types: formula-based block grants (i.e., internal revenue allotment or IRA), origin-based share in central government revenues (i.e., share in national wealth and other taxes), and the ad hoc categorical grants. In principle, LGUs have almost full discretion on their use of their IRA. In contrast, the use of categorical grants is conditioned on specific purposes.

operate inter-local cooperation; and (vii) promoting sound public financial management.<sup>90</sup> Various bills are pending in Congress to effect these proposed changes.

## 5.2 | Decentralization and Strengthening of Local Authorities

### 5.2.1 | Gains on the Decentralization Front

The LGC represented a major milestone in advancing decentralization and local autonomy in the Philippines. Prior to the LGC, functions assigned to the local governments were limited to the levy and collection of local taxes; regulation of business activities; and administration of garbage collection, public cemeteries, public markets and slaughterhouses. However, the LGC devolved the responsibility for the delivery of a large number of basic services including, but not limited to agricultural extension, community-based forestry, field health and hospital services, public works, school building program, social welfare services, tourism, telecommunications, and housing to the LGUs. Likewise, regulatory functions, such as re-classification of agricultural lands, enforcement of environmental laws, inspection of food products and quarantine, enforcement of building code, operation of tricycles, approval of subdivision plans, and establishment of cockpits were also transferred to the LGUs.

The devolution was substantial not only in terms of the sheer volume of functions transferred but more so in terms of the number of personnel reassigned. Financial transfers to the local governments were also increased, with 40% of internally generated taxes allocated to local governments through the IRA. In addition, the LGC conveyed to the local governments the authority to generate specific and potentially important own-source revenues. The LGC also encouraged local governments to identify and explore alternative sources of revenues by exercising their corporate powers in partnership with the private sector.

More than two decades into the country's devolution, academics and observers have noted "mixed" results —stating that the effects on delivery of devolved services, poverty reduction, fiscal balance, economic growth, government size, and governance rightfully characterized decentralization in the Philippines as "neither a complete success nor a failure." Economic models and performance measures are still works in progress, and there seems to be significant constraints on information sources in the Philippines. The results on causality or effects of decentralization on improved governance, service delivery, economic growth, and poverty reduction are likewise neither definitive nor conclusive.<sup>91</sup>

However, scores of anecdotal evidence on local development spurred by decentralization policies are readily available. For instance, the Galing Pook Foundation, a resource institution that promotes innovation and excellence in local governance has, since 1993, recognized more than 200 local government programs from some 150 LGUs as success stories. Some local urban governance good practices have also been recognized by the Government for their excellence. Examples include the Bond Flotation for Low Cost Housing in Victorias City in Negros Occidental. The project showcased how a small city, with the support of its communities, used the bold economic strategy to float bonds in order to provide shelter and housing to its people. Another is the *Lote Para sa Mahirap* (Land for the Poor), a land banking innovation in San Carlos City specifically designed for the ultra-poor families and households. The program beneficiaries

<sup>90</sup> Review of the 1991 Local Government Code, February 2015, DILG-ADB Technical Assistance.

<sup>91</sup> Evan Bernan (ed). *Public Administration in Southeast Asia: Thailand, Philippines, Malaysia, Hong Kong and Macao*. In Public Organization Review 12(2) June 2011.

selected so far have mostly been tricycle drivers and fish or vegetable vendors. More importantly, over the years, the law has enabled numerous cases of successful local government partnerships and/or collaboration with the private sector and NGOs, as well as community-based organizations (CBOs).<sup>92</sup>

To conclude, an assessment revealed decentralization under the LGC as (i) demonstrating mixed results, with modest gains in devolved services including health, agriculture, and social services; (ii) showing improved context and initiative for participation in local governance; (iii) a case of national sectoral planning not fully fused with local planning; (iv) providing conditions for local finance, but with policy design flaws still needing correction; and (v) evidencing policy implementation affected by the political process, but with firm policy support.<sup>93</sup>

**Community participation has increased in urban governance with the creation of local special bodies —particularly in infrastructure planning and implementation, accessing housing finance and microfinance, operation and maintenance, and program/project monitoring and evaluation. On the urban front, cities have begun to move away from a dependence culture to a demand-led approach, taking on greater responsibilities and innovations leading to more cost-effective means of urban services delivery. The combination of bigger and more buoyant tax bases and a relatively larger share of IRA has resulted in greater fiscal autonomy, which has allowed cities to provide better services to its populace compared to other local governments.**

Source: UN-Habitat, 2011.

### 5.2.2 Taking Bolder Steps for Improved Local Urban Governance

Since the LGC's enactment, several measures have been adopted and enforced to ensure that the objectives of the law to effect sustained social, political, and economic development are attained. In 2004, the Local Governance Performance Management System (LGPMS) was established by the DILG to help measure the effectiveness and efficiency of local governance. The system covers all provinces, cities, and municipalities.

The Seal of Good Housekeeping (SGH) initiated in 2010 has been promoting transparency and accountability in local governance. In 2012, 84% of provinces, cities and municipalities were conferred the SGH. This indicates readiness on the part of the recipient local governments to take on greater challenges. In 2014, the DILG scaled up the SGH into the Seal of Good Local Governance (SGLG). The SGLG expanded recognition of good performance beyond financial housekeeping to other areas that directly benefit the people. It has six assessment criteria (i) good financial housekeeping (formerly the SGH); (ii) disaster preparedness; (iii) social protection; (iv) business friendliness and competitiveness; (v) peace and order; and (vi) environmental management. Cash incentives from the Performance Challenge Fund are awarded to local government that qualify based on the set criteria.

In 2014, out of 1,676 LGUs assessed, 254 or 15% passed the SGLG. While the SGLG focuses on internal performance measures, measuring citizen satisfaction has become the new metric for performance management in the local government sector. From 2013-2015, Citizen Satisfaction

**The Performance Challenge Fund provides financial support on a competitiveness basis to qualified local government infrastructure projects using a series of good governance conditions encapsulated by the Seal of Good Local Governance.**

<sup>92</sup> UN-Habitat. Fiscal Decentralization, 2011.

<sup>93</sup> Berman, *op.cit.*

Index System (CSIS) surveys were conducted in 140 cities to evaluate the reach and quality of local public services from the point of view of the citizens. Based on the final results from 129 cities, 80 or 62% had ‘High’ to ‘Very High’ satisfaction index scores. Health, support to education, social welfare and environmental management emerged on top, from among eight service areas in terms of satisfaction. Passi in Western Visayas region, San Carlos in the Negros Island region, and Iriga in the Bicol region were the top three performers among the 129 cities.

A decentralization program has also been implemented with the DILG and NEDA as lead executing agencies. The program has three components: (i) political decentralization and good governance, (ii) fiscal decentralization and improved financial management, and (iii) institutional decentralization and improved delivery of services, for which specific outputs and their uses were defined. Examples were improved revenue collection and the application of improved planning processes at the provincial and local government unit level. In 2010, in response to increasing demand from civil society for improvements in local governance, DILG issued Memorandum Circular 2010-83, or the full disclosure policy, which mandates LGUs to prepare and make the public aware of key reports in areas such as local government budgeting, planning, procurement, and gender and development (GAD).

### 5.2.3 Metropolitan Governance: Gaining Momentum in the Philippines

A notable trend in the last twenty years is how several LGUs have agglomerated themselves into metropolitan units, either formally or informally, to integrate planning and administration to address issues transcending the limits of their jurisdictional boundaries. These covered development and planning; transport and traffic management; solid waste disposal and management; water, septage, sewerage and storm water management; and disaster risk reduction and management. LGUs have also “grouped themselves, consolidated, or coordinated their efforts, services and resources for purposes commonly beneficial to them,” in accordance with the LGC (**Table 5-2**). Some have pursued integrated planning to promote local industries as well as harmonize land use and physical development within their shared areas. Furthermore, other cities such as Bacolod, Batangas, Olongapo, and Angeles are also considering the creation of metropolitan units within their territorial jurisdictions.

**Table 5-2: Organizational Types and Financing of Metropolitan Arrangements in the Philippines**

Metropolitan Area	Organization	Basis	Component Cities/Municipalities	Source of Funding
Metro Manila	Metro Manila Development Authority	Republic Act No. 7924 (1995)	Cities of Manila, Quezon, Caloocan, Las Piñas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Parañaque, Pasay, Pasig, San Juan, Taguig, and Valenzuela; Municipality of Pateros	National Allocation, Local Fixed Contribution, Fees, Fines Collection
Metro Cebu	Metro Cebu Development Council (has no legal or institutional powers)	RDC Resolution No.117 (1997)  Patterned after MMDA	Cities of Carcar, Cebu, Danao, Lapu-lapu, Mandaue, Naga, and Talisay; Municipalities of Compostela, Consolacion, Cordova, Liloan, Minglanilla, and San Fernando	Under Study
Metro Davao	Davao Regional Development Council  -no juridical identity	No formal legal framework	Cities of Davao, Digos, Panabo, Samal, and Tagum; Municipalities of Carmen, and Santa Cruz	Local Fund Contribution
Metro Cagayan de Oro	Under Study (to establish a development)	Metro CDO Special Development	Cities of Cagayan De Oro and El Salvador; Municipalities of Alubijid, Baungon, Claveria, Gitagum, Jasaan, Laguindingan,	Under Study

Metropolitan Area	Organization	Basis	Component Cities/Municipalities	Source of Funding
	authority)	Project	Libona, Malitbog, Manolo Fortich, Opol, Sumilao, Tagoloan, and Talakag	
Metro Iloilo-Guimaras	Metro Iloilo-Guimaras Economic Development Council	Executive Order No. 559 series of 2006 by President Gloria Macapagal-Arroyo	Iloilo City, Municipalities of Oton, Pavia, Leganes, Santa Barbara, and San Miguel; Municipalities of Jordan, Buenavista, Nueva Valencia, San Lorenzo, and Sibunag	Local Fund Contribution
Metro Naga	Metro Naga Development Council	Executive Order No. 102, series of 1993 by President Fidel V. Ramos	Naga City; Municipalities of Bombon, Bula, Calabanga, Camaligan, Canaman, Gainza, Magarao, Milaor, Minalabac, Ocampo, Pamplona, Pasacao, Pili, and San Fernando	National Allocation, Local Fixed Contribution
Metro Baguio	Under Study (to establish a development authority)	Master Plan for BLIST development (plan facilitated by the July 1990 earthquake)	Baguio City; Municipalities of Itogon, La Trinidad, Sablan, Tuba, and Tublay	Under Study
Metro Dagupan	Under Study	CAMADA Master Plan	Dagupan City; Municipalities of Calasiao and Mangaldan	Under Study

Source: Metropolitan Arrangements in the Philippines: Passing Fancy or the Future Megatrend? Discussion Paper Series No. 98-31 by Ruben G. Mercado and Rosario G. Manasan.

## 5.3 Improving Participation and Human Rights in Urban Development

### 5.3.1 Participatory Mechanisms for Improved Urban Governance

People organized as communities or civil society groups at the local level, or through neighborhood initiatives, are indispensable to efficient and effective urban governance. Leadership for public participation and stakeholder involvement and responsibility, as well as making use of mechanisms such as public hearings, surveys, city/municipal assemblies, citizens' fora, city consultations and participatory strategy development, including issue-specific working groups, are among the key strategies used for generating civic engagement concerning important urban development options.

Community participation in urban development has gained ground in the Philippines through the involvement of nongovernment organizations (NGOs) coming from the business, religious, environmental, and informal settlers sectors, as well as other CBOS. It has been evident mainly in infrastructure improvement and maintenance, local planning initiatives, and facilitating access to credit. Peoples' participation through homeowners' associations and other CBOs, for instance, is an underlying prerequisite of the Community Mortgage Program, the government's banner program for low income and pro-poor housing.

The Government's Bottom-Up Budgeting (BuB) program has also institutionalized people's participation in the budgeting process. Under this program, each barangay receives a subsidy of P1 million to be used for the implementation of projects that citizens have identified and prioritized through a participative process of planning and budgeting. This supports barangays in better formulating poverty reduction plans and monitoring the delivery of basic services in their localities.

### 5.3.2 A Human Rights-Based Approach to Urban Governance

Urban governance based on human rights can help set-up mechanisms that will lead to sustainable urban development, and ultimately, to successful poverty reduction efforts. In the major urban centers of the Philippines, human rights issues are mostly related to the quest for adequate access by ISFs to secure tenure, affordable housing and basic services covering healthcare, education, food security, and access to clean water.

Recognizing the rights of ISFs and affording them safeguards is a welcome departure from previous government policy, which was contained in Presidential Decree No. 772, s. 1975, and which penalized squatting in urban communities with imprisonment or the imposition of a fine. In, 2014, the Philippine Government took further steps to promote the rights of ISFs—not to be confused with professional squatter<sup>94</sup> and squatting syndicates<sup>95</sup>—by issuing DILG Memorandum Circular No. 2014-82 providing guidelines designed to prevent hostility and violence arising from demolition and/or eviction of underprivileged and homeless citizens, which among others, required the conduct of a pre-demolition conference at least three days prior to the eviction/demolition.

The program objectives of the Urban Development Housing Act include the rational use and development of urban land that guarantee the rights of the underprivileged and homeless to housing and basic services. This includes an equitable land tenure system that ensures their secure tenure, without violating the rights of small property owners. In particular, Section 28 of the Urban Development Housing Act sets the rules on evictions and demolitions, defines instances where they may be warranted, and prescribes safeguards in the execution of eviction and demolition orders such as: (i) 30-day notice; (ii) adequate consultation; (iii) presence of LGU officials; (iv) proper identification of persons engaged in demolition; (v) set time and conditions when eviction or demolition may be effected; (vi) no use of heavy equipment; (vii) police to observe proper uniform and standard procedures; and (viii) adequate relocation or compensation.

## 5.4 Enhancing Urban Safety and Security

### 5.4.1 Curbing Urban Crimes

Addressing safety and security issues is essential to achieving sustainable urban development. The PDP 2011-2016 identifies crime incidence reduction as one of the strategies to promote and sustain public order and internal stability. Data from the Philippine National Police (PNP) annual accomplishment report for 2015 shows a drop of 5.43% in Comparative Crime Volume (CV) nationwide from 2014-2015. However, in the regions, NCR registered the highest with

<sup>94</sup> Individuals or groups who occupy lands without the express consent of the landowner and who have sufficient income for legitimate housing. The term also applies to persons who have previously been awarded homelots or housing units by the Government but who sold, leased or transferred the same to settle illegally in the same place or in another urban area, and non-bona fide occupants and intruders of lands reserved for socialized housing. The term does not apply to individuals or groups who simply rent land and housing from professional squatters or squatting syndicates.

<sup>95</sup> Persons/groups of persons engaged in the illegal business of squatter housing for profit or gain, whether for financial or political advantage.

22.55% of the CV from PNP blotters nationwide. Based on the same statistics, the NCR again ranked highest in Index Crimes incidence among the 17 regions nationwide for the same period.

Several legislative measures aimed at reducing criminality in the country have been filed in congress, including one that will mandate business establishments to install closed-circuit television (CCTV) cameras in their premises. The proposed PNP modernization lays down the framework for police organizational and human resources development, crime prevention and control development, as well as internal security and counterinsurgency capability development.

#### 5.4.2 Fire and Road Safety

Fire is a community safety issue and a human-made disaster that causes enormous damage to life and property in crowded urban agglomerations. In 2014 alone, the total cost of structural fires amounted to Php2.6 billion. As such, fire prevention and suppression is a major undertaking for both the national and local governments. The Bureau of Fire Protection conducts fire safety awareness campaigns by organizing and training fire brigades at the barangay level. It also embarks on a continuing inspection of commercial buildings and other establishments to ensure their compliance with the Fire Code. To improve its firefighting capacity, the BFP is engaged in a capacity building program which will facilitate the acquisition of some 469 fire trucks to be distributed to capital towns and other HUCs.

In the WHO Global Status Report on Road Safety 2015, there was a rise in reported road traffic deaths from less than 11,000 in 2004 to more than 15,000 in 2013. Fifty three percent (53%) of reported road traffic fatalities in the Philippines are riders of motorized two- or three-wheeler vehicles. Pedestrians make up the second biggest chunk of road user deaths at 19%, followed by drivers of four-wheeled vehicles at 14% and their passengers at 11%. There is a rise in reported road traffic deaths from less than 11,000 in 2004 to more than 15,000 in 2013. The Department of Health has acknowledged road safety as a public health priority.<sup>96</sup>

### 5.5 Improving Social Inclusion and Equity

Inequality is a growing concern all over the world. Inequalities are present in almost every facet of development; evidenced by income disparities, differences in access to opportunities, as well as in numerous forms of gender and youth inequalities. City slums and informal settlements are reinforcing other forms of deprivation and inequality—the lack of access to employment and livelihood opportunities, capital, basic urban services, education, health, and social networks. On the other hand, social inclusion and equity ensure the equitable distribution of the benefits of economic development and progress, leading to a more dignified life for millions of urban poor.

Among the strategies outlined in the PDP to achieve inclusive growth is human development achieved through investment in human resources and provision of basic social services as well as through stronger safety nets and social protection against shocks. Two main strategies towards asset and human capital formation for the poor is community-driven development (CDD) and conditional cash transfers (CCT). The CCT provides direct cash transfers to the poor provided that (i) their children continue to attend school; (ii) the family makes use of preventive health care and nutrition services; and (iii) they attend family development seminars. It must be noted that the CCT is just one of the three pillars of the convergence strategy to address poverty. It is complemented by the *Kapit-bisig Laban sa Kahirapan Comprehensive and Integrated Delivery of Social Services (KALAHI-CIDSS)*, and the Sustainable Livelihood Program (SLP). The former provides

<sup>96</sup> <http://www.doh.gov.ph/sites/default/files/publications/Vol3Issue3November2008.pdf>

The Philippine economy has been posting high growth rates over the past two years, with GDP at 7.5% in 2013. With economic growth expected to be sustained over the next few years, the country is adopting measures that will ensure that economic gains are cascaded down to all sectors, especially the poor and marginalized. Inclusive growth is the primary development goal outlined in the Philippine Development Plan (PDP) 2011-2016, which acknowledges that it is sustained growth that creates jobs, draws the majority into the economic and social mainstream, and continuously reduces mass poverty. Under the MDG, the country is committed to halve the poverty incidence by 2015. However, poverty incidence is not declining fast enough.

Source: Philippine Development Plan 2011-2016 Midterm Update

funding for community-driven infrastructure projects such as school buildings, health centers, farm-to-market roads, foot bridges, and water systems, among others. The latter extends capital assistance and capability building to beneficiaries to start their own income generating projects.

Meanwhile, the PCUP, for its part, accredits People’s Organizations (POs) to facilitate their representation in the formulation of policies and implementation of programs designed to respond to their needs. The PCUP

provides capability building to accredited and non-accredited POs through trainings and seminars on UPO organizational management and leadership; urban poor-related laws and issuances; livelihood generation; and gender involvement, responsibilities, and sensitivity.

For the housing sector, HUDCC formulated the National Informal Settlements Upgrading Strategy, or NISUS, to institute major shifts in the government’s housing program for ISFs. Through the NISUS, the Government encourages the creation of an enabling policy environment that allows people the opportunity to transform from informal settlers into active participants of the urban economy, and for the potential beneficiaries to fully accept and assume the responsibilities that go with the transformation. It promotes the principle of subsidiarity, and suggests the adoption of the informal settlement upgrading approach. It envisions programs and projects that put people and communities first, and help them plan and upgrade their settlements according to their needs and priorities, within the constraints of their affordable limits, through a community action planning process.

Moreover, the Senate Committee on Urban Planning, Housing, and Resettlement, and the House Committee on Housing and Urban Development led the conduct of the National Housing and Urban Development Summit in 2015 which championed in-city housing and the people’s planning process as the preferred options on shelter delivery.

## 5.6 Challenges Experienced and Lessons Learned

### 5.6.1 Strengthening Urban Sector Leadership

The creation of DHUD has been a long standing proposal in Congress. Several versions of the bill have been written since the early 1990s but its creation has not been enacted into law. Currently, there are various government institutions responsible for the housing sector yet fragmented efforts hinder the immediate implementation of housing and urban development initiatives. A strong DHUD, established and adequately resourced through the proper legislation, will be more effective at providing the leadership vital to addressing the growing and evolving nature of the urban governance challenges confronting the country.

### 5.6.2 Urban Legal Gaps and Decentralization Reforms

Apart from the creation of DHUD, reforms to the LGC to strengthen urban governance in the Philippines have become of paramount importance. There is a widespread agreement among

stakeholders that the LGC has structural deficiencies requiring a more thorough government-led review as basis for legislative reform. According to initial assessments, the deficiencies include (i) lack of clarity in functional assignments, (ii) limited and unproductive sources of local revenues, and (iii) inadequate and inequitable transfer mechanisms.<sup>97</sup>

In addition, the LGC-defined criteria for jurisdictional formation need to be reviewed in light of the evolving need for more effective multi-level governance, improved vertical and horizontal integration among the institutions involved, and stronger spatial governance that links HUCs with intermediate cities and/or rural communities. There are also other laws required such as one that could improve the national land use system—this will address some of the inefficiencies associated with the urban land market.

### 5.6.3 Constraints to Urban Governance

The lack of a clear and well-defined definition of urban governance stems from the limitations and uncertainties brought about by the current institutional framework for urban development and housing in the Philippines. Urban governance in the Philippines has been characterized as involving too many institutions with overlapping mandates resulting in inadequate vertical-horizontal coordination.<sup>98</sup> A capacity assessment undertaken likewise revealed institutional weaknesses in the core competency areas of urban governance. But population growth and rapid urbanization, the increased threat of climate change and environmental degradation, growing inequality, intensifying public health risks, and the impact of new technologies are all fast reshaping the challenges facing urban governance in the Philippines.

More effective multi-level urban governance is urgently needed and this should be built around mechanisms for improved vertical and horizontal integration. Vertical integration should enhance the collaboration between the national and local governments, including metropolitan authorities which are becoming essential to spatial governance. Horizontal integration, on the other hand, should strengthen the coordination of the various government agencies, and local governments at the same governance levels, including leagues of cities and municipalities.

Recognizing urban complexity, diversity and local context, this multi-level governance should also include partnerships between governmental and nongovernmental groups, particularly civil society organizations and the private sector.<sup>99</sup> In the Philippines, *Gawad Kalinga* and Habitat for Humanity are prime examples of how partnerships with NGOs have successfully helped to transform the urban lives of millions of ISFs.

### 5.6.4 Community Participation in Placemaking and Public Space Design

Participatory mechanisms have been effectively put in place in the Philippines but they need to be more innovative to result in more meaningful Placemaking and public space design. As both an overarching idea and a hands-on approach for improving a neighborhood, city, or region, Placemaking inspires people to collectively reimagine and reinvent public spaces as the heart of every community.<sup>100</sup> The “My City, My Pride” placemaking of Iloilo City engaged its citizens and grassroots organizations in every facet of planning for urban transformation and growth. The results, which have gained national recognition, include a river restoration, the creation of a

<sup>97</sup> ADB, 2014. Report and Recommendation of the President to the Board of Directors: *Proposed Programmatic Approach and Policy-Based Loan for Subprogram 1—Republic of the Philippines: Local Government Finance and Fiscal Decentralization Reform Program* (Manila, Philippines).

<sup>98</sup> Singru and Lindfield, *op cit*.

<sup>99</sup> Habitat III Policy Paper. 2016. 4—*Urban Governance, Capacity and Institutional Development*. .

<sup>100</sup> [http://www.pps.org/reference/what\\_is\\_placemaking](http://www.pps.org/reference/what_is_placemaking)

wetland and bird sanctuary, rehabilitation of a 500-year-old public plaza, new efforts in flood control, the creation of a community college, and additional low income housing.<sup>101</sup> Intertwined with Placemaking is the goal of supporting local governments in creating and promoting socially inclusive, integrated, connected, environmentally sustainable, and safe streets and public spaces, especially for the most vulnerable.<sup>102</sup> Towards this, the agenda of Placemaking to create quality public spaces that contribute to people's health, happiness, and wellbeing should be more vigorously pursued.

### 5.6.5 Deficient Access to Development Credit Finance

There is a need to increase the access of local governments to development finance. This could be achieved by using official development assistance more efficiently, improving direct credit financing to lower-income local governments, and increasing their access to private capital markets and available government-sponsored credit lines earmarked for local finance. Although local government borrowing powers are granted under the LGC, there are implicit provisions that may restrict credit finance. These include difficulties in opening depository accounts in non-government financial institutions, limitations constraining the use of credit finance or bonds on self-liquidating, income generating projects, and the central bank requirement that all banks lending to local governments must secure a no-objection from the monetary board.

### 5.6.6 Correlation between Urbanization and Urban Crimes

Crime has become a significant concern in the urban areas of the Philippines. According to the Philippine National Police (PNP) theft, physical assault, and robbery are the most common urban crimes reported to local authorities. Other common urban criminal acts include pickpocketing, confidence schemes, acquaintance scams, and credit card fraud. Carjacking, kidnappings, robberies, and violent assaults also occur sporadically. The safety of urban communities in Mindanao is also increasingly becoming a very serious concern. Contemporary armed conflicts in the Southern Philippines have unleashed complex urban safety challenges involving internally displaced persons (IDPs).<sup>103</sup>

### 5.6.7 Inadequacy of Data for Planning, Implementation, and Monitoring

Effective urban governance is seriously hampered by the lack of accurate and reliable urban data for use in urban planning; the design, management and implementation of urban development programs and projects; and monitoring and evaluation for timely corrective actions.

## 5.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda

### 5.7.1 More Effective Leadership in a New Urban Governance Framework

The key agency responsible for delivering sustainable urban development, one that meets the needs and priorities of the urban population, is HUDCC. However, faced with a massive housing backlog and new demand for incremental housing on an annual basis, combined with a

<sup>101</sup> Dan Gilmartin. *Updates on Placemaking and Rethinking Cities from the 'Future of Places' Forum in Stockholm*. 2013.

<sup>102</sup> UN-Habitat. *Global Public Space Toolkit—From Global Principles to Local Policies and Practice*. (Nairobi: UN-Habitat, 2015).

<sup>103</sup> Institute for Autonomy and Governance, 2011. *Urban Safety in the ARMM*. <https://iaq2001.wordpress.com/2011/03/14/urban-safety-in-the-armm/>

broad urban development mandate that is weakened by a lack of commensurate resources, HUDDC has tended to focus itself on housing. The continuing evolution of urban development, creating new areas of urban challenges requiring multi-level government response and clear, effective inter-government relationships presents a strong case for more effective sector leadership. The creation of a line agency with clear mandates on human settlements and urban development has been a long-standing proposal in Congress. Several versions of the bill have been written since the early 1990s but its creation has not been enacted into law. Legislating this proposed line agency has become not only a necessity but a priority that can no longer be overlooked by a New Urban Agenda.

### **5.7.2 Transparency and Accountability Urban Governance Mechanisms**

Among the biggest challenges confronting urban governance in the Philippines are corruption and the lack of transparency in government transactions. One way of attaining transparency in government transactions is through digital governance, which refers to the automation of all government databases and transactions. Government programs, projects, transactions, and the movement of funds can be monitored more efficiently if there is a unified information technology where information on any government agency or unit can be easily accessed by decision-makers. Digital governance promises to be an indispensable tool for effective governance in cities and municipalities. The use of information and communication technology (ICT), including social networking, must be explored as part of the New Urban Agenda to further enhance the transparency and accountability of urban governance mechanisms. ICT applications should also be considered in improving urban data collection, retrieval, and analysis.

Transparency and accountability can further be honed with the introduction of a system of rewards and penalties. Through this approach, a good-performing LGU can be granted incentives in the form of loans, infrastructure, facilities, and capacity building programs (e.g., seminar trainings, equipment, etc.), among others. On the other hand, a non-performing LGU should be meted with the appropriate penalties.

### **5.7.3 Improving Local Public Financial Management**

Issues related to fiscal policies, such as the sharing of resources between national and local governments, should be addressed by amending the LGC. A review of the IRA scheme, with its current sharing mechanism and formula for distribution which local authorities find filled with loopholes, requires a corresponding review of the LGC. In an improved IRA scheme, poorer local governments should be given a bigger share and good performing ones should be incentivized. The current fiscal provisions in the LGC are also not sufficient to allow local governments to raise revenues from local sources. Their powers to tax are restricted or limited. For example, local governments that host Special Economic Zones are not able to collect real property taxes from locators. Instead, these host local governments end up spending more to address issues arising from the creation of economic zones such as traffic congestion, waste disposal, influx of migrants, and threats to peace and order.

### **5.7.4 Addressing Urban Safety Concerns**

There are many ways to curb crimes in the urban centers where crime incidence continues to rise. One way is to increase police presence and visibility especially in crime hot spots by increasing the police population. Strengthening PNP accountability mechanisms should also ensure good conduct among the ranks of policemen. However, the general urban safety and

security issues may be addressed through social inclusion as well as better urban designs and building standards. The cooperation of LGUs and CSOs, through the implementation of community programs such as street lighting improvement, conducting awareness seminars on crime prevention, and developing neighborhood watch programs, is key to reducing or preventing urban crimes. For urban areas affected by armed conflicts, there is a need for urban development planning to effectively provide for the basic needs of IDPs. Providing appropriate housing, creating alternative livelihood, and offering education to IDPs can promote their human security and protect their human rights. These can also prevent some IDPs from engaging in crime and violence and promote urban safety in their host urban areas.

### 5.7.5 Enhancing Urban Social Inclusion

Innovative and effective Placemaking is vital to achieving social inclusiveness and ultimately the livability of cities. Some urban planners have described Placemaking as the deliberate re-shaping of the built environment to facilitate social interaction and improve quality of life. While there is no universal blueprint for creating great places, there are successful examples worth noting, especially given the numerous benefits that come with great placemaking. The Main Street Program in the United States is a prime illustration of how Placemaking can develop culturally and commercially significant streets in distinct neighborhoods. Main street districts have facilitated community events, promoted the district as a distinctive place to shop and visit, beautified the streetscape, and encouraged new businesses. In the Philippines, private developers have begun to apply the principles of Placemaking to better design urban communities. Placemaking can be used by cities to foster more socially cohesive urban communities.

Still, there are many other areas where social inclusion can be enhanced by a New Urban Agenda through more innovative community participation, particularly involving vulnerable and disadvantaged groups. In housing, the community action planning process espoused by the National Informal Settlements Upgrading Strategy (NISUS) will lead to more vibrant, resilient, safe, and socially inclusive urban communities connected to the entire city and beyond.

### 5.7.6 Reinforcing Metropolitan Governance

The growth of large metropolitan areas—e.g. metropolises, megacities, urban regions and corridors—is transforming the urban landscape and raising new challenges for the management of metropolitan areas. Weak metropolitan governance undermines sustainable urban development and the attractiveness of metropolitan areas as cornerstones of national development. In the Philippines, several LGUs have agglomerated themselves into metropolitan units, either formally or informally, to integrate planning and administration to address issues transcending the limits of their jurisdictional boundaries. Urban sprawl in the Philippines also justifies the case for improving spatial governance. Spatial and functional interrelations between cities, settlements, and their surrounding areas are increasing, with the metropolitan scale gaining more and more relevance for integrated urban and city regional planning, financing, and implementation.<sup>104</sup> As there is no one-size-fits-all solution, the various metropolitan governance models already set up in the country should be carefully examined to identify lessons learned and areas for improvement. A New Urban Agenda must pave the way for stronger metropolitan governance structures in the Philippines. They must be established with the adequate powers, tools and incentives to be relevant, with access to financing mechanisms to allow investments to be mobilized for big infrastructure projects that deliver more efficient, reliable, and affordable metropolitan services.<sup>105</sup>

<sup>104</sup> UN-Habitat and GIZ. *Unpacking Metropolitan Governance for Sustainable Development*. 2015.

<sup>105</sup> Habitat III Policy Paper. 2016. 4—Urban Governance, Capacity and Institutional Development.

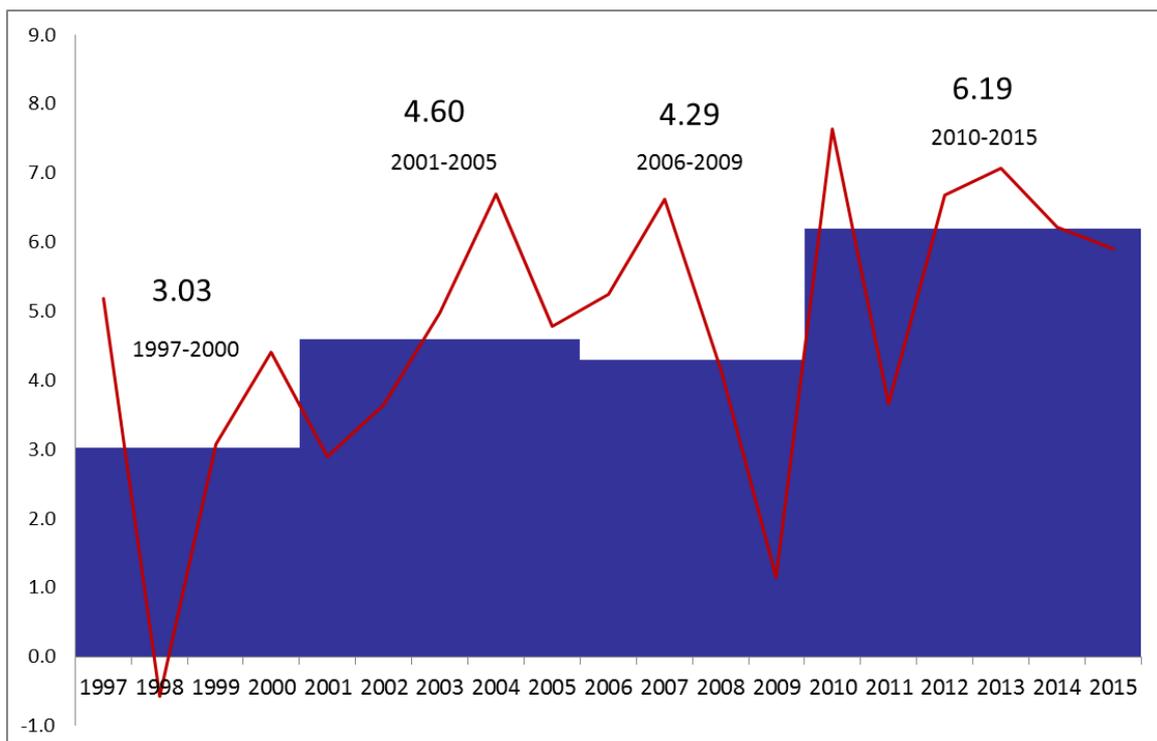
# 6

## Urban Economy: Issues and Challenges for a New Urban Agenda

Twenty years ago, the Philippines was trying to recover from being the "Sick Man of Asia", a reference to the country's prolonged period of economic decline in the 1980s when it fell behind the fast-growing tiger economies of Southeast Asia. During those years, the country was grappling with sluggish economic growth averaging 3.4%, while its neighboring countries were expanding at annual rates of 5.1% to 7.7%. In addition, the country was struggling with high levels of unemployment, with yearly unemployment rates soaring from 5.1% to 9.1%. The Philippines was also suffering from a high poverty incidence, estimated at 35.5% in the 1990s, with millions of poor people languishing in urban slums and informal settlements.

Today, the country appears to have shed the image of being the laggard of the Asian region. In fact, it seems from many accounts that it is being hailed these days as "sick no more, sick man gone strong, the new bright spot in Asia," or, even better, "the next Asian tiger." These positive developments can be attributed to the Philippines' robust economic performance in recent years.

Figure 6-1. GDP Growth rates (at constant 2000 prices)



In particular, the Philippine economy grew by 6.7% in 2012, exceeding market expectations and recording one of the best performances in the Asia region. In 2013, the economy further expanded by 7.2%, placing second to China which grew by 7.7%. The country continued its high growth path in 2014, achieving a 6.1% growth rate. Meanwhile, it recorded a respectable performance in 2015 as the economy expanded by 5.8% despite the challenges confronted by the country from both external and domestic fronts. The high economic growth over the years was driven mainly by the urban sector. The National Capital Region (NCR) alone accounts for one third of the total output, with the industry and services sectors contributing almost 90% to the country's total GDP (Table 6-1).

**Table 6-1: Growth and Structure of the Philippine Economy, 2006-2014**

	2006	2008	2010	2012	2014	2015
<b>GDP Per Capita (in USD)</b>	1,405.21	1,918.26	2,155.41	2,610.56	2,862.38	2951.15
<b>Growth of Output (in %)</b>	5.2	4.2	7.6	6.7	6.1	5.8
Agriculture	3.6	3.2	-0.2	2.8	1.6	0.2
Industry	4.6	4.8	11.6	7.3	7.9	6.0
Services	6.0	4.0	7.2	7.1	5.9	6.7
<b>Structure of Output (in %)</b>						
Agriculture	13.1	12.8	11.6	11.1	10.0	9.7
Industry	32.5	32.4	32.6	32.2	33.4	33.5
Services	54.4	54.8	55.8	56.7	56.6	57.0

Source: International Monetary Fund (IMF), National Income Accounts (in current prices), Philippines.

On the geographic front, the persistent economic dominance of the NCR, or Metro Manila as it is more popularly known, has been significantly reduced. Twenty years ago, Metro Manila's economy comprised more than 50% of the Philippines' GDP. Today, its GDP contribution has declined to 36%. However, the adjacent cities of Antipolo and Lucena in the CALABARZON region, and Angeles and Olongapo in the Central Luzon region, have extended their urban reach. The resulting urban agglomeration, sometimes referred to as the Extended Urban Regions (EUR) of Metro Manila, now accounts for 63% of the country's GDP.<sup>106</sup> The remaining 37% of GDP, still a sizable portion, is produced mostly in the urban centers of the Visayas and Mindanao regions which contribute 27%, while the remaining 10% constitutes the combined share of the regions of Ilocos, Cagayan Valley, Cordilleras, and MIMAROPA.

**Table 6-2: Gross Regional Domestic Product of the Philippines (at constant 2000 prices), 2012-2014**

Region	% to Total GDP			% Growth of Output	
	2012	2013	2014	2013	2014
<b>PHILIPPINES</b>	100.0	100.0	100.0	6.8	5.8
<b>Luzon</b>					
National Capital Region	35.7	36.4	36.3	7.0	3.2
Cordillera Autonomous Region	1.9	1.8	1.8	1.0	5.7
Region I – Ilocos Region	3.1	3.1	3.1	5.2	6.4
Region II – Cagayan Valley	1.8	1.8	1.8	8.1	9.0
Region III – Central Luzon	9.3	9.1	9.3	6.5	5.1
Region IV-A - CALABARZON	17.4	17.3	17.2	7.3	6.5
Region IV-B – MIMAROPA	1.7	1.6	1.6	4.8	4.2
Region V – Bicol Region	2.0	2.0	2.0	6.9	3.2
<b>Visayas</b>					
Region VI – Western Visayas	4.1	4.0	3.9	7.7	4.9
Region VII – Central Visayas	6.3	6.3	6.5	9.4	8.8
Region VIII – Eastern Visayas	2.3	2.2	2.0	-6.4	-2.3
<b>Mindanao</b>					
Region IX – Zamboanga Peninsula	2.1	2.0	2.0	12.9	6.5
Region X – Northern Mindanao	3.8	3.7	3.7	7.2	7.2
Region XI – Davao Region	3.8	3.8	3.9	7.4	9.4
Region XII – SOCCSKSARGEN	2.7	2.7	2.8	8.0	6.4
Autonomous Region in Muslim Mindanao	0.8	0.7	0.7	10.7	3.0
CARAGA	1.2	1.3	1.3	1.1	7.8

CALABARZON = Cavite, Laguna, Batangas, Rizal, and Quezon Provinces; MIMAROPA = Mindoro, Marinduque, Romblon and Palawan Provinces; SOCCSKSARGEN = South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos Provinces.

Source: National Income Accounts, The Philippine Statistics Authority

Note: Statistics for the newly created Negros Island region not available yet as of this report.

<sup>106</sup> This GDP share can be broken down as follows: i) NCR, 37%; (ii) CALABARZON, 16%; and (iii) Central Luzon at 9.08%.

These regions, fueled by their key cities, are now growing at an accelerated pace. The Metro Manila EUR plus cities in the Central Visayas, Western Visayas, and Negros Island regions, and those from Davao and the Northern Mindanao regions account for about 80% of total GDP.

Country data show that Philippine cities indeed help in propelling the development of the urban economy, which in turn spurs overall economic growth. However, many cities are still faced by significant challenges, particularly in terms of their capacity to respond to the increasing needs of the urban population. For instance, a study by ADB reported that cities in the Philippines are confronting urban problems such as congestion, overcrowding, poor quality of life, and rapidly growing poor urban communities.<sup>107</sup> The underlying causes to these can be traced, in part, to the urban economy and they include the following: (i) deficient investments in urban infrastructure and services delivery, (ii) difficulties in accessing housing finance, (iii) insufficient capacity for local economic development planning and implementation, (iv) a widening mismatch between supply and demand for jobs and livelihood opportunities, and (v) inadequate integration of the urban economy and its spatial dynamics into national, regional and local development planning and implementation.

This chapter describes the current state of the Philippine urban economy, examining whether it sufficiently bolsters the cities' capacity to fully transform into drivers of local economic development, employment creation, and wealth. The discussion focuses on the policies, strategies, and programs that affect the capacity of cities to (i) finance strategic urban infrastructure and services, (ii) devise mechanisms and systems by which financial resources from both the public and private sectors could be mobilized and channeled into housing, specifically low income housing development and slum upgrading; and (iii) stimulate local economic development. Challenges and lessons learned are distilled, paving the way for defining the cornerstone of a New Urban Economics framework for the Philippines.

## 6.1 | Improving Local Finance

### 6.1.1 | The Local Finance Supply-Demand Gap

Rapid urbanization has resulted in constraints on the ability of cities to provide adequate urban infrastructure, including housing, and to deliver basic urban services. Operation and maintenance expenditures have also been woefully insufficient—leading to poor quality and unreliable services. Middle-income countries in Southeast Asia, which include the Philippines, should be spending on average between 5% and 10% of their GDP to meet their infrastructure requirements in the next 10 years. Spending on basic urban infrastructure in Philippines cities has been estimated at only about 3% of GDP. Local government capital outlays typically amount to 12% of total expenditures every year which is exceedingly low. The current level of spending is not

**Today, over 50% of the world's population are urban dwellers, with this figure expected to rise to over 65 per cent by 2030. If urban economic opportunities do not keep pace with the influx of job-seekers, urban poverty can have dire results for the global populations' health and well-being. Urban economy focuses on promoting strategies and policies that strengthen the capacity of cities to realize their full potential as drivers of economic development, and of wealth and employment creation. It enhances municipal as well as housing finance, and contributes to the creation of decent urban jobs and livelihoods that increase economic empowerment, particular for the youth and women.**

Source: UN-Habitat

<sup>107</sup> Ramola Naik Singru and Michael Lindfield (2014). *Republic of the Philippines National Urban Assessment* (Mandaluyong City, Philippines: Asian Development Bank, 2014) 58.

only insufficient to maintain the existing infrastructure stock but also inadequate to develop new urban infrastructure.<sup>108</sup>

On a positive note, the Philippines' growing economy has allowed the government to channel

**Under the Philippine Local Government Code (LGC) of 1991, local governments have the autonomy to decide on the composition of local spending, taxing and borrowing that they would need to meet local development objectives. Fiscal transfers to local governments were also increased, with 40% of internally generated taxes allocated to local governments through the Internal Revenue Allotment (IRA). In addition, the LGC encouraged local governments to explore alternative sources of revenue by exercising their corporate powers in partnership with the private sector.**

Source: Gilbert M. Llanto, PIDS, 2009

more resources into narrowing the high public infrastructure gap which has been recognized as a major development constraint. In recent period, the Philippine government has sought to increase investments in public infrastructure from 2% of GDP in 2012 to at least 5% percent by 2016. It recognizes, however, that increasing infrastructure spending to more than 3 times over a span of 5 years presents a tremendous challenge.<sup>109</sup>

It has been estimated that the basic urban services sector in the Philippines will require a total investment of US\$95.4 billion in the next 18 years to address deficiencies in the delivery of basic services.<sup>110</sup> This will also expand existing facilities in the cities in line with urban population growth. The investment requirement will average US\$ 6.0 billion per year. Of the total, approximately US\$36 million will be used to meet the existing shortfalls in the delivery of basic urban services (i.e., the backlog). Another US\$59 billion will be needed to construct new infrastructure facilities and to expand existing networks.<sup>111</sup> The current levels of urban investments by Philippine cities are nowhere near these estimated requirements.

### 6.1.2 Continuing Dependence on National Government Transfers

The LGC vests local governments with ample fiscal autonomy to mobilize revenues and decide on their levels of local spending. City governments enjoy more superior taxation powers over the provincial and municipal governments because they can impose all taxes assigned to local governments and are allowed to retain all the local revenues they collect. Municipalities can also impose the same taxes but at lower rates. Provinces are not allowed to collect business, real property, nor community taxes, which are among the more lucrative receipts, but do get a share in the collections of those collected by municipalities and component cities. However, poor resource mobilization persists at the local levels. One reason for this is the underutilization by the LGUs of their revenue raising powers. Weak tax administration capacity and the general unwillingness of LGUs to finance projects from borrowings also helps to explain their inadequate revenues.

Many cities are not able to maximize their local revenues because of their reluctance to raise taxes. Few LGUs have revised their local tax codes since 1992, even if the rates of some of the taxes are not indexed to inflation.<sup>112</sup> In addition, tax administration remains weak in many cities largely because of inadequate technical capacity, particularly relating to audit, revenue generation,

<sup>108</sup> GHK Consulting Limited, 2008. *Final Report on TA 7062-PHI Preparing the Philippines Basic Urban Services Sector Project—Infrastructure Planning Framework*. Submitted to Asian Development Bank (Manila: Philippines, 2008). 6-7.

<sup>109</sup> According to the Philippine Department of Budget and Management. The endeavor would require increasing spending on infrastructure from Php 215.7 billion in 2012 to Php766.5 billion in 2016, increasing further to Php 1,016.7 billion in 2018.

<sup>110</sup> ADB Technical Assistance Consultant's Report, Philippines: Preparing the Philippine Basic Urban Services.

<sup>111</sup> *Ibid.*

<sup>112</sup> Rosario G. Manasan. *Local Public Finance in the Philippines: Lessons in Autonomy and Accountability*. In Philippine Journal of Development Studies, Number 60, Second Semester, 2005. 54-58.

expenditure management, and financial management and planning. But a study to assess the appropriateness of tax assignment in the Philippines also indicated that while the LGC authorizes LGUs to levy local taxes on a good number of tax bases, the size of these bases outside of the real property tax and the local business tax is not significant. Furthermore, the bulk of the productive tax bases still rest with the central government. The power of LGUs to set local tax rates is likewise limited by the LGC.<sup>113</sup>

The consequence of all these is an overreliance by the local government on Internal Revenue Allotment (IRA) transfers from the national government. Own revenues comprising both tax and non-tax revenues directly raised by the cities account for only about 55.7% of their total revenues. IRA transfers still make up about 40% of their total revenues (Table 6-3). On a regional basis, Metro Manila contributes more than 20% of the local governments' total income. A distant second and third are the regions in its periphery—the CALABARZON region in the south and the Central Luzon region in the north, with shares of 11.7% and 9.4%, respectively. Together, Metro Manila local governments generate about 76% of their total income from local sources. Their dependence on national transfers is low at 18%. The next three regions with the lowest dependence on national transfers are CALABARZON, Central Luzon and Central Visayas with IRA shares of 55.0%, 63.2%, and 67.1%, respectively. This confirms the trend that the more urbanized a region is, the lesser its dependence on national government transfers.

**Table 6-3: Sources of Revenues of Philippine Local Governments, in Percentage, 2014**

Item	Cities	Municipalities	Provinces	Philippines
Local Sources	55.70	19.17	18.79	34.82
Tax Revenues	45.18	10.58	8.02	24.90
Non-Tax Revenues	10.52	8.59	10.78	9.92
External Sources	44.30	80.83	81.21	65.18
Internal Revenue Allotment	41.78	78.37	79.6	62.89
Other Shares from National Tax Collections	1.75	1.51	0.88	1.47
Inter-Local Transfer	0.33	0.30	0.46	0.35
Extraordinary Receipts, Grants, Donations and Aids	0.44	0.65	0.26	0.47
<b>Total</b>	100.00	100.00	100.00	100.00

Note: Totals may not add due to rounding.  
Source: Bureau of Local Government Finance.

### 6.1.3 Innovations in Local Finance

Local finance has been a perennial challenge to Philippine cities trying to respond to the needs of their growing urban constituents. With their continued dependence on national government transfers, a study by the Philippine Institute for Development Studies (PIDS)<sup>114</sup> recommended that local governments improve their local financing capability by (i) asserting and strengthening their role in financing urban development through improved revenue generation and financial management, (ii) participating in a more rationalized system of national government transfers through the IRA allocations, which may entail local governments showing a fund utilization program and schedule prior to receiving the IRA for increased transparency and accountability,

<sup>113</sup> First, the LGC fixes the tax rate of some of the taxes that are assigned to LGUs (like the property tax and the community tax). Second, while LGUs do have some discretion in setting tax rates of other local taxes, the LGC sets limits (i.e., floors and ceilings) on the tax rates that LGUs may impose. Moreover, the maximum allowable rates appear to be low. In terms of real property assessment levels, the LGC sets maximum assessment rates for different classes of property (Manasan, 2005).

<sup>114</sup> Gilbert M. Llanto. *Fiscal Decentralization and Local Finance Reforms in the Philippines*. Philippine Institute for Development Studies. Discussion Paper Series No. 2009-10.

and (iii) engaging in PPP projects to finance delivery of basic services, including accessing credit facilities that will enable local governments to reach urban poor areas.

Many cities have in fact introduced initiatives to improve their fiscal capacity. Some have improved their real property tax collection systems by tax mapping, computerization and redesigning tax forms, employing ‘door to door’ collection methods, and simplifying tax administration procedures. A good number of LGUs have streamlined their licensing and permitting procedures by reducing the number of signatures and setting-up one-stop-shops. Most local governments have formulated their Local Investment Priority Plans to complement their CDPs, and have enacted Local Tourism and Investment Codes to give legal strength to their investment plans.

At the national level, two noteworthy initiatives are being undertaken. The first is the recently launched Local Financial Management Modernization Project to ensure the local government's fiscal sustainability and to strengthen public financial management system through information and communication technology.<sup>115</sup> It is a pioneering approach to creating a national registry of local financial information and real property appraisals, assessment, and tax information. The availability of local financial and property assessment information, as well as the ease with which they can be accessed, will enable and facilitate public participation. This, in turn, will strengthen accountability and transparency which are both vital to achieving good governance. The project will thus contribute to boosting local investors' confidence, bolstering social reforms, and minimizing if not completely deterring corruption. The project will also establish a centralized human resource management information system to help create a pool of competent, efficient, and trustworthy local treasurers and assessors.

The second initiative, the Local Government Financing and Budget Reform (LGFBR) program supports the implementation of the LGC. Before the LGFBR program, a number of LGUs had already been performing well. Yet, to sustain poverty reduction efforts, the country needed more robust economic development and much better public sector performance at the local level. Reforms at the local level were needed to attain (i) clearer and more streamlined expenditure assignments between national government agencies and the LGUs; (ii) wider alternatives for mobilizing LGU resources; (iii) increased capacity of LGUs in financial management, including budgeting and tax administration; (iv) better structures, procedures, and information systems for national government agencies to exercise their mandated oversight of LGU activities; and (v) a stronger legal and institutional framework for decentralization.<sup>116</sup>

At the national level, Congress has likewise promulgated revenue generating laws that allow the collection of environmental ‘user fees’ by local governments. However, collecting user fees from the local households has been difficult because there is still a strong resistance to paying fees for public services which they used to enjoy for free.

**The Local Financial Management Modernization Project is a pioneering approach to developing a national registry of local financial information, real property appraisals, assessments, and tax information. The Project, as designed, will help LGUs increase their local revenues, allot more for social services, and ultimately, allow them to achieve steady, sustainable fiscal operations. It will make tax payments more convenient, improve the business climate, and eventually lead to greater public trust and confidence in the LGUs' treasury and assessment services. It will furthermore increase the number of credit worthy LGUs, making it easier for them to access credit to finance their socioeconomic development plans.**

Source: Bureau of Local Government Finance, DOF

<sup>115</sup> Department of Finance – Bureau of Local Government and Finance (BLGF). Available at <http://blgf.gov.ph/launching-of-local-finance-management-modernization-project/>

<sup>116</sup> Asian Development Bank. *Philippines: Local Government Financing and Budget Reform Program Cluster*. Available at <http://www.adb.org/documents/philippines-local-government-financing-and-budget-reform-program-cluster>

There have also been significant efforts to institutionalize the public-private partnership (PPP) approach, which is critical to the LGUs' ability to access more funds for infrastructure projects. A manual to disseminate knowledge on the various PPP instruments that can be used is available to guide the users on the preparation of PPP proposals.

## 6.2 Strengthening and Improving Access to Housing Finance

### 6.2.1 The Housing Finance Demand-Supply Gap

Many local governments, including city governments, are reluctant to allocate resources to the housing sector, except perhaps for their own employee housing. Others look to nongovernment organizations for help, largely for resettlement housing. The reality is most, if not all, local governments do not have the resources to finance housing for the urban poor. If they had the resources, they preferred to spend the money on other programs, particularly those that generate income. Analysis of local expenditure patterns show that most cities only allocate the mandatory minimum 20% of their internal revenue allotments for development projects, and most of these relate to drainage improvements, road rehabilitation, and administrative buildings for the city. Major capital development expenditures in the cities are usually made by national government agencies or the private sector.

However, a comprehensive assessment undertaken through a study to formulate the National Informal Settlements Upgrading Strategy (NISUS) of the Philippines pointed out that the national government agencies' approach to housing the urban poor has largely focused on the settlements, not the settlers. This has led to a policy of massive relocation of entire communities to distant locations, often against the wishes of the people—with the inevitable loss of income as a consequence. Thus, existing houses were demolished to be replaced by new units, almost one for one.<sup>117</sup> More recently, there has been a shift in government policy leading to a bigger push for “in-city resettlement.” This approach has been used to prioritize the resettlement of ISFs living in danger areas, such as waterways, and those occupying the right-of-ways of infrastructure projects deemed critical by the Government.

Over a 15-year period spanning 2001 to 2015, the Philippine Government provided relocation and shelter security to a total of 550,560 families—spending between Php203,000 to Php310,000 per family. Other housing assistance programs for ISFs include slum upgrading, various local housing programs, as well as sites and services development. Since 2001, more than 230,300 families have gained access to secure tenure through the Community Mortgage Program (CMP).

Private developers, for their part, have tried to provide housing but unable so far to deliver, at the price and scale needed, since many of them consider housing for the urban poor to be unprofitable. The majority of them also perceive they will be unable to build and sell house and lot packages for PHP450,000 (US\$9,575). This is the maximum price limit for a house and lot to qualify as socialized housing which is entitled to concessional lending under the current government housing programs of the Philippines.<sup>118</sup> Analysis shows that this package appears to

<sup>117</sup> GHK Consulting Limited, 2014. *Appendix 1: Comprehensive Assessment Report — Final Report for Preparing the National Informal Settlements Upgrading Strategy*. Submitted to the Housing and Urban Development Coordinating Council of the Philippines and the World Bank (Manila, Philippines: 2014).

<sup>118</sup> HUDCC, Memorandum Circular No.1, Series of 2014.

be generally affordable at the 30<sup>th</sup> percentile or by about 70% of the urban households living in Metro Manila, but not by the bottom 30% or those living in regions outside the NCR.<sup>119</sup>

## 6.2.2 Innovations in Housing Finance

The CMP is a government financing program that enables legally organized ISFs residing in blighted areas for priority development to own the lots they occupy or the land where they choose to be located. It is being implemented by the Social Housing Financing Corporation (SHFC). The SHFC is a government agency organized to undertake financing initiatives in social housing for the urban poor. It was created in 2004 by virtue of Executive Order No. 272 and its mandates include (i) undertaking social housing programs that cater to the formal and informal sectors of the low-income brackets of the population and (ii) developing and administering social housing programs, particularly the CMP. It provides funding to the CMP and the Localized Community Mortgage Programs (LCMP) of local governments. As a CMP derivative, the LCMP allows local governments to address the housing needs of the informal sector in their respective jurisdictions in various ways. It helps in acquiring the land being occupied by informal settlers or the land intended for their relocation and resettlement by applying for an Omnibus Commitment Line (OCL) that will enable them access to SHFC financing of not more than PHP50 million. A number of LGUs have successfully availed of the OCL for their LCMP projects.

Private developers participate in the CMP to comply with the 20% balanced housing provision of UDHA. To do this, they have several options: (i) by providing a parcel of land for a CMP project; (ii) by providing and developing a right-of-way or access to roads or public transportation lines for a CMP project; (iii) by providing or upgrading amenities, facilities or any other development in an existing CMP project; or (iv) by subscription or purchase of asset-backed securities originated or conveyed.

To develop the country's secondary mortgage market, the National Home Mortgage Finance Corporation (NHMFC) created the Socialized Housing Loan Take-Out of Receivables (SHeLTeR) Program. It aims to provide a liquidity facility for socialized housing originators such as housing developers, cooperatives, microfinance institutions, local government units, and national government agencies. By purchasing these institutions' housing loan receivables, NHMFC's SHeLTeR Program invigorates the housing sector by enabling originating institutions to immediately realize their investment and are infused with additional capital for building more socialized housing projects. The SHeLTeR Program also caters to the housing needs of the low-income sector since it offers low interest rates with a longer loan term. Hence, with the SHeLTeR Program, NHMFC is able to address the current deficit of our country's socialized housing sector, as well as the housing needs of the underserved sectors of society which have not been covered by existing housing programs of other government institutions.

Interestingly, there have also been a number of pro-poor housing projects developed by CSOs. The NGO *Gawad Kalinga* adopts partnerships and uses grant funds from private sector corporate social responsibility programs for housing projects often built on land donated by local government and the private sector. The beneficiaries are selected by *Gawad Kalinga* with the help of the LGU through their respective welfare agencies, which provide a list of the poorest of the poor in the locality. The beneficiary enrolls as a participant after a program orientation. The beneficiary then fulfills the program requirements satisfactorily, which enables the community to endorse his program participation. This includes attending values formation sessions and

<sup>119</sup> The NISUS study suggested that for most urban residents living outside Metro Manila, the socialized housing ceiling is too high—given that their estimated affordable limits were lower based on the 2012 Philippine regional household income distribution.

completing the required hours of 'sweat equity' for building their homes with the community. Other NGO programs such as STEP-UP of the Philippine Business for Social Progress (PBSP)<sup>120</sup> and Habitat for Humanity schemes have been undertaken in partnership with local governments and communities—providing early models of PPPs in low-income housing. Cost recovery under these programs, however, has been minimal with many of them relying on grants to continue. And because they were not mainstreamed, they only benefited a few, in the process unable to scale-up as warranted by the magnitude of demand.

The *Bangko Sentral ng Pilipinas (BSP)* has been keen to promote new financial instruments to expand pro-poor services. In 2010, it issued *BSP Circular 678 – Rules and Regulations for the Approval and Provision of Housing Microfinance*. The “microfinance of housing” has emerged as a promising practice among microfinance institutions (MFIs), merging elements from microenterprise finance and socialized housing finance. According to the World Bank’s Consultative Group to Assist the Poorest (CGAP), “housing microfinance consists mainly of loans to low-income people for renovation or expansion of an existing home, construction of a new home, land acquisition, and basic infrastructure.”<sup>121</sup> Housing microfinance, thus, represents a non-subsidized, sustainable approach tailored to the needs of the working and entrepreneurial poor. Such products apply the best practices developed over the years for microenterprise lending to the housing needs of MFI clients. Rather than financing the purchase or construction of a complete house, which has been the approach of government-backed low-cost housing programs, the loans are used to help poor families build incrementally, through a process commonly known as progressive build. From 2004 to 2010, major component of the ADB-funded *Development of Poor Urban Communities Sector Project (DPUCSP)* re-lent to locally identified intermediaries, which then on-lent to poor and low-income households. Eligible intermediaries were mostly MFIs and other qualified financial institutions with an established track record in mortgage and/or microfinance lending. Under DPUCSP, a total of Php222.5 million (US\$4.85 million) was disbursed to MFIs for livelihood, home improvement, and housing loans.

**The decision of MFIs to expand their services to include housing microfinance is in large part attributable to the strong connection between home and income-generation within their customer base. Many microcredit clients operate home-based enterprises, and investments in housing improvements essentially constitute investments in their income-generating schemes. Housing microfinance has been successfully implemented in Asia (including, in a relatively limited scale, the Philippines), Latin America and Sub-Saharan Africa.**

Source: Daphnis, Frank, and Bruce Ferguson, Eds. *Housing Microfinance: A Guide to Practice* (2004).

There is no clear financing window catering to individual non-formal income earners for housing purposes. NHA operates an in-house financing scheme for its program beneficiaries, while SHFC finances community loans under CMP which are later converted to individual loans.

## 6.3 | Supporting Local Economic Development

### 6.3.1 | Enhancing Competitiveness

The private sector plays a vital role in the country's economic growth and hence, the high cost of doing business in the country poses a constraint to local economic development. The Doing

<sup>120</sup> Implementation Completion Memorandum by ADB for Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila (STEP UP). Financed by the Japan Fund for Poverty Reduction, January 2007.

<sup>121</sup> CGAP, Donor Brief, No. 20, August 2004.

Business Report of 2011,<sup>122</sup> a joint publication of the International Finance Corporation (IFC) and the World Bank (WB), ranked the Philippines 148<sup>th</sup> in the of ease of doing business, as measured in terms of the effort required to start a business and transact with LGUs, among other indicators.

The Philippine Government has embarked on numerous initiatives to improve the ease of doing business in the country. In 2010, the Department of Trade and Industry (DTI) and DILG launched the Nationwide Streamlining of Business Permits and Licensing Systems (BPLS) Program.<sup>123</sup> The BPLS set performance standards for local business registrations in the Philippines. It enjoined LGUs to use a unified registration form for new business applicants as well as to limit (i) the steps required to apply for a permit, (ii) its processing time, and (iii) number of signatories needed.

To strengthen the government's drive to improve national competitiveness, Executive Order No. 44 was issued in 2011 to reconstitute the Public-Private Sector Task Force on Philippine Competitiveness into the National Competitiveness Council (NCC). Through the NCC's collaboration with other government agencies, it has simplified the steps to start a business, reducing to 6 steps and 8 days the process which previously took 16 steps and 34 days.<sup>124</sup> These reforms have contributed to the Philippines' climb to the 95th rank in the ICF/WB Doing Business Report of 2015.<sup>125</sup>

Further, an independent, quasi-judicial body called the Philippine Competition Commission was created to implement the national competition policy and enforce the Philippine Competition Act of 2015 (Republic Act No. 10667), which serves as the primary competition law in the Philippines for promoting and protecting competitive markets.

### 6.3.2 Support for Micro, Small, and Medium Enterprises (MSMEs)

The MSME sector plays a crucial role in the Philippine economy, accounting for 99.6% of total establishments and 61.2% of total employment.<sup>126</sup> To provide a conducive environment for its growth and development, the Magna Carta for Small Enterprises was passed in 1991 and further strengthened by a series of amendments. The last amendment, promulgated in 2008, expanded its coverage as reflected in its new name—the Magna Carta for MSMEs (Republic Act No. 9501). It also reorganized the Small and Medium Enterprise Development Council into the MSME Development Council. It mandated the newly formed council to coordinate national efforts to promote the growth and viability of MSMEs through business and technical training courses, assistance in product development and marketing, and improving access to credit and financing, among other programs. A six-year MSME Development Plan was to be formulated as a part of the PDP and would include a microfinance scheme.

A Small Business Guarantee and Finance Corporation, known as the SB Corporation, was also created by the law to implement policies and programs for information services, training, and marketing, as well as extend all forms of financial assistance to eligible MSMEs. Until 2018, the Magna Carta for MSMEs also prescribed that lending institutions were to set aside a portion of their total loan portfolio for MSMEs—at least 8% for micro and small enterprises, and at least 2% for medium enterprises. Compliance with this mandatory allocation could take any of the

<sup>122</sup> The International Finance Corporation and the World Bank. *Doing Business 2011: Making a Difference for Entrepreneurs*.

<sup>123</sup> United States Agency for International Development (USAID): BPLS Reform Program Guide: Promoting Local Business Permit and Licensing System Reform in the Philippines, 2011.

<sup>124</sup> National Competitiveness Council. <http://www.competitive.org.ph/stories>

<sup>125</sup> The International Finance Corporation and the World Bank. *Doing Business 2015: Going Beyond Efficiency*.

<sup>126</sup> NEDA, Medium Term Philippine Development Plan, 2011-2016.

following forms: (i) actual loans, (ii) wholesale lending to participating financial institutions for on-lending to MSMEs, purchase or discount of MSMEs receivables, or (iii) subscription, or purchase of liability instruments or preferred shares of stock of the SB Corporation.

In July 2014, the Go Negosyo Act (Republic Act No. 10644) was enacted. The Go Negosyo Act seeks to strengthen MSMEs to create more job opportunities in the country. Its basic policy is to foster national development, promote inclusive growth, and reduce poverty by encouraging the establishment of MSMEs that facilitate local job creation, production, and trade in the country. Negosyo Centers were to be established through PPPs. These centers would be responsible for promoting “ease of doing business and facilitating access to services for MSMEs within its jurisdiction. Their services include: (i) business registration assistance; (ii) business advisory services; (iii) business information and advocacy; and (iv) monitoring and evaluation.

### 6.3.3 Government Programs and LED Initiatives

From 2008-2013, the Local Governance Support Program for Local Economic Development (LGSP-LED) program has improved local conditions for sustainable LED in the Philippines. The program has been able to attract investments, generate jobs, and increase visitor arrivals. Through LGSP-LED, the DILG is providing technical advice and trainings for selected LGUs to engage the local private sector in developing more competitive local tourism industries, and creating tourism circuit attractive to investments and conducive to job creation. Technical advice and training are also leading agriculture communities to experience increased crop productivity, and helping to recover from the negative impacts of natural disasters that hit Leyte and Bohol. A total of 11 provinces, 8 cities, and 60 municipalities have benefited from the program.

For the Autonomous Region of Muslim Mindanao (ARMM) region, the International Labour Organization (ILO) and the Bangsamoro Development Agency (BDA) signed an agreement in June 2013 that will contribute to peace building efforts through local economic development, decent work, and sustainable livelihoods. The region-wide initiative is known as the Programme for Local Economic Development through Enhanced Governance and Grassroots Empowerment (PLEDGE) in ARMM. It will operate in up to 12 target communities covering three municipalities in the ARMM.<sup>127</sup>

## 6.4 Creating Decent Jobs and Livelihoods

### 6.4.1 The State of Job and Livelihoods Creation

Job creation is the responsibility of both the national government as well as of local governments. The Department of Labor and Employment (DOLE) and its training arm, the Technical Education and Skills Development Authority (TESDA), the Department of Trade and Industry (DTI), and the Philippine Economic Zone Authority (PEZA) are the key national government agencies tasked with creating job and livelihood opportunities. These agencies are committed to improving national competitiveness by increasing the productivity and efficiency of urban regions. Focusing on export-oriented services and manufacturing in core export areas through export processing zones has been a vital strategy of the Government for job creation. Examples include CALABARZON, Cebu, Central Luzon, Davao, and Cagayan Valley, whose local economies have all grown faster and are now poised to become globally competitive. Support to MSMEs has also been significant as discussed in the previous section.

<sup>127</sup> International Labour Organization (ILO). *ILO and BDA ink partnership to support peace building in Mindanao*. Available at [http://www.ilo.org/manila/public/newsitems/WCMS\\_216119/lang--en/index.htm](http://www.ilo.org/manila/public/newsitems/WCMS_216119/lang--en/index.htm).

The Cagayan Special Economic Zone and Freeport was envisioned to become a major transshipment point for trade in the Asia-Pacific rim, operating as a separate customs territory similar to Hong Kong, Singapore, and Labuan in Malaysia. It is situated at the crossroads of international shipping routes between the West Coast of North America, the Far East and Southeast Asia. The zone is based on a tri-nodal development nucleus: agro-industrial development, the creation of a shipping and transshipment industry, and the development of tourism, eco-tourism and leisure facilities.

Government's efforts however have so far proved only mildly successful in generating employment. The employment rate in the Philippines is estimated at 93.7% as of 2015 (Table 6-4). Agriculture accounts for 29% of total employment, still a relatively large share compared to their 11% contribution to economic output. Laborers and unskilled workers remained the largest group, making up 31.6% of the total employed in 2015.<sup>128</sup> Officials from the Government and special interest organizations, corporate executives, managers, and managing proprietors (16.2% of the total employed) comprised the second largest occupation group.<sup>129</sup> Those engaged in wholesale and retail trade or in the repair of motor vehicles and motorcycles accounted for the largest percentage—33.5% of the total workers in the services sector.<sup>130</sup> About 5.8% of the country's labor force consistently remains unemployed—the highest in the ASEAN region according to an International Labor Organization (ILO) report. This, in part, contributes to the millions of Overseas Filipino Workers (OFWs). Manufacturing employs 14.5% to 15.6% of the total labor force, a smaller share compared to the estimated average of 23% for the entire Asia region.<sup>131</sup>

**Table 6-4: Labor and Employment Statistics of the Philippines, 2009-2015**

Item	2009	2010	2011	2012	2013	2014a/	2015b/
Labor Force Participation Rate	64.0	64.1	64.6	64.2	63.9	64.6	63.7
Employment Rate	92.5	92.7	93.0	93.0	92.9	93.4	93.7
Unemployment Rate	7.5	7.4	7.0	7.0	7.1	6.6	6.3
Underemployment Rate	19.1	18.8	19.3	20.0	19.3	18.4	18.5
Structure of Employment							
Agriculture	34.4	33.2	33.0	32.2	31.0	30.5	29.1
Industry	14.5	15.0	14.9	15.3	15.6	16.0	16.2
Services	51.1	51.8	52.1	52.6	53.4	53.5	54.7

Source: The Philippine Statistical Authority. Philippine Statistical Yearbook, 2014.

Notes:

a/ Annualized data for 2014 refers to the average estimates for April, July and October survey rounds. The estimates for these rounds exclude data of Leyte province only while that of January excludes Region VIII.

b/ Annualized data for 2015 refers to the average of the four survey rounds excluding Leyte. These should not be compared with the 2014 annualized data as the latter excludes the January 2014 round.

c/Starting January 2012 Labor Force Survey (LFS), the codes for industry adopted the 2009 Philippine Standard Industrial Classification (PSIC). Prior to this, codes for industry used the 1994 PSIC.

Region II which boasts of the Cagayan Economic Zone Authority has the highest employment rate of 96.8% nationwide in 2015.<sup>132</sup> Region IV-B—comprising Mindoro, Oriental Mindoro, Marinduque, Romblon, and Palawan—which has a large agriculture-based economy followed with 96.7%.<sup>133</sup> Region IX in western Mindanao, which hosts the Zamboanga Freeport and

<sup>128</sup> Note: Annualized data for 2015 refer to the average of the four survey rounds that exclude Leyte. Philippine Statistics Authority (PSA). *Current Labor Statistics (CLS)*. Available at <https://psa.gov.ph/current-labor-statistics>

<sup>129</sup> Ibid.

<sup>130</sup> Ibid.

<sup>131</sup> Asian Development Bank. *Asia's Economic Transformation: Where to, How, and How Fast?—Key Indicators for Asia and the Pacific 2013 Special Chapter* (Mandaluyong, Philippines: Asian Development Bank, 2013) 3-18.

<sup>132</sup> PSA, CLS, op. cit.

<sup>133</sup> Ibid.

Special Economic Zone, employed 96.5% of its labor force. Region XII and ARMM<sup>134</sup> also had a 96.5% employment rate in 2015.<sup>135</sup>

In 2015, four regions had unemployment rates higher than the national average of 6.3%, namely NCR, Ilocos Region, Central Luzon, and CALABARZON.<sup>136</sup> NCR had the highest unemployment rate of 8.5%, while Region I or Ilocos Region had the second highest at 8.4%. CALABARZON had the third highest unemployment rate at 8.0%. The capacity of the local governments in the two most highly urbanized regions in the country to generate adequate jobs and livelihood opportunities clearly cannot keep up with the continuing increase in demand resulting from rapid urbanization.

#### 6.4.2 Need for Sustainable Job Creation and Livelihood Generation

In addition to the highly urbanized cities' inability to fully absorb the labor entrants into their markets, the rate of underemployment in the Philippines is an even more serious cause for concern. Since 2009, the country's underemployment rate has stayed close to 20%, suggesting that it is a problem which negates gains on the poverty reduction front. Men continued to dominate the workforce as they accounted for more than 60% of total employed over the past ten years. Since 2009, the annual labor force participation rate (LFPR) of males never exceeded

**About 20% of the Philippine labor force is underemployed. Underemployment refers to an employment situation that is insufficient in some important way for the worker, relative to a standard. Labor that falls under the underemployment classification includes those workers that are highly skilled but working in low paying jobs, workers that are highly skilled but work in low skill jobs and part-time workers that would prefer to be full-time.**

80%. As of 2015, male LFPR was 77.3%, while for females, LFPR was 50.1%. Thus, the difference between males and females is around 27.2 percentage points. Nevertheless, through the years, the gender gap has slightly narrowed down to 28.8 percentage points in 2010, down from 30.6 percentage points in 2001.

Unemployment is largely concentrated among the youth (aged 15-24 years old) which comprised 49.0% (1.276 million) of the total unemployed in 2015. This resulted to a youth unemployment rate of 15%, which is more than twice the national rate.

Based on the 2008 Philippine Labor Force Survey, workers in the informal economy (WIE) constitute 14.8 million of the workforce; 6.05 million of these or 41% are women, while 8.76 million or 59% are men. The WIE's share in total employment is 43.5%.<sup>137</sup> These informally employed workers are confronted with varying degrees of vulnerabilities perpetuating poverty and income inequality.

Labor mismatch is a prevailing concern of urbanized areas. The Philippine Labor and Employment Plan 2011-2016 aims to address this problem through the promotion of better coordination between employers, academia, and government by strengthening both public and private sector labor market information and exchange institutions, especially at the local levels. Toward this end, DOLE is conducting labor market signaling activities on a regular basis to flag

<sup>134</sup> Note: However, the labor force participation rate in ARMM is only at 54.4% in 2015.

<sup>135</sup> PSA, CLS, op. cit.

<sup>136</sup> Ibid.

<sup>137</sup> Note: Estimates were derived using the Labor Force Survey Results on the number of employed who are self-employed and unpaid family workers. Source: Department of Labor and Employment (DOLE). See <http://www.dole.gov.ph/fndr/bong/files/Workers%20in%20the%20Informal%20Economy.pdf>

the suppliers and demanders of skills with critical information that will lead to better management of skills available in the labor market.

The inadequacy of employment opportunities in the Philippines is causing the outmigration of professionals and skilled workers, and discouraging them to return. Skilled migration is not inherently detrimental as long as it leads to optimal economic gains while social costs, including brain drain especially of so-called mission critical skills, are minimized. The challenge is in translating the gains of skilled migration into productive investments in the country. This can be achieved by transforming migrant workers and professionals into entrepreneurs and investors, as well as by harnessing their capital, skills and knowledge to spur productive activities. With limited domestic job opportunities, about 10.2 million Filipinos and their families, as of 2013, have left the country for better opportunities abroad. The huge outmigration of many of the Philippines' best and brightest is as much an outcome of the lack of adequate employment opportunities at home as it is a demonstration of the global competitiveness of Filipinos. But domestically, it has led to skill shortages in some local occupations such as engineering and nursing.

DOLE has reported that employment creation in the country has not been that robust, even during periods of marked growth. The challenge in the coming years, therefore, is to translate high economic growth into massive employment creation. The Philippine Labor and Employment Plan (LEP) articulates the strategies for improving employment levels. They consist of (i) generating an average one million local employment per year, (ii) formulating a national industrial policy, (iii) focusing policies and programs on key job generating areas toward increasing productivity and employment, (iv) formulating through social dialogue sectoral, trade and investment policies that promote employment-rich growth, (v) promoting a better business environment, (vi) promoting employment-intensive investments through infrastructure, (vii) promoting entrepreneurship, (viii) fostering productive investment and entrepreneurship among overseas Filipinos (OFs) and their families, and (ix) developing and harmonizing green programs. Moreover, the LEP aims to improve access to employment opportunities by (i) adopting reforms in employment facilitation, (ii) addressing the job and skill mismatch, and (iii) enhancing human capital through education and training.

In April 2016, the Philippine Green Jobs Act (R.A. 10771) was enacted granting special tax deductions and duty free importations of capital equipment for companies that will help create a “green economy” for the country. It also aims to promote the development of skills of workers for jobs in industries that produce goods and render services for the benefit of the environment.

## 6.5 Integration of the Urban Economy Into National Development Policy

### 6.5.1 In Pursuit of Inclusive Growth

The Philippine Development Plan (PDP) 2011-2016 envisioned inclusive growth for the country, a growth meant to be shared by all—with good governance and anti-corruption as the overarching themes. The Plan had three broad strategies. First is achieving a high and sustained economic growth that provides productive and decent employment opportunities. The second strategy is providing equal access to development opportunities across geographic areas and across different income and social spectrum, which will ensure that economic growth and opportunities translate to poverty reduction. Third is pushing for the implementation of effective and responsive social safety nets, in order to assist those who will not be able to catch up by the character of a rapid economic growth. Through the National Urban Development and Housing

Framework (NUDHF) 2009-2016—and other reports and recommendations from the urban sector— strategies, policies, and programs relevant to the urban economy were vertically integrated into the Plan.

The NUDHF 2009-2016, prepared in line with the Urban Development Housing Act, provides sectoral support to the PDP 2011-2016 by aiming for an urban system that (i) facilitates economic growth, (ii) develops and strengthens local comparative advantages, and (iii) significantly improves the quality of life of its residents. It focuses on urban competitiveness and poverty reduction, housing affordability and delivery, development and management of sustainable communities, and performance-oriented governance (Table 6-5).

**Table 6-5: Overview of the National Urban Development and Housing Framework 2009-2016**

Elements	Module	Strategy
The Urban System	1 Urban Competitiveness	<ul style="list-style-type: none"> <li>• Improve national competitiveness by increasing productivity and strengths of urban industrial regions; focus export oriented activities in core export areas</li> <li>• Support development of strategic clusters</li> <li>• Increase Metro Manila's attractiveness as a global service center and visitor destination</li> <li>• Support IT-enabled services</li> <li>• Support tourism and its regional/urban-rural linkages</li> </ul>
	2 Poverty Reduction	<ul style="list-style-type: none"> <li>• Recognize and enhance rural-urban linkages of poverty alleviation to improve labor mobility and facilitate the exchange of market information</li> <li>• Encourage smaller size families</li> <li>• Support human resource and livelihood programs</li> <li>• Increase entrepreneurial opportunities for the poor</li> </ul>
Housing and Communities	3 Housing Affordability and Delivery	<ul style="list-style-type: none"> <li>• Link local land use and physical and community development plans with industries and local employment generating investment programs</li> <li>• Provide incentives to unlock land for affordable housing</li> <li>• Provide and encourage access to land for affordable housing</li> <li>• Explore promising financing sources and schemes; increasing funding for proven and key housing programs and institutions</li> <li>• Streamline housing development transaction processes, reduce transactions and protect housing consumers</li> </ul>
	4 Sustainable Communities	<ul style="list-style-type: none"> <li>• Use market-based incentives and disincentives to provide public amenities to support urban land use objectives</li> <li>• Sustainable planning/green building                             <ul style="list-style-type: none"> <li>- Review and revise traditional zoning and encourage sustainable private sector initiatives</li> <li>- Anticipate and encourage sustainable building practices in local and metropolitan development plans</li> <li>- Continue to build capacities of local governments in development and land use planning</li> </ul> </li> <li>• Integrate climate change adaptation and disaster risks management into community and regional development</li> </ul>
Governance	5 Performance-oriented governance	<ul style="list-style-type: none"> <li>▪ IRA-based incentives</li> </ul>

## 6.5.2 Updated Approach to Defining and Achieving Inclusive Growth

In 2014, the Philippine Government issued the PDP 2011-2016 Medium Term Update. The Updated Plan started with the gains achieved so far towards the goal of inclusive growth. First, there was evidence of robust economic performance, with the Philippines emerging as one of the best performing economies in Asia. Second, more ample fiscal space to finance new initiatives has been achieved while expanding on existing programs. Reforms in tax collection, revenue administration, and expenditure management have made this possible. Third, the country has secured an unprecedented level of confidence from the international business community, as demonstrated by its upgraded investment grade status and improved rankings in global competitiveness reports. Fourth, amid tremendous and persistent challenges, the Government's commitment to good governance has restored credibility in the country's institutions.

Despite all these accomplishments, there is a growing sense among the public that progress needs to be accelerated. The midterm assessment of the PDP 2011-2016 implementation focused on issues central to inclusive growth—and all of them are linked to the urban economy. They include the following: (i) that of the country's 18 regions, only three—all of which are located in the island of Luzon and adjacent to Metro Manila—account for nearly two-thirds of GDP; (ii) that poverty incidence has not been reduced with nearly 25% of the population still classified as poor; (iii) and that employment has not grown enough, failing to provide sufficient decent jobs and livelihood opportunities for the labor force, and for those already employed, about 20% need additional work, income, and job security. For these reasons, the Updated PDP 2011-2016 redefines inclusive growth as poverty reduction in multiple dimensions and massive creation of quality employment. It incorporates growth strategies informed by both geographical<sup>138</sup> and sectoral considerations which, given the archipelagic nature of the Philippines, are diverse. Spatial convergence of plans, programs, and activities, and coordination between national government agencies and LGUs will be vital to maximize effectiveness.

## 6.6 Challenges Experienced and Lessons Learned

The Philippine's economic growth in the 1970s up to 2000 has been relatively low compared to its Southeast and East Asian neighbors. A structural break occurred in 2010 which placed the country on a higher growth path or a 6.3% average economic growth for the period 2010 to 2014.<sup>139</sup> The urban economy is fueling this expansion, with industry and services generating almost 90% of total GDP. But just as the urban economy is driving growth, it should also be focused on promoting urban strategies and policies that strengthen the capacity of cities to realize their full potential as engines of economic development and ultimately—of employment creation and wealth accumulation.<sup>140</sup> On this front, there have been key lessons learned and major hurdles that remain.

### 6.6.1 Resource Mobilization at the Local Level

The majority of Philippine cities are yet unable to mobilize the resources to provide adequate, reliable, and affordable basic infrastructure and services to their increasing populations. Most of them rely on IRA transfers from the National Government, are reluctant to collect and impose

<sup>138</sup> Note: In order for growth to result in more opportunities and accelerate poverty reduction, the PDP 2011-2016 Midterm Update identified a number of priority provinces, where government interventions will be focused, clustered on the basis of three categories: (a) Category 1 – provinces with highest number of the poor; (b) Category 2 – provinces with highest proportion of the poor; and (c) Category 3 – provinces prone to multiple hazards.

<sup>139</sup> Statement of Secretary Arsenio M. Balisacan. Ayala-UPSE Economic Forum, January 2015.

<sup>140</sup> UN Habitat. *Urban Economy*. Available at <http://unhabitat.org/expertise/3-urban-economy>

taxes, and unwilling to borrow for capital expenditures. Local capacity is weak in the areas of public financial management, local taxation, tax administration, debt financing, and PPPs.

### 6.6.2 Persistent Unemployment, Underemployment, and Poverty

Unemployment in the Philippines remains to be the highest in the ASEAN region, but it has drastically improved from 7.5% in 2009 to 6.3% in 2015. The highest incidences of unemployment in the country are seen among males, workers with higher educational attainment, and the youth. In 2015, the underemployment rate stood at 18.5%, which is far better than the 2009 rate of 19.1%. At least a third of the total employed are laborers or unskilled workers, many of them in the agriculture sector where productivity and wage rates remain low. Geographically, unemployment rates are highest in the highly urbanized regions—particularly Metro Manila and the two regions extending it to the north and to the south. Underemployment, meanwhile, is highest in the agriculture-based regions and in regions more vulnerable to climate change due to their geographic locations. The combined unemployment and underemployment rates account for the persistence of poverty in the Philippines, which has continued to affect about 25% of the Filipino people in the past three years. Growth in the Philippines, therefore, is far from being inclusive at this point, with the need to accelerate rural-urban integration.

### 6.6.3 Inaccessible and Unaffordable Informal Housing Finance

The unemployed and underemployed leave the rural sector for prospects of better employment and livelihood opportunities in the cities. In the cities, many of them end up joining the millions of informal settlers who live in poverty, deprived of adequate income and decent living conditions. In the absence of formal and regular employment, millions of them are unable to access affordable housing finance. There is also a need to more carefully examine the financing constraints to the supply of affordable housing. Addressing these will pave the way for the scaling up of replicable programs which has become critical given the scale of unmet demand.

### 6.6.4 Facilitating Pro-poor Housing Finance

More innovative approaches to housing finance are needed for the millions of urban informal settlers comprising the poor. Bundling rights, for instance, through alternative rights-based instruments, rather than freehold, may offer more financially viable means to secure tenure as shown by the DPUCSP experience. Housing microfinance, combined with microenterprise finance, offers promise in terms of sustainable, unleveraged finance for informal settlers but a lot more tailoring needs to be done in this area to produce the warranted response. A capable and committed financial institution that caters to the development and end-user financing for informal settlers through a variety of appropriate and innovative lending instruments will be essential to scaling-up the appropriate interventions.

## 6.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda

### 6.7.1 Transforming Cities into Effective Agents of Diversified Local Finance

The financing gap for urban investments in the Philippines is massive. As growth and urbanization accelerates, cities will have to find innovative ways to finance urban infrastructure and services. This is to avoid more unplanned and informal growth that perpetuates poverty and

inequality. Philippine cities must be enabled to (i) increase and diversify their own revenue sources, (ii) access both capital and debt markets, and (iii) structure as well as manage viable PPPs.

### **6.7.2 Broadening and Deepening the Support for Sustainable Local Economic Development (LED)**

Sustainable LED provides cities with the opportunity to work with the local communities to improve the local economy. It is a means to generate the co-benefits of economic competitiveness, climate resiliency, and inclusive growth.<sup>141</sup> The LGSP-LED anchored jointly by DILG and the Government of Canada has generated encouraging results for selected local governments. It has attracted investments, created jobs, and induced visitor arrivals. In some areas, it has helped to increase crop productivity and fostered climate change resiliency. Sustainable LED as a program must be rolled out to more cities and towns in the Philippines to speed up the building of competitive sectors and enterprises. This will help provide backward and forward linkages to the urban and rural areas, particularly those located in disaster-prone areas where poverty lingers.

### **6.7.3 Generating More and Better Jobs; Equalizing Access to Improved Livelihood Opportunities**

The Philippines has the daunting challenge of creating more and better jobs for 10 million Filipinos who are either unemployed or underemployed, and for the additional 1.15 million Filipinos estimated to enter the labor force every year. With sustained GDP growth of 7% per year and enhanced targeting of the fast-growing sectors, the formal sector will be able to provide good jobs to around two million people in the next four years. Despite this, around 12.4 million Filipinos would still be unemployed or underemployed. The rest will work or will have to create work in the informal sector. Responding to this massive challenge requires cities to expand formal sector employment even faster while rapidly raising the incomes of those in the informal sector.<sup>142</sup>

### **6.7.4 Integrating the Urban Economy Firmly into National, Sectoral and Local Development Planning and Implementation**

The PDP 2011-2016 Update demonstrates how concerns relevant to the urban economy can be more firmly integrated into national development planning. Consistent with the new strategies of the PDP Update, specifically the growth, employment, and poverty targets involving spatial and sectoral considerations, the NUDHF 2011-2016 must also be revised. In addition to the updated urban development and housing framework to be produced, strategic local development planning in accordance with the new NUDHF will have to be supported.

The updated NUDHF should also be aligned to the long-term vision, known as the “*Ambisyon Natin 2040*” (“Our Ambition 2040”), which will serve as an anchor for development planning

<sup>141</sup> Co-benefits as an approach has evolved to generate multiple benefits in different sectors or subsectors resulting from one policy, strategy, or initiative. It refers to the implementation of initiatives, policies or projects that simultaneously contribute to reducing the manmade global climate change while solving local environmental problems in cities and in turn potentially having other positive developmental impacts such as improvements in public health, energy security, and income generation and distribution. For more on this, see Stephen Hammer, et al, “Cities and Green Growth: A Conceptual Framework”, OECD Regional Development Working Papers 2011/08, OECD Publishing. <http://dx.doi.org/10.1787/5kg0tflmzx34-en>, 14-17.

<sup>142</sup> Karl Kendrick Chua, Natalya Mylenko, et.al. (2013). *Philippine Development Report 2013: Creating More and Better Jobs*. (Washington D.C.: World Bank Group).

across at least four presidential administrations. The National Economic and Development Authority (NEDA) commissioned a nationwide study on the aspirations, values, and principles of Filipinos, in recognition that development is a long-term process. The traditional system of government planning that is bound by the six-year term of a presidency often lead to discontinuity of good policies and programs.<sup>143</sup> The long-term vision will serve as a guide towards an end-goal that several administrations would aim to realize.

*Ambisyon Natin 2040* represents the collective long-term vision and aspirations of the Filipino people for themselves and for the country for the next 25 years. It describes the kind of life that people want to live, as well as how the country will look like by 2040, particularly:<sup>144</sup>

#### Vision of Filipinos for Self

*“In 2040, all Filipinos will enjoy a stable and comfortable lifestyle, secure in the knowledge that we have enough for our daily needs and unexpected expenses, that we can plan and prepare for our own and our children’s futures. Our families live together in a place of our own, yet we have the freedom to go where we desire, protected and enabled by a clean, efficient, and fair government.”*

#### Vision of Filipinos for Country

*“The Philippines shall be a country where all citizens are free from hunger and poverty, have equal opportunities, enabled by fair and just society that is governed with order and unity. A nation where families live together, thriving in vibrant, culturally diverse, and resilient communities.”*

Further, the *Ambisyon Natin 2040* highlights the importance of the urban economy in the aspirations of the Filipino people, as its survey results show that within the next 25 years, 79 percent of the Filipinos want to live within the same city they work in, while another 14 percent want to work in the big city but live outside that city.<sup>145</sup> Further, the housing and urban development sector is also identified as one of the priority sectors that may help spur the country towards achieving this long-term vision. Hence, the urban development agenda is one of the crucial areas that should be given importance to in the next 25 years to support the realization of these aspirations.

<sup>143</sup> National Economic and Development Authority (NEDA). *Ambisyon Frequently Asked Questions (FAQs)*. Available at <http://2040.neda.gov.ph/wp-content/uploads/2016/06/Ambisyon-FAQ.pdf>

<sup>144</sup> NEDA, *Ambisyon* FAQs, op. cit.

<sup>145</sup> NEDA. 2016. *Highlights of the National Survey on the Aspirations of the Filipino People*. Available at <http://2040.neda.gov.ph/wp-content/uploads/2016/06/Highlights-of-the-National-Survey-on-the-Aspirations-of-the-Filipino-People.pdf>

# 7

## Housing and Basic Services: Issues and Challenges for a New Urban Agenda

Cities around the world are propelling national prosperity and economic growth. Philippine cities are no different, making up about 80% of the country's GDP. This gives credence to the notion that urbanization—the movement away from farms and subsequent concentration of people and economic activities in cities—if managed well, can pave the way to sustainable growth.<sup>146</sup> While urbanization offers the prospect of a better life, many urban dwellers end up living in slums, which are a manifestation of urban poverty. In the Philippines, the prospects of better jobs and higher incomes have *pulled* millions of Filipinos into the cities, *pushed* by the lack of decent jobs and livelihood opportunities in rural areas where subsistence farming still predominates. This *push-pull* phenomenon has not only led to record levels of unemployment and underemployment, but also to the proliferation of informal settlements and slums, particularly in Metro Manila and other metropolitan areas nationwide.

Beyond these poor urban communities, at the city-wide level, there is also a huge gap between the demand and supply for infrastructure and basic services such as housing, clean water supply, renewable energy, and transport. Cities with limited or overstrained capacities struggle to cope with the surge in demand caused by the rapid pace and high level of urbanization. The offshoots have been one or a combination of the following: (i) inadequate investments in sustainable infrastructure constraining local growth and development; (ii) insufficient provision of affordable infrastructure for the poor creating reversals in poverty reduction programs; (iii) high proportion of high-carbon infrastructure investments and inefficient design and use of infrastructure, fueling climate change; and (iv) low resilience infrastructure, creating urban communities vulnerable to climate change risks.<sup>147</sup> All these combined underscore the vital role played by infrastructure, including housing and basic services, in sustainable city making and placemaking. Infrastructure is the great enabler—facilitating economic growth and sustainable development. More importantly, it is the bedrock of living conditions, a primary determinant of the circumstances that affect the way city dwellers live, and ultimately, their well-being.<sup>148</sup>

**Informal settler families (ISFs) live in chronic urban poverty, confronted by physical, economic, social, legal, and environmental risks on a day-to-day basis. They have limited or no access to security of tenure, capital, social networks, environmental safety, and legal security. In the Philippines, informal settlements and urban poverty are almost always entwined. People who live in informal settlements are among the poorest in the cities. Beyond the income poverty, informal settlements in the Philippines can be distinguished by their poor quality of housing, the lack of public and private services, and the poor integration of their inhabitants into the broader communities and their opportunities.**

Source: NISUS Report (2014)

This chapter focuses on the status of urban housing and basic services in the Philippines, particularly with respect to slum formation, its prevention, and the ISFs who live in poverty, deprived of a dignified life. It analyzes the gains achieved so far in enabling access by the urban population to adequate housing; safe drinking water, basic sanitation and drainage; clean energy; and sustainable means of transport. Issues and major constraints encountered are identified,

<sup>146</sup> <http://www.worldbank.org/en/topic/urbandevelopment/overview>.

<sup>147</sup> Amar Bhattacharya, Jeremy Openheim, and Nicholas Stern, "Driving Sustainable Development through Better Infrastructure: Key Elements of a Transformation Program," in *Global Economy & Development: Working Paper 91 July 2015* (Brookings Institution: Washington D.C.: 2015) 1-3.

<sup>148</sup> [https://www.giz.de/en/ourservices/sustainable\\_infrastructure.html](https://www.giz.de/en/ourservices/sustainable_infrastructure.html).

leading to a discussion of what constitutes a new urban agenda for housing and basic services in the Philippines.

## 7.1 | Slum Upgrading and Prevention

### 7.1.1 Evolution and Persistence of Slums in the Philippines<sup>149</sup>

In the Philippines, the proliferation of informal settlements, characterized by constant risks of eviction due to insecure tenure, has become a phenomenon associated with big cities and growing urban centers. With rapid urbanization came unprecedented surges in the demand for housing and basic services in many cities, especially the key drivers of the economy. Many local governments, while trying, have been unable to meet the increased demand given the accelerated pace warranted. This resulted to a sustained, enormous demand-supply gap, manifested by the proliferation of informal or slum settlements which have become intertwined with a deepening urban poverty. This is because for the most part, the majority of ISFs are among the poorest in the cities, typically comprising the three bottom deciles of the Philippine income distribution.

Paradoxically, while the more urbanized regions and provinces have lower recorded poverty incidences, the multiplicity of vulnerabilities and deprivation affecting millions of ISFs in these cities cannot be ignored.<sup>150</sup> In the early 1970s, Tondo earned the distinction of being the largest slum in Southeast Asia, with over 180,000 urban poor informal settlers. It was also the most

**In Metro Manila, Cebu, Davao and other emerging urban centers, informal settlements stand in stark contrast to the gated and exclusive communities inhabited by the rich where they have access to all the amenities and conveniences that make life exceedingly comfortable and pleasant. Informal settlements are in sprawling slums that fail to meet even the most basic needs or worse, used as dumping grounds for hazardous wastes and other socially undesirable externalities, and where lack of access to safe water and adequate sanitation pose serious health risks and create life-threatening conditions.**

Source: NISUS Report (2014)

politically volatile slum community in Metro Manila, the largest urban agglomeration in the country. By the 1980s, pockets of slums around Metro Manila totaling at least one million people had emerged, while at about the same time notable slums had surfaced in the secondary or regional cities of Cebu, Cagayan De Oro, Davao, and Baguio. During the 1990s, it was reported that the growth of informal settlements in the country was averaging roughly 3.6% annually.

By 2000, there were over 1.2 million families living in informal settlements around the major urban centers of the Philippines. Together, they represented close to 30% of the urban population, with more than 50% coming from Metro Manila.

In 2007, a study commissioned by HUDCC concluded that there were only 550,770 ISFs, accounting for just over 5% of the total urban population. This suggested a drastic reduction in the magnitude of the problem. However, further analysis showed that the estimate was based on an extrapolation of the 2000 Census of Population and Housing (CPH), which strictly defined informal settlements as households occupying rent-free lots without the consent of the owners. A more recent study conducted by the Statistical Research and Training Center, in collaboration with HUDCC, estimated that informal settler households nationwide had gone down further to 471,481. This constituted about 5.6 % of the total urban population in 2010. But this number was also based on the 2010 CPH which measured informal settlers as households occupying

<sup>149</sup> GHK Consulting Limited, 2014. *Appendix 1: Comprehensive Assessment Report – Final Report for Preparing the National Informal Settlements Upgrading Strategy*. Submitted to the Housing and Urban Development Coordinating Council of the Philippines and the World Bank (Manila, Philippines: 2014) 19-28.

<sup>150</sup> *Ibid.*

rent-free lots without the consent of the owners. Data from surveys conducted by NHA with support from some local governments as of July 2011 placed the number of informal settlers much higher, at about 1.5 million, representing approximately 15.3% of the total urban population (**Table 7-1**). Yet, this still seems to be significantly lower than global studies which indicate that about 30% to 60% of the population in many cities in the developing world live in informal settlements.

**Table 7-1: Informal Settler Families in the Philippines, 2011**

Region	Total ISFs	In Danger Areas	Areas Planned for Government Infrastructure	Government Owned Lands	Privately Owned Lands
<b>PHILIPPINES</b>	1,502,336	778,458	52,797	288,323	382,758
National Capital Region (NCR)	584,425	104,219	21,132	179,108	279,966
Northern and Central Luzon <sup>a/</sup>	198,873	167,090	21,132	179,108	279,966
CAR — Cordillera	23,547	9,912	600	6,035	7,000
Region I — Ilocos Norte	44,364	30,492	0	0	13,872
Region II — Cagayan Valley	13,292	9,516	0	316	3,460
Region III — Central Luzon	117,670	117,170	0	500	0
Southern Luzon and Bicol <sup>a/</sup>	393,261	308,298	14,947	47,757	22,259
Region IV-A - CALABARZON	221,284	193,965	2,870	16,616	7,833
Region IV-B — MIMAROPA	29,949	21,396	0	7,179	1,374
Region V — Bicol Region	142,028	92,937	12,077	23,962	13,052
Visayas <sup>a/</sup>	104,022	58,873	3,590	11,175	30,384
Region VI — Western Visayas	31,129	17,559	897	2,837	9,836
Region VII — Central Visayas	63,681	40,628	2,693	1,122	19,238
Region VIII — Eastern Visayas	9,212	686	0	7,216	1,310
Mindanao <sup>a/</sup>	221,755	139,978	12,528	43,432	25,817
Region IX — Zamboanga Peninsula	55,393	44,123	0	6,808	4,462
Region X — Northern Mindanao	82,272	71,032	9,023	2,030	187
Region XI — Davao Region	8,255	2,268	0	433	5,554
Region XII — SOCCSKSARGEN	14,725	5,255	947	274	8,249
Region XIII -CARAGA	44,339	15,380	958	21,314	6,687
ARMM	16,771	1,920	1,600	12,573	678

Sources: Local Government Units, DPWH (for danger areas), National Housing Authority

Of the 1.5 million total estimated informal settlement families, almost 40% live in Metro Manila while another 26% live in the Southern Luzon and Bicol regions. Most of them are located in the urban areas, mostly in the highly urbanized cities. The great majority of them can be found in danger areas, in both public and privately owned lands.

Through the years, informal settlements, slum dwellers, and urban poverty have become synonymous in the Philippines. This is because for the most part, people who live in informal settlements are also slum dwellers and belong to the poorest in the cities. The majority of informal settlers fall within the income poverty thresholds estimated at Php92,172 (US\$2,183) per family per annum in 2012.<sup>151</sup> These poor households make up the three bottom deciles of the Philippine income distribution. Beyond the income poverty, informal settlements are characterized by the poor integration of their inhabitants into the broader communities and their opportunities. Thus, ISFs score far lower on human development indicators than other urban residents; they have more health problems, and have acutely limited access to capital, education, social services, and livelihood and employment.<sup>152</sup>

<sup>151</sup> National Statistical Coordination Board (NSCB), Report on Poverty Incidence in the Philippines, 2012.

<sup>152</sup> GHK Consulting Limited, 2014. *Final Report for Preparing the National Informal Settlements Upgrading Strategy (NISUS)*. Submitted to the Housing and Urban Development Coordinating Council of the Philippines and the World Bank.

### 7.1.2 Approaches to Slum and Informal Settlements Upgrading<sup>153</sup>

The Philippines has a long history with slum upgrading, beginning in the early 1970s when Presidential Decree 757 of July 1975 established the National Housing Authority (NHA) as the agency mandated to undertake low cost housing production. Other agencies like the Tondo Foreshore Urban Development Project and the Sapang Palay Development Corporation were also launched. In 1978, the Ministry of Human Settlements (MHS) was established and the NHA became one of its attached agencies.<sup>154</sup> The slum upgrading approach adopted in Tondo tasked the NHA to provide the residents with basic infrastructure services using the process of reblocking. The reblocking process, which guided the planning of the road network and drainage systems in the area, used the principles of maximum retention and minimum relocation of structures. Enthusiasm for the community-focused slum upgrading approach of the Tondo Foreshore Development Project, financed by the World Bank and KFW, paved the way for more devolved implementation in the Philippines. Working in partnership with the local governments, NHA implemented the Slum Improvement and Resettlement (SIR) Program in the Visayas and Mindanao from 1978 to 1985 as a major component of the World-Bank funded Second Urban Development Project.

The SIR Program aimed to upgrade the quality of life, provide security of tenure, and introduce basic services and amenities in identified blighted areas of Cebu, Davao, and Cagayan de Oro, benefiting an estimated 78,000 urban poor. In 1980, NHA further launched the Zonal Improvement Program (ZIP) under the World Bank's Third Urban Development Project in an attempt to replicate the Tondo slum upgrading approach throughout the Metropolitan Manila Area. Targeting about 13 slum communities in 4 cities and 13 municipalities, the objectives of ZIP were to provide basic services and to raise the productivity of low income groups in Metro Manila through the provision of tenure, basic services, and home improvement loans to about 160,000 people over a 6-year period.

In the late 1980s the Philippines, along with the rest of the developing world, aligned themselves with the United Nation's Global Strategy for Shelter to the Year 2000. However, the government's transition from direct interventions to an enabling approach started in the early 1980s with the Unified Home Lending Program (UHLP), a centralized funding scheme implemented by the National Home Mortgage Finance Corporation (NHMFC). Under the UHLP primary lenders, mainly composed of private developers, constructed house and lot packages and generated the primary mortgages for sale to targeted homebuyers. Aiming to accelerate the provision of low income housing to cope with increased demand, the NHMFC established a secondary mortgage market by purchasing primary mortgages originated by UHLP. However, over time, the mostly supply-driven, formula-based lending policy of UHLP—with its little regard for the real needs,

**The Global Strategy for Shelter to the Year 2000, launched by the United Nations in 1988, recognized the urgency of addressing governments' inability to respond to the accelerated rate of urban poverty in the cities of the developing world, and the clamor for increased participation from the nongovernment groups. The Strategy adopted the enabling approach which, rather than emphasizing direct government interventions, called on governments to enact policies and other incentives that will encourage all nongovernmental sector stakeholders to participate more actively in housing and urban development.**

<sup>153</sup> Joji I. Reyes. Evolution of Community-Focused Urban Poverty Reduction, in "*Community-Focused Urban Poverty Reduction: Institutional Perspectives for Sustainable Urban Upgrading*." Final report submitted to the Asian Development Bank (2006), 3-14.

<sup>154</sup> MHS undertook its own housing programs the first of which was the Bagong Lipunan Improvement of Sites and Services (BLISS). This program was designed to build low-cost houses but with rents ranging from Php500 to Php 1,500 per month in the late 1970s to the early 1980s, there were claims that the program was out of reach of the urban poor.

preferences, and affordable limits of the targeted low income families resulted in uncollected loans or worse, unoccupied housing units. By the late 1980s, a global debt crisis had triggered unprecedented poverty and bureaucratic failures in the Philippines and the subsequent installation of a new government. The series of stabilization programs imposed on the Philippines stimulated massive international support, particularly from the international NGO community. This trend, amid the escalated demand for genuine citizen participation in the development process, ushered the phenomenal growth of NGOs and POs in the Philippines. Against this background, the Community Mortgage Program (CMP) was born.

Hailed as both pioneering and innovative, CMP has become the government's banner program for pro poor and socialized housing. CMP involves community organizing, community savings mobilization, and people empowerment processes. Under the program, urban informal settlers organize themselves into community-based organizations (CBOs) and register as associations of homeowners to access NHMFC financing for land acquisition (Phase I), site development (Phase II), and house improvement (Phase III). NHMFC required that CMP's primary mortgages be originated by an NGO, local government unit, national housing agency, socio-civic organization, or a private banking institution.<sup>155</sup>

In 2004, NHMFC issued Executive Order (EO) 272 creating a subsidiary called the Social Housing Financing Corporation (SHFC). Through EO 272, NHMFC transferred CMP, the Abot Kaya Pabahay Fund (AKPF) Program,<sup>156</sup> and all its social housing powers and functions to the SHFC. Since then, SHFC has developed and implemented modifications to the original CMP to further expand its scope and devolve its outreach. These include the Localized CMP (LCMP) and the High Density Housing (HDH) Program for ISFs. The LCMP is a modified community

**A distinguishing feature of the CMP is that it recognizes the concept of communal ownership of land by a CBO, primarily as a transitory mechanism towards the ultimate distribution of individual titles to the beneficiaries. Recognition of the community's property rights to a parcel of land allowed the CBO to mortgage the land to the originator of the CMP loan, and for the originator to assign the mortgage to the NHMFC—enabling the community to access financing for land acquisition and development. Moreover, given the lengthy and complex process of subdividing and distributing individual titles in the Philippines, accepting community mortgages as sufficient and acceptable collateral for loans sped up the process by which the urban poor families were able to access financing for their lot and eventually, their house purchase.**

mortgage program that finances the acquisition of land occupied by the constituents of the local government or the land where they will be relocated through the concept of community ownership, with the land mortgaged to SHFC. The HDH program is SHFC's contribution to the informal settler families (ISFs) Housing Program of the government. The ISFs Housing Program aims to ensure safe and flood-resilient permanent housing solutions for the ISFs living in the danger areas of Metro Manila. The DILG and DSWD also have ongoing projects providing shelter for disaster-affected families.

NHA, for its part, continues to implement slum upgrading and its sites and services program but on a limited scale, focusing instead on developing resettlement sites for government projects and more recently, in implementing medium-rise housing. Meanwhile, many NGOs have succeeded

<sup>155</sup> In 1996, NHMFC sought government bailout primarily due to uncollected primary loans that had reached P42 billion.

NHMFC's secondary mortgage market operations were financed mostly by government pension funds such as the Government Service Insurance System (GSIS), Social Security System (SSS) and the Home Development Mutual Fund (Pag-IBIG). Of the P42 billion uncollected loans of NHMFC, P30 billion came from GSIS and SSS and P7 billion from Pag-IBIG. UHLP collapsed after the withdrawal of funding from these state pension funds from NHMFC (HUDCC, 2000).

<sup>156</sup> The Abot-Kaya Pabahay Fund Development Loan Program (AKPF-DLP) aims to provide low income families in key urban areas affordable houses by financing site development or improvements and house/building construction in CMP and other socialized housing projects. The program is open to corporations, single proprietorship, and local governments including their private sector partners.

in mobilizing varied sources of funds for carrying out slum upgrading. The funding sources of NGOs in the Philippines include local and international donor agencies, business-corporate donors, private individuals, internal funds generated from its services and fund-raising activities, community savings, and government resources. The On-Site Integrated Urban Upgrading for Vulnerable Slum Communities of Payatas started as an ADB-Japan Fund for Poverty Reduction funded project implemented by the Vincentian Missionaries Social Development Foundation. The Philippine Business for Social Progress (PBSP), an NGO established by a conglomeration of Filipino corporations dedicated to promoting business sector involvement in social development, is managing a US\$3.6 M grant from the ADB-Japan Fund for Poverty Reduction (JFPR) called the STEP-UP Project. The project promotes private-public sector partnerships in providing housing, livelihood, and basic services to 5,823 urban poor households in nine selected cities in Metro Manila. In addition, programs being implemented by the *Gawad Kalinga* and Habitat for Humanity, two of the most prominent NGOs currently engaged in pro-poor housing in the Philippines, involve partnerships with local governments. They often use grant funds and land made available by private and government sector companies, as well as from individuals for housing purposes. Habitat for Humanity has delved into low rise building construction in cities and other urban centers where prices of land are relatively high.

To address constraints to urban land supply, HUDCC manages the proclamation program of government lands. From 2001 to 2015, it has facilitated the proclamation of 118 sites for housing or housing purposes. Of the 118 proclamations, 29 are for military and government employees and 89 are for ISFs. The regional distribution of housing Proclamations for the same period is reflected in the following table:

**Table 7-2: Philippine Housing Proclamations, by Region, 2015**

Region	No. of Proclamations	Land area (hectares)	Estimated no. of Beneficiaries
National Capital Region	36	913.67	78,503
Cordillera Autonomous Region	11	103.74	4,269
Region I – Ilocos Region	2	5.707	440
Region II – Cagayan Valley	2	60.24	1,718
Region III – Central Luzon	7	1,992.832	63,075
Region IV-A - CALABARZON	9	20,622.57	9,838
Region IV-B – MIMAROPA	5	1,663.71	6,600
Region V – Bicol Region	4	90.21	6,002
Selected Areas	1	1,032.00	65,000
<b>Luzon (Total)</b>	<b>77</b>	<b>26,484.67</b>	<b>235,445</b>
Region VI – Western Visayas	11	291.35	11,310
Region VII – Central Visayas	11	100.99	8,384
Region VIII – Eastern Visayas	2	7.40	770
<b>Visayas (Total)</b>	<b>24</b>	<b>399.743</b>	<b>20,464</b>
Region IX – Zamboanga Peninsula	5	21.41	5,157
Region X – Northern Mindanao	2	4.179	128
Region XI – Davao Region	4	31.90	1,098
Region XII – SOCCSKSARGEN	2	22.00	1,700
CARAGA	3	96.13	7,703
Selected Areas	1	67.00	1,200
<b>Mindanao (Total)</b>	<b>17</b>	<b>242.62</b>	<b>16,986</b>
<b>Grand Total</b>	<b>118</b>	<b>27,127.04</b>	<b>272,895</b>

Source: HUDCC, Asset Reform Group Report, 2015.

In December 2014, HUDCC approved the National Informal Settlements Upgrading Strategy—more popularly known as NISUS—in response to the challenges posed by rapid urbanization and climate change. NISUS was predicated on the importunate proliferation of informal

settlements in the Philippines associated with rapid urbanization, exacerbated by it being among the top 10 countries most likely to be affected by climate change due to its geographic location. The key rationale of NISUS is that it will be instrumental to instituting major corrections to the government’s housing program for ISFs to achieve the scale warranted by the magnitude of the problem. In the next 10 years, it will serve as the overarching strategy of the Philippine Government for upgrading informal settlements, particularly those in the danger areas.<sup>157</sup>

The NISUS 2025 vision statement is “informal settler families (ISFs) transformed into formal urban residents in resilient, vibrant, and connected communities”. This vision statement was discussed and agreed with stakeholders during meetings and multi-sectoral, regional consultations. The NISUS mission is a profound commitment to a more dignified life for at least one million ISFs by 2025—through secure and better quality housing, improved physical infrastructure and social services, and greater access to jobs, transport, capital, and livelihood. A life of dignity is a life of pride and self-respect. NISUS will work towards providing at least one million ISFs with a life of more dignity by 2025. The target of one million ISF entails the delivery of the NISUS commitments to an average of 100,000 ISFs annually for 10 years. The objectives of NISUS are: (1) upgrading, relocation and incremental, affordable new homes for sale and rent, (2) market-based housing and microfinance and targeted subsidies for ISFs, and (3) strengthened sector governance, organizational, staff and resource capacity at the local and national levels.

## 7.2 | Improving Access to Adequate Housing

### 7.2.1 | Constraints to Securing Decent, Affordable Housing

Due to rapid urbanization and the unabated rural-to-urban migration, housing need in the Philippines continues to be enormous. The total housing need of the country for the period 2011-2016 is estimated to reach 5.56 million. Of this, the estimated housing need for Metro Manila is expected to account for 11.61%. The adjacent region of CALABARZON, however, has the highest projected need of 11.75% and this is attributed to the region’s proximity to Metro Manila (Table 7-3). Central Luzon, which extends Metro Manila urban reach to the north, registers the next highest need at 8.98% of the total anticipated requirement.

**Table 7-3: Philippines Housing Need Estimates by Region, 2016**

Region	Estimated Housing Need (in number of households)	Percentage Share
<b>PHILIPPINES</b>	5,556,463	100.00
NCR – Metro Manila	645,154	11.61
CAR – Cordillera	67,872	1.22
Region I – Ilocos Norte	282,685	5.09
Region II – Cagayan Valley	193,696	3.49
Region III – Central Luzon	498,810	8.98
Region IV-A - CALABARZON	652,615	11.75
Region IV-B – MIMAROPA	201,914	3.63
Region V – Bicol Region	354,951	6.39
Region VI – Western Visayas	434,184	7.81
Region VII – Central Visayas	395,993	7.13
Region VIII – Eastern Visayas	276,288	4.97
Region IX – Zamboanga Peninsula	235,967	4.25
Region X – Northern Mindanao	274,512	4.94
Region XI – Davao Region	331,255	5.96
Region XII –	283,132	5.10

<sup>157</sup> GHK Consulting Limited. *Final Report for Preparing the National Informal Settlements Upgrading Strategy*, 2014.

Region	Estimated Housing Need (in number of households)	Percentage Share
SOCCSKSARGEN		
ARMM	236,541	4.26
CARAGA	174,364	3.14

NCR = National Capital Region; CAR = Cordillera Administrative Region; CALABARZON = Cavite, Laguna, Batangas, Rizal, and Quezon Provinces; ISFs = Informal Settler Families; MIMAROPA = Mindoro, Marinduque, Romblon and Palawan Provinces; SOCCSKSKARGEN = South Cotabato, Cotabato, Sultan Kudarat, Sarangani and General Santos Provinces; ARMM = Autonomous Region in Muslim Mindanao.

Source: Housing and Urban Development Coordinating Council

Note: This excludes the totally damaged houses resulting from natural and man-made disasters and calamities (e.g., Typhoon Yolanda, Bohol earthquake, Zamboanga siege).

Unfortunately, the magnitude of the housing need is further exacerbated by the severity of the natural disasters which have struck the country in the last decade. The total number of housing units totally or partially damaged by super typhoons and earthquakes since 2009 has been reported to be as high as 1.8 million (**Table 7-4**). The vulnerable group which has borne the brunt of the negative impacts of these disasters are the ISFs residing along the major water tributaries and other danger areas.

In support of the rehabilitation program of the government for the victims of calamities, the NHA has provided housing assistance to 198,279 households affected by different calamities for the period 2011-2015. Yolanda-affected families living along high-risk zones are provided permanent housing units in safer areas. Based on the Yolanda Comprehensive Rehabilitation and Recovery Plan (CRPP), a total of 205,128 permanent housing units would be constructed for the affected families. Home materials assistance would be provided to 53,320 families. Pag-IBIG has also provided assistance on Allied Perils Insurance Claims to more than 9,000 members whose houses were devastated by various calamities. Total claims from 2012 to 2015 amounted to Php591 million.<sup>158</sup>

DILG has ordered city and municipal mayors and vice mayors to revisit their Local Revenue Codes and Local Investment and Incentive Codes, and consider the provision of tax relief and incentives to business establishments whose areas of operation have been devastated by disaster or declared under a state of calamity either by national or local authorities. Such tax relief may include extension of tax compliance deadline for assessed and installment taxpayers, waived penalties and associated interests, and tax relief, but always within the Implementing Rules and Regulations of the Local Government Code.<sup>159</sup> The DILG, DSWD, the television network GMA 7, and other stakeholders have also adopted communities for their projects.

**Table 7-4: Number of Housing Units Damaged by Natural Disasters, 2009-2014**

Natural Disaster	Totally Damaged	Partially Damaged	Total
Bohol Earthquake (2013)	14,480	57,405	71,885
Typhoon Ondoy (2009)	27,602	189,920	217,522
Typhoon Pablo (2012)	89,666	127,151	216,817
Typhoon Sendong (2011)	13,585	37,559	51,144
Typhoon Agaton (2014)	838	1,328	2,166
Typhoon Yolanda (2013)	550,928	589,504	1,140,332
Typhoon Glenda (2014)	27,874	84,498	111,372
Total	724,974	1,086,365	1,811,338

Source: National Housing Authority, National Disaster Risk Reduction and Management Council

<sup>158</sup> HUDCC Report on Rehabilitation Program – Housing, 2016.

<sup>159</sup> The Philippine Star (PHILSTAR), Mike Frialde, February 27, 2016.

On the supply side, housing in the Philippines has been seriously hampered by inadequate technical, financial, and managerial capacities—particularly at the local level—to plan and implement large-scale programs critical to urban renewal, slum upgrading, and new site development. The private sector, on the other hand, focuses their resources on the delivery of housing for the higher-end of the market, and for those with access to formal finance. The mandatory 20% balanced housing provision of UDHA helps but is not sufficient to even make a dent on the enormous housing backlog.

For these reasons, the low income and urban poor households have been left out, resulting in residential overcrowding and backlogs—mostly seen in the manifold growth of slums and informal settlements in Metro Manila as well as in other metropolitan centers in the Luzon, Visayas and Mindanao regions. Consequently, the majority of low income and urban poor families have been forced to address their housing needs on their own, often through an incremental process that takes a relatively long period of time. Nonetheless, while this incremental approach has been recognized as one of the most effective means of enabling urban poor households to access affordable housing, it has also led to low quality and inadequate housing stock which, in a country hit by an average of 20 typhoons annually, can be quite problematic.

Other supply-side constraints include (i) limited access to land and dysfunctional land markets resulting in poorly located low-income housing areas too far from employment and livelihood opportunities; (ii) unclear and highly bureaucratic land administration, management, and conversion processes that excessively burden the urban poor seeking to regularize land tenure; (iii) indirect housing subsidies which distort housing prices and consumer decisions, creating disincentives for the private sector to participate actively in socialized housing; and (iv) limited financing available for low income and pro-poor housing production.<sup>160</sup>

From the demand side, the major constraints to securing decent, affordable housing are (i) the limited ability to pay of the low income and urban poor groups involved; (ii) the physical and administrative difficulties encountered by the urban poor in accessing credit for housing and livelihood opportunities; and (iii) where microfinance is available, it is often uncollateralized, short-term, and carries significantly higher interest rates.

### 7.2.2 Addressing the Housing Gap

The 1987 Constitution of the Philippines mandates "the State...for the common good, [to] 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 Philippines, by ratifying the International Covenant on Economic, Social and Cultural Rights (ICESCR) has also committed to progressively achieve the full realization of the right to adequate housing. The Advisory on the Right to Adequate Housing and Humane Treatment of Informal Settlers issued by the Commission on Human Rights of the Philippines (CHR) on September 2011 stipulated the conditions that constitute adequate housing. These are (i) security of tenure, (ii) availability of basic services, (iii) affordability, (iv) habitability, (v) accessibility, (vi) location, and (vii) cultural adequacy. Toward this end, several laws and executive orders have been enacted by the Government, a sampling of which is shown below in **Table 7-5**.

<sup>160</sup> In this paper, socialized housing is used interchangeably with low income and pro poor housing.

**Table 7-5: Illustrative Laws and Executive Issuances on Housing and Urban Development**

Law/Executive Issuance	Abbreviated Title	Summary Description
MO No. 67 (1999)	Directing the Formulation on of the National Urban Development and Housing Framework 1999-2004	Created the National Steering Committee, chaired by HUDCC, for the formulation and updating of the NUDHF
EO 216 (2000)	Strengthening HUDCC	Amended EO 159 and designated HUDCC as the lead agency to assist the Presidential Commission for Mass Housing in formulating the objectives, policies and strategies for housing and urban development
RA 8763 (2000)	Consolidating Laws and Executive Orders as They Apply to the Home Guaranty Corporation and for Other Purposed	HUDCC jointly with NEDA tasked to determine the respective ceilings for socialized, low-cost, medium-cost and open housing loans; HGC tasked to promulgate the implementing rules and regulations.
EO 272 (2004)	Creating the Social Housing Finance Corporation (SHFC)	Established the SHFC and authorized the transfer of CMP, Abot-Kaya Pabahay Fund and other social housing, powers and functions from NHMFC to SHFC.
EO 577 (2006)	Placing the Urban Asset Reform PMO under HUDCC	HUDCC tasked to formulate and implement an intensive advocacy program for the urban asset reform program
RA 9397 (2007)	Amending the Urban Development and Housing Act	Authorized HUDCC to certify lands for socialized housing
MC 157 (2008)	Prescribing the Guidelines for Approval of Proposed Proclamations for Housing	HUDCC tasked as clearing agency for all requests for proclamation for housing purposes and to identify lands for socialized housing and resettlement
RA 9653 (2009)	Reforms in the Regulation of Residential Rent	Adjusted the allowable limit on rental increases; tasked HUDCC to formulate and implement a 2-year transition program to cushion impact in the event of regulation-free rental housing market

EO = Executive Order; CMP = Community Mortgage Program; HGC = Home Guaranty Corporation; HUDCC = Housing and Urban Development Coordinating Council; MO = Memorandum Order; NEDA = National Economic Development Authority; NHMFC = National Home Mortgage Finance Corporation; NUDHF = National Urban Development and Housing Framework; PMO = Project Management Office; RA = Republic Act

In addition, ongoing NHA and SHFC programs are either directly providing secure tenure and basic services or financial assistance to eligible informal settler families, including those living in the danger zones of Metro Manila. In particular, since 2011, NHA has been at the forefront of a housing program involving the in-city or near-city relocation of 104,000 informal settler families residing in the danger areas of Metro Manila. Over a period of 5 years and using a PHP50 billion fund from the national government, NHA's in-city relocation entails the construction of 2- to 5-storey Low-Rise Buildings (LRBs) in its own properties or those of participating local governments. A parallel program is the near-city resettlement which develops sites located in the periphery of Metro Manila for cases where in-city relocation is not feasible. Priority beneficiaries to be relocated under the program are those ISFs living along the 3-meter easement of eight major waterways in NCR in order to implement a Metro Manila flood control.

The relocation program, called *Oplan Likas*, is spearheaded by DILG through an inter-agency ISF – National Technical Working Group (NTWG), which in turn is composed of three sub-committees. The Social Preparation committee is chaired by NAPC and co-chaired by PCUP,

and are mandated to ensure that ISFs that will be affected by the program are properly consulted prior to their transfer. Going beyond merely informing affected families, the PCUP has developed a Social Preparation Protocol that can be followed by other agencies. The Protocol ensures that ISFs participate in the various undertakings designed to prepare them and their community for relocation which include dialogues, meetings, barangay assemblies, census and validations, and other organizing activities. The PCUP also co-chairs the Site Selection and Evaluation Committee, which is chaired by DENR. The Site Selection committee's task is to evaluate suitability of sites, assisted by CSCAND agencies where necessary with regards to geo-hazard assessments. The Finance and Affordability Committee is chaired by the DOF, assisted by HUDCC, and led the identification of financing and affordability schemes for the different government housing projects.

Meanwhile, organized informal settler communities situated in Metro Manila's danger zones may opt to avail of SHFC's High Density Housing, a financing program for in-city, near-city or near-site housing relocation. Overall, however, the CMP remains SHFC's banner program for low income and pro-poor housing which is anchored on the self-help concept. CMP financing targets organized and legally registered community groups to help their members acquire the land they occupy or aspire to purchase in another area. The program also finances basic services and the incremental build-up of members' houses.<sup>161</sup>

The Localized CMP (LCMP) is another financing program of SHFC. Local governments can avail of an Omnibus Commitment Line (OCL), up to a maximum of PHP50 million, in order for them to implement priority socialized housing projects. Loans under both the regular CMP and LCMP are payable over a period of 25 years at an annual rate of 6%. Through the NHA and SHFC programs, a total of 736,537 low income households and ISFs have been assisted by the Philippine Government during the last 17 years covering the period 1996-2013 (Table 7-6).

**Table 7-6: Socialized Housing Programs Accomplishment (1996-2013)**

SUMMARY	2011	2012	2013	2014	2015	TOTAL
(In Households Assisted)	Units	Units	Units	Units	Units	
<b>1. National Housing Authority (NHA)</b>	<b>47,248</b>	<b>56,221</b>	<b>103,347</b>	<b>204,961</b>	<b>94,592</b>	<b>506,369</b>
Housing Program for ISFs Living along						
Danger Areas in Metro Manila		6,036	21,095	28,968	19,370	75,469
Resettlement	10,848	18,529	22,830	15,303	11,248	78,758
Resettlement Upgrading	7,197	1,443	1,655	2,688	890	13,873
Sites and Services	651	427	-	-	-	1,078
Core Housing	3	15	-	-	-	18
Local Housing	-	-	-	-	-	-
AFP / PNP Housing	15,150	16,680	22,524	1,918	5,106	61,378
Housing Assistance for Calamity Victims	10,517	12,852	32,214	155,887	57,811	269,281
Other Housing Assistance Programs	2,882	239	3,029	197	167	6,514
<b>2. SHFC – COMMUNITY DRIVEN SHELTER ASSISTANCE PROGRAM<sup>2</sup></b>	<b>15,875</b>	<b>9,287</b>	<b>12,735</b>	<b>18,556</b>	<b>23,241</b>	<b>79,694</b>
2.1 Community Mortgage Program	15,875	9,287	12,523	13,120	12,038	62,843
2.2 High Density Housing Program	-	-	212	5,436	11,203	16,851
<b>3. RETAIL &amp; DEVELOPMENTAL FINANCING</b>	<b>46,642</b>	<b>47,270</b>	<b>47,843</b>	<b>54,650</b>	<b>60,209</b>	<b>256,614</b>
End-User Financing (HDMF) <sup>3</sup>	46,296	46,898	47,562	54,026	59,409	254,191
<b>GFI's End-User Financing</b>	<b>346</b>	<b>372</b>	<b>281</b>	<b>624</b>	<b>800</b>	<b>2,423</b>
LBP <sup>4</sup>	281	325	248	603	782	2,239

<sup>161</sup> The SHFC Board recently approved the adjustment of the CMP loan ceiling per beneficiary from P165,000 to P250,000 given the rising prices of land and construction materials.

SUMMARY	2011	2012	2013	2014	2015	TOTAL
(In Households Assisted)	Units	Units	Units	Units	Units	
SSS <sup>5</sup>	65	47	33	21	18	184
DBP						
GSIS						
<b>TOTAL DIRECT HOUSING PROVISION</b>	<b>109,765</b>	<b>112,778</b>	<b>163,925</b>	<b>278,167</b>	<b>178,042</b>	<b>842,677</b>
<b>INDIRECT HOUSING PROVISION</b>						
<b>4. PROVISION OF SECURE TENURE</b>						
Proclamation	300					300
No. of Homelots Generated <sup>6</sup>	11,054	8,810	7,217	4,360	4,192	35,633
<b>5. HGC (Total)</b>	<b>25,006</b>	<b>20,637</b>	<b>10,861</b>	<b>30,924</b>	<b>31,152</b>	<b>118,580</b>
Retail Guaranty	20,243	14,698	8,454	30,805	31,118	105,318
Developmental Guaranty	541	-	-	-	-	541
Public Corporate Borrowings	4,191	2,560	2,402	92	-	9,245
Resettlement Upgrading	31	3,379	5	27	34	3,476
Cashflow (AKPF)	-	8,621	7,304	9,714	14,530	40,169
<b>6. NHMFC<sup>8</sup></b>						
Housing Loan Receivables Purchase Program	1,693	6,643	3,676	1,592	2,551	16,155
<b>7. HLURB<sup>9</sup></b>						
License to Sell	170,379	264,237	225,051	216,503	216,948	1,093,118
No. of LGUs provided assistance in CLUP	148	1,040	1,266	348	103	2,905

Notes:

<sup>1</sup> NHA's Accomplishment Report as of December 2015, net of CMP; GLAD, EHAP, Of the 94,592 units there are 22,830 units under various stages of completion

<sup>2</sup> SHFC's Accomplishment Report as of February 2016, CY 2014 - revised take-outs; CY 2013 report includes taken-outs project as well as those with approved Letter of Guaranty (LOG); January to October 2011 report includes the take-outs from the Localized Community Mortgage Program (LCMP);

<sup>3</sup> HDMF's Accomplishment Report as of December 2015; The Accomplishment Report excludes Pending for Takeout i.e. 13,570 units for CY 2015; 5,469 units from CY 2014 approval; 15,586 units for CY 2013; 13, 985 units for CY 2012 and 9,335 units for CY 2011;

<sup>4</sup> LPB's Accomplishment Report as of January 2016;

<sup>5</sup> SSS's Accomplishment Report as of February 2016;

<sup>6</sup> HUDCC Accomplishment Report as of December 2015;

<sup>7</sup> HGC's Accomplishment Report as of January 2016 and AKPF as of February 2016; HGC's accomplishments includes GFT's/Mutual Funds; Public Corporate Borrowings and Securitization; CY 2014-Revised/Validated accomplished report

<sup>8</sup> NHMFC's Accomplishment Report as of December 2015

The Home Development Mutual Fund (HDMF), also called the Pag-IBIG Fund, provides housing loans for its members to (i) purchase residential lots, (ii) purchase lots, (iii) construct or complete residential units, and (iv) purchase newly constructed or existing residential units. From 2011 to 2015, HDMF's housing loans delivered 318,130 housing units valued at Php232.6 billion (**Table 7-7**). Of this number, 28% or 72,051 were categorized as socialized housing, in conformity with the HUDCC circular that set the socialized housing price ceiling at Php450,000. From 2011 to 2015, housing loans availed of by Pag-IBIG members consistently increased (**Table 7-6**). The socialized and low-cost housing packages, or loans up to Php3.0 million, likewise increased from 1% in 2012 to 10% in 2015 in terms of number of units; and from 0.9% in 2012 to 8% in 2015 in terms of loan value.

For minimum wage earners, the Pag-IBIG Fund has also introduced the Affordable Housing Loan Program (AHLP). The program offers subsidized interest rates of 4.5% - 6.5%, depending on the borrower's income and loan amount. The maximum loanable amount under this program is Php750,000. Since its implementation, about 27,000 members have availed of the program.

**Table 7-7: Socialized Housing Programs Accomplishment (2011-2015)**

Year	Actual + Approvals		DBM/GCG Targets		% Accomplishments	
	Loan Value (Php M)	No. of Units	Loan Value (Php M)	No. of Units	Loan Value	No. of Units
2011	38,269.064	55,631.000	40,000.000	60,614.000	95.7%	91.8%
2012	42,791.519	60,883	46,000.000	65,705	93.0%	92.7%
2013	46,580.597	63,148	45,000.000	62,000	103.5%	101.9%
2014	51,400.821	66,198	49,711.696	73,905	103.4%	89.6%
2015	55,761.605	72,270	51,844.096	71,918	107.6%	100.5%
<b>Total</b>	<b>234,803.606</b>	<b>318,130</b>	<b>232,555.792</b>	<b>334,142</b>	<b>101.0%</b>	<b>95.2%</b>

Source: UDCC Report, 2016.

All told, the Government's accomplishments have led to increased access to housing and basic services for the poorest 30% of the total population, but still lags considerably behind the total socialized housing need. For the period 2011-2015 the Key Shelter Agencies (KSAs), under the umbrella of HUDCC, were reported to have provided direct housing assistance to 842,677 households. This translates to an average of 168,535 households assisted per year during that period, constituting less than 10% of the estimated average annual housing need of 926,077.

## 7.3 Ensuring Sustainable Access to Safe Drinking Water, Basic Sanitation and Drainage

### 7.3.1 Goals and Accomplishments

Sustainable access to safe drinking water, basic sanitation, and drainage facilities are components of the Millennium Development Goals (MDG) which the Philippine Government has committed to achieve. The Philippine standard for access to potable water is a clean supply of at least 50 liters per capita daily (lcpd) available from water points no more than 250 meters from the user's residence. The World Health Organization (WHO)-United Nations Children's Fund (UNICEF) Joint Monitoring Programme (JMP) reported in their March 2012 Report that the MDG target of 92% coverage has been met for drinking water. The JMP estimated that the Philippine national coverage was 92% in 2010, with 93% coverage in urban areas and 92% in rural areas. The National Statistics Office (NSO) reported a lower figure of 84.8% of the total population having access to potable water in 2011, noting a slight increase from 82.9% in 2007.

The Philippine Sustainable Sanitation Roadmap (PSSR) forecasts that the 2015 MDG sanitation target can be achieved. The JMP March 2012 Report noted 74% national sanitation coverage in 2010, with 79% in urban areas and 69% in rural areas. However, according to NSO figures cited by the National Statistical Coordination Board (NSCB) in July 2012, 92.5% of households had access to basic sanitation (i.e., sanitary toilets) in 2011, up from 76.0% in 2008—a figure expected to decrease to 83.8% by 2016.

The improved household access to piped water and sanitation facilities can be traced to the expansion of the service coverage of utility providers complemented by the targeted subsidies of the government. The completion of the Manila Third Sewerage Project (MTSP) increased the coverage and effectiveness of sewerage service delivery in Metro Manila. The National Sewerage and Septage Management Program (NSSMP) was formulated in 2004 to improve water quality and protect public health in 17 highly urbanized areas up to 2020, to comply with the provisions of the Clean Water Act.

In 2013, the DILG through its Salintubig Program established Regional Hubs for Water and Sanitation in ten strategic regions to provide water and sanitation to 455 waterless towns and communities throughout the country.<sup>162</sup> Furthermore, the Local Waterworks and Utilities Administration (LWUA) has extended its reach in providing safe water supply and sanitation facilities to more than 500 water districts. The average minimum rate for a monthly consumption of 10 cubic meters has been set at Php189.30 which adheres to the policy that the minimum water rate should not result in water utility bills exceeding 5% of the monthly income of low income families. To further expand their coverage, LWUA has embarked on a robust program of water supply projects with other participating local governments. The Manila Bay Mandamus comprises joint efforts among 13 agencies and targets sanitation for an estimated 80% of households until 2017.

### 7.3.2 Strategic Issues and Constraints

Water supply coverage is lagging behind the growing urban population in Philippine cities, hindering their competitiveness and diminishing their livability. Many water utilities companies are facing financial difficulties because tariffs are pegged too low to be able to recover costs, while systems are too small to work efficiently. Moreover, the delivery of affordable and reliable water supply in the urban areas continues to be hampered by (i) institutional fragmentation, (ii) weak sector planning and monitoring partly due to lack of sector information, (iii) the generally poor performance of water utilities, (iv) low public and private sector participation, (v) limited access to financing for service expansion, and (v) deficient pro-poor programs more supportive of urban communities and neighborhoods.

The constraints to improving sanitation coverage are even greater. Less than 5% of households are connected to a sewerage network. The majority of households with toilets are connected to septic tanks that are poorly designed or maintained—thereby leading to most effluent being discharged without treatment. The weak management of solid waste and sanitation poses an immense challenge, contributing significantly to the contamination and pollution of surface and ground water sources. The key problems confronting the sanitation sector include (i) inadequate policies and ineffective governance and regulation, (ii) low levels of awareness and political will for improving sanitation; (iii) lack of funds for financing infrastructure; and (iv) weak sanitation capacity at the national, regional and local levels of government.<sup>163</sup>

## 7.4 Improving Access to Clean Energy

### 7.4.1 Goals and Accomplishments

Energy independence and market reforms are the main strategic thrusts of the government's energy development plan. The government aims to achieve universal access to modern electricity services. The target of electrifying 90% of households by 2017 entails connecting over 3 million additional households (**Table 7-8**). The government plans to undertake an expert review of the power sector, review the performance of the Electric Power Industry Reform Act, and make appropriate changes that will help achieve the government's principal objectives of reform and create consumer benefits. Access to electricity in the urban areas is no longer a problem with the Manila Electric Company (MERALCO) reaching a 97% electrification level in its franchise areas, which covers 23 cities and 88 municipalities, including Metro Manila. Some urban areas outside

<sup>162</sup> DILG definition of waterless communities: communities with less than 50% clean water (Level II) service coverage.

<sup>163</sup> Asian Development Bank, 2013. *Philippines Water Supply and Sanitation Sector Assessment, Strategy and Road Map* (Manila, Philippines), 1-6.

Metro Manila are serviced by electric cooperatives (ECs) which report a 99% electrification level in the areas they cover.<sup>164</sup> For resettlement sites, at least 30% of resettled families must already be on site to be energized.

**Table 7-8: Household Energization Level in the Philippines, 2013**

Year	Total Households	Energized Households	% of Energized Households to Total
2006	18,213,158	11,838,009	65.00
2007	18,702,843	12,287,960	65.70
2008	19,192,528	12,722,974	66.29
2009	19,682,214	13,223,084	67.18
2010	20,171,899	14,536,372	72.06
2011	20,614,174	15,184,535	73.66
2012	21,010,890	16,114,213	76.69
2013	21,415,236	16,943,354	79.12

Source: Department of Energy

However, the Philippines has some of the most expensive electricity in Southeast Asia, averaging \$0.18 per kilowatt-hour in 2009. This is because (i) the archipelagic geography makes electricity costly in some areas; (ii) generation, transmission, and distribution systems are inefficient; and (iii) investment in the sector is low, coupled with the high cost of investments made during the country's power crisis in the 1990s. A fundamental challenge in the energy sector is to ensure sustainable and reliable supply to households and businesses, thereby fueling growth and development at reasonable cost. This is made complicated by the country's limited fossil-fuel reserves and therefore, high dependence on non-renewable and imported energy.

With its growing urban population, total household consumption is expected to more than double under current energy policies, while adopting energy-efficiency standards could shave as much as 9.5% off residential power demand. In its 2009-2030 Philippine Energy Plan, the Department of Energy (DOE) forecasts average annual growth in electricity demand of 4.6%, which means that the country will need to add 16,550 MW of generation capacity from 2009 to 2030. In response, the Government is aggressively promoting the use of biofuels, mainly sugarcane- and cassava-based ethanol and biodiesel for transport. It also adopted the use of liquefied petroleum gas (LPG) and compressed natural gas (CNG) to diversify the country's fuel resources for transport and to decrease vehicular emissions. These alternative fuels are cleaner and cheaper than conventional fuel. Under the Autogas Program, measures have been adopted to ensure the safety of LPG as a transport fuel and to promulgate standards.

Under the Fueling Sustainable Transport Program (FSTP), all efforts to mitigate the impact of continuously increasing oil prices, lessen dependence on oil, and encourage migration from gasoline- and petro diesel-fueled vehicles to low- and zero-emission vehicles will be synchronized and integrated into one comprehensive government program. The program will accelerate the promotion and utilization of alternative fuels for public transport such as CNG and LPG, as well as new technologies such as electric buses, cars, jeepneys, and tricycles. DOE has set the following targets for the program: (i) pilot run of electric tricycles and jeepneys and LPG jeepneys in Metro Manila, demonstration run of electric buses and cars, and commercial run of CNG buses on selected routes; (ii) 10% reduction of gasoline- and petro diesel-fueled transport and the construction of a CNG daughter station in Metro Manila by 2012; (iii) 20% reduction of gasoline- and petro diesel-fueled transport in Metro Manila by 2015; and (iv) 50% reduction of gasoline- and petro diesel-fueled transport in the Philippines by 2020.

<sup>164</sup> Electric cooperatives define an electrified barangay as one with at least 30 households already energized or electrified.

## 7.4.2 Strategic Issues and Constraints<sup>165</sup>

Severe power shortages in the 1990s brought in additional generation on take-or-pay contracts, which became liabilities when expected growth in demand did not materialize. The Government launched a power sector restructuring program, including the passage of the Electric Power Industry Reform Act in June 2001 and subsequent unbundling of the sector. This was to create competition in generation and retailing and, as a surrogate for competition, effective regulation of monopoly transmission and distribution systems. The power sector unbundling has achieved certain milestones which include (i) establishing an independent regulator, (ii) privatizing more than 3,000 megawatts (MW) of generation assets previously owned by the government, (iii) selecting independent power producer (IPP) administrators, and (iv) awarding transmission concessions to private management. However, sector reform remains incomplete and has not delivered sufficient benefits.

A reliable, sustainable power supply that has reasonable social and environmental costs is key to increasing the competitiveness of Philippines cities, which then leads to increased investments. Inefficiencies in the wholesale power market, the amount of power that domestic appliances use, and how energy is converted by old vehicle engines worsens social and environmental costs makes the whole energy cycle inefficient. The Visayas and Mindanao regions suffered power shortages in mid-2010 because the dependable capacity of hydroelectric plants declined. Energy self-sufficiency—the use of indigenous oil, coal, natural gas, geothermal, hydro, wind, solar, biomass, coco methyl ester, and ethanol—was 59.2% in 2009. As of December 2009, installed electricity-generating capacity was 15,610 megawatts. Fossil-fuel power plants are mostly in the Luzon grid; and the Mindanao grid depends heavily on hydropower.

The National Renewable Energy Program (NREP) is a vital support mechanism to the low carbon development strategy which is expected to address the challenges of climate change, energy security, and access to clean energy. In 2008, the Renewable Energy Act (Republic Act 9513) was passed and focused on boosting the drive to improve access to clean energy and its sustainability. Various mechanisms such as power generation through hydro, biomass, wind, and solar systems were made part of the Philippine renewable program and these were supported by the Feed-In Tariffs (FIT) set in 2012. Rates were much lower than what was requested—FIT was lowest for hydropower and highest for solar power. These attracted investors to supply energy produced to the power grid. However, the distribution coverage is still limited as transmission lines are costly.

Nevertheless, it is inefficient transport that contributes to the air pollution common to the cities and towns in the Philippines, as the transport sector uses two-thirds of the government's annual oil imports, estimated at US\$8 billion. Transport-related energy consumption will continue to grow at an average annual rate of 3.2%, with road transport accounting for 90% of energy demand for transport by 2030. The transport sector, mainly tricycles, jeepneys, and buses, contributes a large portion of CO<sub>2</sub> emissions, as 3.5 million registered motorcycles and tricycles release 10 million tons of CO<sub>2</sub> into the atmosphere each year and consume close to \$3 billion worth of fuel.

<sup>165</sup> Asian Development Bank, 2012. *Proposed Loan and Administration of Loan and Grant to the Republic of the Philippines: Market Transformation through Introduction of Energy-Efficient Electric Vehicles Project*. Manila (Loan 2964-PHI).

## 7.5 | Improving Access to Sustainable Means of Transport

### 7.5.1 | Goals and Accomplishments

Urban transport is a vital sector of the Philippine economy, linking population and urban growth centers across its 7,107 islands. The transport system of the Philippines consists of land, water, air, and rail transport. Water transport plays an important role due to the archipelagic nature of the country, but land transport is by far the dominant subsector accounting for 98% of passenger traffic and 58% of cargo traffic. While the transport infrastructure has been developed and spread across the country (about 215,000 km of roads, 1,300 public and private ports, and 215 public and private airports), the level of service has not been sufficient due to the lack of sustainable financing. Improving transport infrastructure is critical for strengthening the investment climate and enhancing economic growth. The Philippines has seen modest improvement in the quality of its transport services—a large part of the road network remains in poor condition and intermodal integration remains generally weak.

The extent of the road network in the Philippines, when measured in terms of road km per square km, road km per capita, and road km per dollar of GDP per capita, is comparable with or better than many neighboring developing member countries. However, when the quality of the road system—both in terms of the percentage of paved roads and the percentage of roads in good or fair condition—is considered, the Philippines lags well behind nearly all of its regional neighbors and competitors.

The government has developed a network of tolled expressways (SCTEX and TPLEX) in Central Luzon to address transport constraints on economic development by (i) linking the major economic and transport centers in Metro Manila and adjacent provinces, from Tarlac in the north to Batangas in the south; and (ii) facilitating multimodal transport. The expressway network, developed through public–private partnerships (PPPs) and with bilateral development assistance, links industrial parks and special economic zones, the ports at Subic and Batangas, and the Clark International Airport in Pampanga. While the development of this network has reduced travel times significantly, additional efforts to increase port capacity and improve management are necessary to realize fully the benefits of an integrated multimodal transport system.

Inter-island water transport is a very important subsector of the national transport system. There are about 1,300 ports, of which about 1,000 are government-owned with the rest privately owned and managed. International cargo and container traffic has grown steadily in recent years, supported by significant investments in the port of Batangas by the PPA and in the port of Subic by the Subic Bay Metropolitan Authority. However, passenger and freight traffic on domestic interisland shipping services have remained at almost the same volume since the 1990s. In 2003, the Philippine Government issued a policy to promote the roll-on roll-off (ro-ro) ferry services. This was manifested in the opening of the government’s Strong Republic Nautical Highway Program. The program has not only linked the country’s major island groups of Luzon, Visayas, and Mindanao, but has also had positive effects on the economies of smaller

**The opening of the nautical highways in the Philippines have resulted in (i) goods being shipped more efficiently, (ii) transport costs reductions, (iii) creation of new interisland and regional links, (iv) expansion of regional markets, (v) tourism benefits, (vi) acceleration of local area development, (vii) changes in logistics practices, and (viii) a more competitive domestic shipping industry. The growth of ro-ro services may have contributed to the decline in both freight and passenger traffic on conventional interisland shipping services.**

Source: Asian Development Bank, 2012.

islands along the major routes. The ro-ro policy has had major positive impact, derived from the significant reduction in transport costs. The principal sources of savings have been the elimination of cargo handling charges and wharfage fees.

The government has intensified efforts under way since 1992 to liberalize air transport. In particular, it has been promoting the development of secondary international gateways by negotiating bilateral “pocket open skies” agreements for secondary airports in the Philippines. These agreements now cover all secondary international gateways in the country and have led to substantial increases in travel through these airports.

### 7.5.2 Strategic Issues and Constraints<sup>166</sup>

Transport systems in Philippine cities are almost entirely road based, with the exception of Metro Manila. Transport services consist mainly of jeepneys (public utility vehicles), taxis, tricycles, and pedicabs that are privately owned and operated. In 2010, taxis comprised 667,424 (35%) of the 1.9 million vehicles in Metro Manila, and half of the 6.6 million vehicles in the country were motorcycles. Motorcycle users are vulnerable to road crashes and contribute significantly to traffic congestion.

In Metro Manila, the urban transport infrastructure consists of a network of roads and railways. While some of the principal road corridors in Metro Manila have high capacities, traffic volumes are also extremely high. As a result, the movement of people, goods, and services has become difficult. Although restrictions on vehicle usage are in place, their effectiveness is decreasing as rates of motorization increase. Consequently, congestion in Metro Manila is increasing rapidly and is estimated to cause economic losses equivalent to about 4.6% of GDP. While congestion in urban areas outside of Metro Manila is less severe, increasing urban population combined with higher rates of motorization suggest that traffic congestion in those urban areas will worsen as well in the near future.

As in other urban areas, road-based public transport in Metro Manila is provided entirely by the private sector. There are an estimated 433 bus companies operating 805 routes. The majority of bus companies own more than 10 units, with only 7 bus companies owning 100 units or more. Jeepneys serve 785 routes in Metro Manila, with many jeepney operators owning only one unit. In addition to jeepneys, air-conditioned Asian utility vehicles provide express services in several areas of Metro Manila, together with taxis and localized modes of transport such as tricycles and pedicabs. Tricycles and pedicabs are restricted to serving local areas and provide a feeder service to the larger-scale public transport services.

The railway system consists of light rail transit (LRT) lines in Metro Manila and heavy rail lines in Luzon. The three LRT lines commenced operations in 1984, 1999, and 2003. Two lines are owned and operated by a government-owned corporation, the Light Rail Transit Authority (LRTA), while the third was financed and constructed by a private corporation, the Metro Rapid Transit Corporation (MRTC), and is operated by the government under a build–lease–transfer agreement. The lines operated by the LRTA carry about 579,000 passengers each day, while the MRTC line carries more than 400,000 passengers daily. Fare structures are distance based, and fare levels are low relative to comparable systems elsewhere in the region. One reason that fares can be set at these low levels is that the debt of the government-owned and controlled corporations is serviced by annual allocations in the government budget, which has the effect of

<sup>166</sup> Asian Development Bank, 2012. *Philippines Transport Sector Assessment, Strategy and Road Map* (Manila, Philippines), 1-9.

subsidizing the operations of the light rail systems. Overall load factors on the LRT lines exceed 60% and overcrowding is common at peak periods.

There is evident disconnect from resettlement sites and the urban centers where employment and other economic opportunities abound. The resettled households face costly transport and long hours of travel to their place of work, which sooner or later causes households to leave resettlement sites and return to the urban centers as informal settlers. This has been a perennial issue through the years, one which needs a solution closely linked to a more inclusive urban transport system.

## 7.6 Challenges Experienced and Lessons Learned

### 7.6.1 Scaling Up Low Income and Pro Poor Housing

There are many innovative projects but none so far has been able to create the scale needed to adequately narrow the housing demand and supply gap posed by rapid urbanization. The current level of housing production represents a very small fraction of the estimated housing need—perpetuating the formation of informal settlements and slums in Metro Manila and other urban metropolis around the country.

### 7.6.2 Access and Affordable Basic Services

The delivery of safe water, sanitation, waste management, energy, and transport continues to be a major challenge in the Philippines, particularly with respect to the creating the conditions necessary for livability in the cities. There are several reason for this and they include (i) rising demand resulting from the scale of urbanization, (ii) the increasing unit costs of infrastructure provision combined with poor cost recovery, (iii) a legacy of under-investment in operation, maintenance and infrastructure extensions, (iv) high and inefficient consumption of services among the high and middle income households, (v) the relatively slow adoption of a green infrastructure approach, (v) inequitable or sub-optimal distribution of services and infrastructure, and (vi) a dependence on outdated or inappropriate policies and business models.

### 7.6.3 Growing Problems in Urban Transport and Mobility

Transportation has always played an important role in influencing the formation of urban societies. Although other facilities like availability of food and water played a major role, the contribution of transportation can be seen clearly from the formation, size and pattern, and development of societies, especially in the urban centers. When the cities grow beyond normal walking distance, transportation technology plays a pivotal role in the formation of the city. For example, many cities in the plains developed as a circular city with radial routes, while the cities beside a river developed linearly. The development of automobiles, as well as other factors like increase in personal income and construction of paved road networks caused the settlements to transform into urban centers of intense travel activity.<sup>167</sup>

The intense movement of people, materials, and information, combined with generally inadequate urban transport systems in the Philippines, is causing millions of pesos worth in lost productivity and economic opportunities. The situation is growing even worse in Metro Manila and the other urban agglomerations in regional growth centers nationwide. The country's archipelagic setting combined with the magnitude of urbanization makes accessibility between

<sup>167</sup> Department of Transportation: *Role of Transportation in Society – Lecture Notes*, June 2014.

and within the islands costly and time consuming. Development of resettlement sites and new townships need to be anchored on more inclusive transport network development to ensure facilitated access to urban areas from relocation sites and employment opportunities.

#### **7.6.4 Designing Resilient Housing and Basic Infrastructure**

An average of 20 typhoons hit the country each year. It is located in the Pacific Ring of Fire which further makes it vulnerable to earthquakes and volcanic eruptions. The design of housing and basic infrastructure in the Philippines must be planned at the national/local and sectoral level to facilitate climate change-oriented analyses of projects. This climate proofing methodology will allow planners and developers to assess risks and opportunities which climate change poses, and also to minimize damages and losses during natural disasters.

Planning, as shown by NISUS, should be anchored on the agreed plan among government, housing developers, financiers, and the communities. The prevailing policy reform of local governments to consider resettlement following the hierarchy of onsite, in-city, near-city, and finally off-city relocation is a timely and highly appreciated strategy. It will resolve the ‘return to the city’ action of many resettled households leading to the perpetuation and widespread proliferation of informal settlements.

Cross sectoral planning and monitoring systems are vital components of successful resettlement of ISFs. Access to employment opportunities, economic activities, basic services, housing, and basic food supply will ensure the growth prospects for the resettled communities. Close monitoring with the community members will allow identification of weaknesses and a more prompt response system.

### **7.7 Future Challenges and Issues That Can Be Addressed by a New Urban Agenda**

#### **7.7.1 Enabling Informal Settler Families to Live In Resilient, Vibrant, and Connected Urban Communities**

This is in essence the vision of the recently approved 10-year National Informal Settlements Upgrading Strategy (NISUS). Informal settlements are essentially a staging ground for people moving to the city or for people who are temporarily in trouble, a place where they can live cheaply in the interim until they establish themselves. In the long-term, most informal settlers aim to find a better place to live in. NISUS envisions most, if not all, ISFs finding a secure and better place to live in resilient communities that are able to withstand climate change and natural disasters, vibrant communities animated with socio-economic dynamism and quality urban infrastructure and services, and connected communities that are linked by transport and telecommunication to employment, sources of livelihood, the urban economy, and the rest of the city.

The NISUS mission is a profound commitment to a more dignified life for at least one million ISFs by 2025—through secure and better quality housing, improved physical infrastructure and social services, and greater access to jobs, transport, capital, and livelihood. This represents a big leap from the current production delivered by the various government housing programs every year but responds to the need to achieve the scale warranted by the problem. Targeted subsidies need to be applied for inclusive housing provision. A closer look on how the itinerant street dwellers may gain access to decent housing is likewise needed.

### **7.7.2 Encouraging Investments in Spatially Integrated and Climate Change Resilient Housing and Basic Infrastructure**

The provision of urban housing and basic infrastructure in the Philippines is markedly constrained by the lack of financing and capacity. The strategies to be employed must consider economies of scale—which in many cases can be achieved by a more spatially integrated design. Climate change also imposes the inclusion of resiliency features. Investments can be more rationalized using a co-benefit approach which espouses that projects, to be considered, must have multiple benefits in different sectors or subsectors resulting from one policy, strategy, or initiative. Projects selected must simultaneously contribute to reducing the negative impacts of climate change while solving other local environmental, economic and social equity problems in the cities. With the prevailing significant participation of private sector developers in the market, a much needed review of laws covering development standards, public, and private sector with people partnerships should be encouraged. This would be done in order to move toward resilient housing provision with access to basic services.

### **7.7.3 Promoting the Shift to a Demand Based, Low Carbon Yielding Urban Transport System**

While urban transport has been an enabler of voluminous economic activities and social connectivity, particularly in the highly urbanized cities, there has been a bias so far towards planning for individual motorized transport rather than accessibility. This has led to tremendous traffic congestion and urban sprawl. The "Avoid-Shift-Improve framework"<sup>168</sup> should be promoted in planning subsequent urban transport systems. "Avoid" will underscore better land use planning and travel demand management. "Shift" will encourage the move to more sustainable means of transport—non-motorized and public transport. "Improve" will consider vehicle and fuel efficiency.<sup>169</sup> The envisioned outcome is a successful transition to a more inclusive, greener urban transport system with a lower carbon footprint for Metro Manila and other highly urbanized cities nationwide.

<sup>168</sup> [www.transport2020.org/file/asi-factsheet-eng-pdf](http://www.transport2020.org/file/asi-factsheet-eng-pdf).

<sup>169</sup> Habitat III Issues Paper. 2015. 19—Transport and Mobility

# 8

## A New Urban Agenda: Better, Greener, Smarter Cities in a More Inclusive Philippines

In June 1996, the Philippines participated in the Second World Conference on Human Settlements, or Habitat II, that was held in Istanbul, Turkey. Attended by member states of the United Nations, Habitat II addressed two themes of equal global importance: *Adequate Shelter for All and Sustainable Human Settlements Development in an Urbanizing World*. As an active member of the United Nations Center for Human Settlements, now known as UN-Habitat, the Philippines prepared for the conference and submitted to the UNCHS a national report entitled “*Shelter And Human Settlements: Philippine Report and Plan of Action*.” The report embodied the country’s development roadmap, which was anchored on three interconnected strategies—total human development, global competitiveness, and sustainable development. It also contained the country’s commitments to Habitat II. Infrastructure development in support of human settlements, pursuit of knowledge and livelihood, and ensuring physical, economic and social mobility were the avowed commitments of the Philippine government to Habitat II in 1996. The country committed a holistic approach of interagency coordination for human settlements development with poverty reduction, livelihood generation, and environmental protection as national development thrusts.

Twenty years later and the Philippines appears to have accomplished most of its commitments under Habitat II (**Appendix 1**).<sup>170</sup> However, over the years, it has also emerged as one of the most populous countries in the world with an estimated population of over 100 million. The country's urban population has reached almost 42 million, putting undue pressure on city governments to provide affordable, reliable, and quality basic urban services. The nation's capital region, more popularly known as Metro Manila, has become home to a population of 11.9 million, catapulting it to the world's top 20 megacities. Metro Manila's extended urban area, encompassing the provinces of the Central and Southern Luzon regions, has 24.6 million residents, counting it among the top five most populous urban agglomerations in the world. Growing steadily over the past two decades, Metro Manila’s urbanization has been quite sporadic and unplanned, resulting in poor services for managing solid waste, wastewater, air quality, transportation, traffic, and other needs of a growing urban population. Its rapid urban growth has also resulted in the social exclusion of a huge number of ISFs or low-income families that occupy vacant lands, whether public or private, even in disaster-prone places. They have exploded in number and size, and have become a tremendous challenge in urban management and governance for national government agencies and Metro Manila local governments.

Furthermore, the archipelagic nature and geographic location of the Philippines have made it highly vulnerable to the adverse impacts of climate change and environmental degradation. Climate change in the Philippines has been felt through extreme temperature and rainfall events. Recently, it has been acutely manifested by the rise in temperature, precipitation, extreme rainfall, drought, flooding, storm surges, rising sea level, limited water supply, forest fires, and other changing weather patterns. Metro Manila is at high risk from cyclones, floods, and earthquakes. Four other large coastal cities in Asia are at a similarly high risk, including Davao—the largest urban agglomeration in Mindanao— which are also exposed to the same natural hazards.

<sup>170</sup> Appendix 1 of this report contains the summary of the commitments made by the Philippine Government under HABITAT II as well as the actions it has taken to fulfill such commitments.

Moreover, although the decentralization process can be deemed a success, there continues to be a lack of effective urban governance mechanisms, particularly for regional scale infrastructure projects involving inter-jurisdictional cooperation. This has resulted in negative impacts on economic competitiveness, the environment, and the delivery of reliable, affordable and resilient urban services. Urban governance in the Philippines has also come to involve too many institutions with overlapping mandates. Consequently, there has been inadequate vertical-horizontal institutional coordination for planning, implementation, and operation of infrastructure and services. Country data show that Philippine cities, particularly Metro Manila and other highly urbanized cities, have helped to propel the overall urban economy, which in turn has spurred the country's sustained economic expansion. However, many Philippine cities are still faced by tremendous challenges associated with rapid urbanization. Many cities in the Philippines are confronting urban problems such as congestion, overcrowding, poor quality of life, and rapidly growing poor urban communities. There is deficient investment in urban infrastructure—mostly for water supply and sanitation, solid waste management, and low-carbon yielding urban transport.

Against this background, the Philippine Government began its national report preparation for the Third World Conference on Human Settlements or Habitat III. Using a consultative, participatory and consensus-building approach entailing a series of thematic, regional and multi-sectoral workshops, a New Urban Agenda was formulated. The theme of the New Urban Agenda is *Better, Greener, Smarter Cities in an Inclusive Philippines*. The theme is apt, reflective of the aspirations of millions of Filipinos for the future of Philippines cities. *Better Cities* are globally competitive, economically vibrant, and livable. *Greener Cities* are environmentally sustainable, climate resilient and safe. *Smarter Cities* are connected, physically, spatially and digitally. An *Inclusive Philippines* is equitable, participatory, and provides universal access to quality basic services. It safeguards children, women, the elderly people, and persons with disability. It equalizes access to livelihood opportunities. And it enables informal settler families to transform in the metropolises, living their lives with more pride and dignity.

The Philippine Government and the urban stakeholders recognize that to realize the Philippine Urban Agenda would require integration with the Philippine Development Plan, National Urban Development and Housing Framework, and other sectoral plans and policies. Effective implementation of the Philippine Urban Agenda will be monitored through an urban information system using a set of indicators that will be the basis of monitoring progress. A periodic follow up and review of the Philippine Urban Agenda will assess impact and ensure effective and timely implementation, accountability and transparency, in an inclusive manner.

Grouped along the key pillars of sustainable urban development, the New Urban Agenda of the Philippines is presented in more detail in the ensuing pages.

## 8.1 | **New Urban Agenda 1—Urban Demography: Capturing the Youth Dividend, A More Spatially Balanced and Interconnected Development, and Safeguards for the Vulnerable and Disadvantaged**

The Philippines, an archipelagic country of 7,107 islands in the western Pacific Ocean, has continued to rapidly grow and urbanize in the last 20 years, transforming its national capital region (more popularly known as Metro Manila) and its peripheries into one of the world's ten most populous urban agglomerations. About 11.6 million people or 28% of the urban population now live in the thriving metropolis of Metro Manila. An industrial-driven growth

strategy through the establishment of free port areas and special economic zones outside Metro Manila has *pushed* and *pulled* many urban migrants into the nearby regions of CALABARZON and Central Luzon. As a result, these two regions have become the fastest growing in the Philippines, with a combined urban population that exceeds that of Metro Manila. Rural-to-urban migration, while slowing down, continues to be the primary driver of urbanization and urban sprawl in the country. Young people, both male and female, mostly in their prime ages, are choosing to move, live, and work in the cities or at their fringes.

The country, with about 27.6% of its population belonging to the 15-29 years old age group, has a predominantly young population. This youth bulge offers the Philippines a window where demographic dividends can support a sustained annual GDP growth rate that can catapult the country into a higher-middle income status. Without the necessary investment in education, and technical as well as life skills development for the youth, the country's vast population of young people will end up becoming unproductive or unemployed. Older persons, PWDs, and IPs have rights that must be protected through appropriate social welfare programs. Children are facing tremendous pressures and risks. Out-of-school youth need sustainable targeted financial assistance to help them with their educational needs, and to alleviate the risks they confront with hazardous jobs in agricultural production and domestic services. Despite tremendous accomplishments in gender mainstreaming, it is a process that must continue to minimize the risk women face in the urban setting, particularly in the workplace.

The New Urban Agenda will:

#### **Agenda 1.1 Invest in people, capture the youth dividend.**

The New Urban Agenda of the Philippines for the 21st century should serve as a prominent guidepost for developing the youth, in recognition of the country's window of demographic dividend. The Filipino people, particularly the youth, will be instrumental in enabling the Philippines to achieve a sustainable urban development that can drive its transition to a higher middle income country. One of the key challenges of the Philippines is building the capacity and life skills of its people, particularly its relatively young population, to become productive members of a fast modernizing urban economy that effectively links to the rural sector.

#### **Agenda 1.2 Pursue a more spatially and regionally balanced development.**

The distribution of economic development has been uneven so far. This induces migration toward the faster growing regions, away from the slower growing ones. The New Urban Agenda should facilitate the formulation and implementation of spatially linked regional and local urban development strategies that allows a more balanced growth among the regions, based on their unique regional or local competitive advantages, and taking into account the archipelagic structure of the Philippines. These strategies should be supportive of efficient rural-urban linkages, encouraging trade, connectivity, and mutually beneficial partnerships.

#### **Agenda 1.3 Foster more effective gender mainstreaming in urban development.**

Considering the trend that there are more females rather than males in the Philippines' highly urbanized regions, there is a significant untapped potential for women to play key roles in urban development that has long been overlooked. Many of the past and present trends in urban planning and development reflect only the male perspective, regarding the role of women as mere primary caregivers. Urban infrastructure and the built environment needs to be designed

such that they promote gender equality and inclusiveness in the use and benefits of urban space. Women's participation is essential for this endeavor to succeed.

#### **Agenda 1.4 Safeguard the vulnerable and disadvantaged groups.**

Budget support for targeted subsidies that benefit the older persons, PWDs, IPs, children, and women will continue to be necessary. But they will have to be supplemented by innovative financing mechanisms involving the private sector and civil society organizations to be sustained. Gender should be mainstreamed in the area of employment. The social protection needs of women must also be addressed by establishing a one-stop mechanism that facilitates their access to social protection services. Social safety nets and labor market intervention for women are also necessary, especially for jobs in the urban centers with attractive pay and benefits. This will reduce the need for them, especially the mothers of young children, to leave the country and work in high risk jobs.

#### **Agenda 1.5 Improve capacity for urban demography.**

The systematic study of urban demography in the Philippines is constrained by limited resources and capacity. Urban population data are no longer published as part of the yearly statistics, there are no mechanisms for monitoring urban population movements, and there are no recent quantitative studies on internal migration that should feed into development planning and policy making. The New Urban Agenda for the Philippines for the 21st century must recognize that accurate, available and reliable urban population statistics are vital to sustainable urban development planning.

## **8.2 New Urban Agenda 2—Land and Urban Planning: Effective Regional Planning and Development, Planning for Climate Change Action and Disaster Risk Reduction, and Improving Access to Urban Land**

A globalizing economy and urbanization require cities to be more than competitive. A well-formulated city development plan and comprehensive land use plan—incorporating CCA and DRRM— supported by an integrated transport infrastructure plan can guide cities toward their desired urban growth path, resulting in the development of inclusive communities. As early as 1960, the problems associated with rapid and unbridled urbanization—slums, informal settlements, traffic congestion, environmental degradation, inefficient transport facilities, inadequate and unreliable basic infrastructure and services, and more—have increasingly been experienced not only in Metro Manila but also in other highly urbanized cities throughout the country. The search for cheaper land by property developers and the weak implementation of local plans and zoning ordinances have also contributing to urban sprawl, as evidenced by the country's growing suburban areas.

As one of the countries located in the Pacific Ring of Fire, the metropolitan centers of the Philippines, particularly Metro Manila with its dense and huge urban population, have become highly vulnerable to climate change-induced natural disasters such as droughts more severe with each El Niño episode, and massive flooding more destructive with each La Niña event. An estimated 70% of cities in the Philippines are coastal and vulnerable to environmental hazards. Millions of ISFs reside in urban areas along dangerous coastal zones, landslide- and earthquake-prone areas, as well as waterways. Toward this end, much has been accomplished to mainstream

CCA and DRRM in local development and land use planning, but capacity to implement remains weak. Land regulation in the Philippines also remains fragmented and outdated, with formal judicial proceedings required to effect even the most simple property transaction. This makes the conveyance of freehold—the most commonly known and preferred type of secure tenure—a lengthy, complex, and costly process which disadvantages the urban poor the most.

The New Urban Agenda will:

#### Agenda 2.1

**Incorporate climate change action (CCA) and disaster risk reduction and management (DRRM) in urban planning.**

The New Urban Agenda needs to promote mechanisms for how local governments can adopt a more strategic and spatially interlinked approach in urban planning—enabling them to promote economic competitiveness, environmental resiliency, and social inclusiveness. Particularly within the Philippines’ archipelagic setting, the guidelines must promote integration and connectivity. The land and urban planning guidelines should also be updated to reflect a more inclusive approach, eliminating obsolete and overly Western standards that work to discriminate against the urban poor and other marginalized groups in society including women, children, PWDs, and IPs.

#### Agenda 2.2

**Arrest urban sprawl and manage urban form and design through effective planning and development.**

To guide urban development and control the current sprawl, the New Urban Agenda should stimulate growth in the secondary cities to redirect population movements and economic developments to these areas and ease the burden on major urban centers. The thrust of the national transportation and infrastructure plans should likewise be reoriented to include secondary cities. Adopting an infrastructure-guided development policy can be a potent, strategic tool for managing uncontrolled urban growth. Additionally, the shape of subsequent development in the peri-urban areas manifesting urban sprawl has to be planned carefully, considering the transport, communication, and housing needs of all, including the vulnerable and disadvantaged groups, as well as the associated investment costs that go with them. To benefit from economies of scale and agglomeration, other initiatives to redirect urban growth patterns may be achieved through the enforcement of innovative zoning standards and controls such as (i) adequate space for streets and public spaces, (ii) densification to promote sustainable urban growth and prevent urban sprawl (iii) a range of compatible land uses and a balanced mix of activities, cohesion and interaction between diverse socio-cultural and economic groups, and (iv) limiting single-function blocks.

#### Agenda 2.3

**Generate livelihoods and improve food security by planning for more sustainable urban agriculture.**

Cities in the Philippines are generally dependent on agriculture-producing provinces and towns for their food supply. When disasters strike and cut off the supply of food from the rural areas, prices go up as a result of supply shortage. The New Urban Agenda should promote sustainable urban agriculture to help reduce the over-reliance of cities on the rural areas for their food security, especially during disasters. For the urban poor, urban agriculture also presents livelihood and income generation opportunities.

**Agenda 2.4 Shift to a more integrated and inclusive transport planning.**

In addressing transport mobility issues, the New Urban Agenda should underscore the need to rethink the country's transport policy planning approach to make it more integrated and inclusive. Integration will facilitate connectivity and accessibility. On the other hand, the essence of inclusive urban mobility transport is public transport modes that can transport more people, making the system work for the poor and vulnerable.

**Agenda 2.5 Facilitate security of land tenure through rights-based approaches and land use rights instruments supported by efficient systems.**

As policy reforms move toward improving inefficiencies in land management and land valuation in the Philippines, Government has spearheaded the move to alleviate the difficulties of ISFs in accessing rights over the land they occupy, facilitating secure tenure. On-going initiatives on streamlining and harmonizing government processes and requirements, including government-to-government transactions and one-stop-shops, must be sustained and expanded. To complement these efforts, the Urban Asset Reform Program shall ensure that there is sufficient land for housing and urban development.

Rights-based instruments (RBIs) or other forms of secure tenure instruments such as usufruct, other lease variants, and right to occupy or build, are now getting recognized as collateral substitutes. The New Urban Agenda acknowledges that designing RBIs to exhibit validity, integrity, security, negotiability, and bankability will be an efficient way of addressing the remaining inefficiencies in land management, including land valuation, in the Philippines. RBIs offer a less costly approach to providing secure tenure to segments of society unable to secure freehold titles, particularly the urban poor.

**8.3 New Urban Agenda 3—Urban Environment: Climate Change and Disaster Resiliency, Urban Environmental Infrastructure Improvements, and Developing Green Cities**

Cities around the world serve as the engines of economic growth—creating jobs and stimulating investments as well as innovations. In the process, however, they have also become the primary contributors to unprecedented levels of greenhouse gas (GHG) emissions, loss of biodiversity, water scarcity, and various forms of environmental pollution. The archipelagic nature and geographic location of the Philippines make it highly vulnerable to the adverse impacts of climate change and environmental degradation. Without concerted efforts on how its cities can better adapt to climate change, reduce their carbon footprints, and shift toward a greener economy—while living more efficiently within the country's fair share of ecological resources—the urban challenges the Philippines will face in the medium- and long-terms will escalate.

In the Philippines, effective CCA and DRRM has been implemented using an integrated yet decentralized approach that builds on exchanging, sharing, and integrating knowledge about climate-related risks and initiatives among all the stakeholder groups. However, CCA and DRRM to be effective must be viewed as a continuing process comprising multiple actors from the national and local governments, the private sector, research bodies, and civil society, including community-based organizations, playing different but complementary roles to manage risks. The

country is also faced with a mounting garbage problems and deficient investments in sanitation, drainage and septage facilities.

The New Urban Agenda will:

**Agenda 3.1 Further boost the capacity for highly effective climate change actions and disaster risk reduction and management.**

CCA and disaster planning and preparedness are instruments that will go a long way in averting or mitigating the adverse impacts of natural disasters. After a considerable policy reform process, the country has put in place the laws, basic policies, and plans and programs for a more effective CCA and DRRM. The challenge of a New Urban Agenda lies in institutionalizing these policies, systems and procedures and in making sure the coordination mechanisms among government agencies, local governments, communities and schools will work. Activities have to be supported with adequate budgets on a continuing basis. Institutionalization will require strengthening the capacity of national government agencies, local governments, and partner stakeholders. Efforts should include harnessing and mobilizing the participation of CSOs, the private sector, and volunteers.

**Agenda 3.2 Accelerate climate change actions and disaster resiliency.**

Many CCA and DRRM challenges should be addressed by a New Urban Agenda through improved and adequate urban infrastructure—appropriately designed to promote climate change and disaster risk resiliency as well as green growth. But there is also need to continually integrate local knowledge with additional scientific and technical knowledge. An iterative process of monitoring, research, evaluation, learning, and innovation will also prove beneficial. Potential initiatives that will provide benefits under current climate and a range of future climate change scenarios include (i) early warning systems; (ii) risk communication between decision makers and local citizens; (iii) sustainable land management, including land use planning; and (iv) ecosystem management and restoration. Other measures to consider include (i) improvements to water supply, sanitation, and drainage systems; (ii) climate-proofing of infrastructure; (iii) development and enforcement of building codes; and (iv) better education and awareness.

**Agenda 3.3 Sustain and improve urban waste management programs: solid waste, waste water and air pollution.**

Cities in the Philippines, particularly those in Metro Manila and other highly urbanized centers, need to convert their garbage dumps into sanitary landfills to better manage waste disposal while contributing to the fight against climate change. Under the Ecological Solid Waste Management Act (Republic Act 9003), the LGUs, communities, and the private sector can generate carbon credits for complying with its provisions. The law calls for phasing out open dump sites and converting them into sanitary landfills to reduce the risks of fire, water contamination, and methane emissions.

**Agenda 3.4 Facilitate more investments in water supply and sanitation, sewerage, and septage facilities to improve access to clean and safe water.**

The polluted rivers and waterways caused by untreated domestic and industrial wastes have made urban communities in the Philippines, particularly those in the metropolitan areas, highly prone to diarrhea, cholera, skin diseases, and other water-borne diseases. Reversing this trend under a New Urban Agenda will necessitate first and foremost a stronger and more streamlined

regulatory framework, as well as improved monitoring mechanisms and adequate financial resources. The government leadership required to push efficient, effective, and sustainable sanitation programs must be provided. Laws and standards relating to sanitation and wastewater management need to be integrated and updated. LGUs—tasked by the LGC to be at the forefront of implementing, monitoring, and, to some extent, regulating sanitation programs and projects—must be adequately informed about the costs and benefits to their communities of improved sanitation and waste management.

#### **8.4 | New Urban Agenda 4—Urban Governance: Stronger Sector Leadership, Effective Multilevel Governance, Improved Local Urban Governance Capacity, and Participatory and Transparency Mechanisms**

Discussions about urban governance in the Philippines are subsumed into the more generic term of governance. A recent study conducted by ADB shows that the form of urban governance involves many institutions with overlapping mandates, resulting in inefficient vertical-horizontal institutional coordination for planning, implementation, and operation of infrastructure and service. Although the decentralization process can be deemed a success, the lack of effective urban governance mechanisms, particularly for regional scale infrastructure projects involving inter-jurisdictional cooperation, has resulted in negative impacts on economic competitiveness, the environment, and the delivery of reliable, affordable and resilient urban services. A capacity needs assessment conducted indicated an overall weakness for development planning, management, and enforcement. This can be traced to lingering, unaddressed policy issues affecting institutional structures, inter-governmental and multi-level governance relationships, management and technical capacity, as well as unmet public and private financing needs.

Apart from the creation of DHUD, reforms to the LGC to strengthen urban governance in the Philippines have become of paramount importance. There is a widespread agreement among stakeholders that the LGC has structural deficiencies requiring a more thorough government-led review as basis for legislative reform. More effective multi-level urban governance is urgently needed and this should be built around mechanisms for improved vertical and horizontal integration. Vertical integration should enhance the collaboration between the national and local governments, including metropolitan authorities which are becoming essential to spatial governance. Horizontal integration, on the other hand, should strengthen the coordination of the various government agencies, as well as local governments at the same governance levels, including leagues of cities and municipalities. Recognizing urban complexity, diversity and local context, this multilevel governance should also include partnerships between governmental and nongovernmental groups, particularly civil society organizations and the private sector.

Crime has also become a significant concern in the urban areas of the Philippines. Contemporary armed conflicts in the Southern Philippines have unleashed complex urban safety challenges involving internally displaced persons (IDPs). Effective urban governance is seriously hampered by the lack of accurate and reliable urban data which is used in urban planning; the design, management and implementation of urban development programs and projects; as well as for monitoring and evaluation for timely corrective actions.

The New Urban Agenda will:

**Agenda 4.1**

**Establish and support more effective sector leadership in a new urban governance framework with clear and well defined multi-level and inter-government relationships.**

The key agency responsible for delivering sustainable urban development, one that meets the needs and priorities of the urban population, is HUDCC. However, faced with a massive housing backlog and new demand for incremental housing on an annual basis, combined with a broad urban development mandate that is weakened by a lack of commensurate resources, HUDCC has tended to focus itself on housing. The continuing evolution of urban development, creating new areas of urban challenges requiring multi-level government response and clear, effective inter-government relationships presents a strong case for more effective sector leadership. The creation of a line agency and mandatory establishment of Local Housing Boards, with clear mandates on human settlements and urban development, are priority that can no longer be overlooked by a New Urban Agenda.

**Agenda 4.2**

**Use information and communications technology (ICT) including networking for a more transparent and accountable digital urban governance.**

Among the biggest challenges confronting urban governance in the Philippines are corruption and the lack of transparency in government transactions. One way of attaining transparency in government transactions is through digital governance, which refers to the automation of all government databases and transactions. Government programs, projects, transactions, and the movement of funds can be monitored more efficiently if there is a unified information technology where information on any government agency or unit can be easily accessed by decision-makers. Digital governance promises to be an indispensable tool for effective governance in cities and municipalities. The use of information and communication technology (ICT) including social networking must be explored as part of the New Urban Agenda to further enhance the transparency and accountability of urban governance mechanisms. ICT applications should also be considered in improving urban data collection, retrieval, and analysis.

**Agenda 4.3**

**Improve local governance by strengthening local government policies.**

To fully capacitate the LGUs to deliver basic services, strengthen local governance, and improve the welfare of their communities, it is necessary to assess and enhance frameworks and policies on the following areas : (i) authority to tax; (ii) clarity in expenditure assignment; (iii) increasing and equalizing the Internal Revenue Allotment; (iv) facilitate LGU borrowing; (v) requirement for LGU creation and reclassification; (vi) establishing a framework to create and operate inter-local cooperation; and (vii) promoting sound public financial management.

**Agenda 4.4**

**Address urban safety and security through improved governance frameworks.**

There are many ways to curb crimes in the urban centers where crime incidence continues to rise. One way is to increase police presence and visibility especially in crime hot spots. However, the general urban safety and security issues may be addressed through social inclusion as well as better urban designs and building standards. The cooperation of LGUs and CSOs through the implementation of community programs, such as street lighting improvement, conducting

awareness seminars on crime prevention, and developing neighborhood watch programs, is key to reducing or preventing urban crimes. For urban areas affected by armed conflicts, there is a need for urban development planning to effectively provide for the basic needs of IDPs. This agenda is reinforced by other agenda statements included in this report

**Agenda 4.5 Enhance participatory governance and strengthen social protection to promote social inclusion.**

There are many other areas where social inclusion can be enhanced by a New Urban Agenda through more innovative community participation, particularly involving vulnerable and disadvantaged groups. In housing, the community action planning process will lead to more vibrant, resilient, safe, and socially inclusive urban communities, connected to the entire city and beyond.

Innovative and effective placemaking is likewise vital to achieving social inclusiveness and ultimately, the livability of cities. Some urban planners have described placemaking as the deliberate re-shaping of the built environment to facilitate social interaction and improve quality of life. Participatory mechanisms have been effectively put in place in the Philippines but they need to be more innovative to result in more meaningful placemaking and public space design. As both an overarching idea and a hands-on approach for improving a neighborhood, city, or region, placemaking inspires people to collectively reimagine and reinvent public spaces as the heart of every community. Intertwined with placemaking is the goal of supporting local governments in creating and promoting socially inclusive, integrated, connected, environmentally sustainable, and safe streets and public spaces, especially for the most vulnerable. Towards this, the agenda of placemaking to create quality public spaces that contribute to people’s health, happiness, and wellbeing should be more vigorously pursued.

**Agenda 4.6 Encourage metropolitan governance for efficient spatial and functional interrelations between cities, settlements, and their surrounding areas.**

The growth of large metropolitan areas—e.g. metropolises, megacities, urban regions and corridors—is transforming the urban landscape and raising new challenges for the management of metropolitan areas. In the Philippines, several LGUs have agglomerated themselves into metropolitan units, either formally or informally, to integrate planning and administration to address issues transcending the limits of their jurisdictional boundaries. Urban sprawl in the Philippines also justifies the case for improving spatial governance. A New Urban Agenda should pave the way for stronger metropolitan governance structures in the Philippines. They should be established with the adequate powers, tools, and incentives to be relevant for big infrastructure projects that deliver more efficient, reliable, and affordable metropolitan services.

**8.5 New Urban Agenda 5—Urban Economy: Diversified Local and Housing Finance, Sustainable Local Economic Development, and Urban Economy Mainstreaming in Development Planning**

The Philippine economic growth in the 1970s up to 2000 has been low compared to its Southeast and East Asian neighbors. A structural break occurred in 2010 which placed the country on a higher growth path or a 6.3% average economic growth for the period 2010 to

2014. The urban economy is fueling this expansion, with industry and services generating almost 90% of total GDP. But just as the urban economy is driving growth, it should also be focused on promoting urban strategies and policies that strengthen the capacity of cities to realize their full potential as engines of economic development and ultimately of employment creation and wealth accumulation. However, the majority of cities in the Philippines are unable to mobilize the resources to provide adequate, reliable, and affordable basic infrastructure and services to their increasing population. Most of them rely on their IRA transfers from the national government, reluctant to collect and impose taxes, and unwilling to borrow for capital expenditures. Local capacity is weak in the areas of public financial management, local taxation, tax administration, debt financing, and PPPs.

Unemployment in the Philippines continues to be the highest in the ASEAN region, estimated at 7.5% in 2009 and just slightly down at 7.1% in 2013. The highest incidences of unemployment in the country are seen among males, workers with higher educational attainment, and the youth. The underemployment rate is high at 19.3% and is observed mostly among the poor. At least a third of the population are employed as laborers or unskilled workers, many of them in the agriculture sector where productivity and wage rates remain low. The combined unemployment and underemployment rates account for the persistence of poverty in the Philippines, which has continued to affect about 25% of the Filipino people in the past three years. Growth in the Philippines, therefore, is far from being inclusive at this point, with the need to accelerate rural-urban integration.

The unemployed and underemployed leave the rural sector for prospects of better employment and livelihood opportunities in the cities. Once there many of them end up joining the millions of informal settlers who live in poverty, deprived of adequate income and decent living conditions. In the absence of formal and regular employment, millions of them are unable to access affordable housing finance. There is also a need to more carefully examine the financing constraints to the supply of affordable housing.

The New Urban Agenda will:

#### **Agenda 5.1 Transform cities into effective agents of diversified local finance.**

The financing gap for urban investments in the Philippines is massive. As growth and urbanization accelerates, cities will have to find innovative ways to finance urban infrastructure and services to avoid more unplanned and informal growth that perpetuates poverty and inequality. Under a New Urban Agenda, cities in the Philippines must be enabled to (i) increase and diversify their own revenue sources, (ii) access both capital and debt markets, and (iii) structure as well as manage viable PPPs.

#### **Agenda 5.2 Develop more innovative approaches to housing finance including housing microfinance and the use of rights-based land tenure instruments as collateral substitutes.**

More innovative approaches to housing finance are needed for the millions of urban informal settlers comprising the poor. Bundling rights through alternative rights-based instruments, rather than freehold, may offer more financially viable means to secure tenure. Housing microfinance, combined with microenterprise finance, offers promise in terms of sustainable, unleveraged finance for informal settlers but a lot more tailoring needs to be done in this area to produce the warranted response. A capable and committed financial institution that caters to the

development and end-user financing for informal settlers through a variety of appropriate and innovative lending instruments will be essential to scaling-up the appropriate interventions.

**Agenda 5.3**

**Broaden and deepen the support for sustainable local economic development (LED).**

Sustainable LED provides cities with the opportunity to work with the local communities to improve the local economy. It is a means to generate the co-benefits of economic competitiveness, climate resiliency, and inclusive growth. The LGSP-LED anchored by DILG has generated encouraging results for selected local governments. It has attracted investments, created jobs, and induced visitor arrivals. In some areas, it has helped to increase crop productivity and fostered climate change resiliency. Under a New Urban Agenda, sustainable LED as a program must be rolled out to more cities and towns in the Philippines to speed up the building of competitive sectors and enterprises. This will help provide backward and forward linkages to the urban and rural areas, particularly those located in disaster-prone areas where poverty lingers.

**Agenda 5.4**

**Generate more and better jobs; equalize access to improved livelihood opportunities.**

The Philippines has the daunting challenge of creating more and better jobs for 10 million Filipinos who are either unemployed or underemployed, and for the additional 1.15 million Filipinos estimated to enter the labor force every year. With sustained GDP growth of 7% per year and enhanced targeting of the fast-growing sectors, the formal sector will be able to provide good jobs to around two million people in the next four years. Despite this, around 12.4 million Filipinos would still be unemployed or underemployed. The rest will work or will have to create work in the informal sector. Responding to this massive challenge requires cities to expand formal sector employment even faster while rapidly raising the incomes of those in the informal sector. Programs involving the development of micro, small, and medium enterprises (MSMEs) should be pursued exhaustively under a New Urban Agenda.

**Agenda 5.5**

**Integrate the urban economy firmly into national, sectoral and local development planning and implementation.**

The PDP 2011-2016 Update demonstrates how concerns relevant to the urban economy can be more firmly integrated into national development planning. Consistent with the new strategies of the PDP Update- specifically the growth, employment, and poverty targets involving spatial and sectoral considerations- and the New Urban Agenda, the NUDHF 2011-2016 should be revised. In addition to the updated urban development and housing framework to be produced, strategic local development planning in accordance with the new NUDHF should likewise be supported.

**8.6 | New Urban Agenda 6—Housing and Basic Services: Scaling Up Low Income and Pro Poor Housing, Affordable, Reliable and Resilient Basic Services, and Shifting to an Inclusive, Low Carbon Urban Transport System**

In the Philippines, the prospects of better jobs and higher incomes have *pulled* millions of Filipinos into the cities, *pushed* by the lack of decent jobs and livelihood opportunities in rural

areas where subsistence farming still predominates. This push-pull phenomenon has led not only to record levels of unemployment and underemployment but to the proliferation of informal settlements and slums, particularly in Metro Manila and other metropolitan areas nationwide. Beyond these poor urban communities, at the city-wide level, there is also a huge gap between the demand and supply for infrastructure and basic services such as housing, clean water supply, renewable energy and transport. Cities with limited or overstrained capacities struggle to cope with the surge in demand caused by the rapid pace and high level of urbanization.

The offshoots have been one or a combination of the following: (i) inadequate investments in sustainable infrastructure constraining local growth and development; (ii) insufficient provision of affordable infrastructure for the poor, creating reversals in poverty reduction programs; (iii) high proportion of high-carbon infrastructure investments and inefficient design and use of infrastructure, fueling climate change; and (iv) low resilience infrastructure, creating urban communities vulnerable to climate change risks. All these combined underscore the vital role played by infrastructure, including housing and basic services, in sustainable city making and placemaking. Infrastructure is the great enabler—facilitating economic growth and sustainable development. More importantly, it is the bedrock of living conditions, a primary determinant of the circumstances that affect the way city dwellers live, and ultimately, their well-being.

There are many innovative projects but none has so far been able to create the scale needed to adequately narrow the housing demand and supply gap posed by rapid urbanization. The current level of housing production represents a very small fraction of the estimated housing need. An average of 20 typhoons hits the country each year. It is located in the Pacific Ring of Fire which further makes it vulnerable to earthquakes and volcanic eruptions. The design of housing and basic infrastructure in the Philippines must be planned at the national/local and sectoral level to facilitate climate change-oriented analyses of projects. This climate proofing methodology will allow planners and developers to assess risks and opportunities which climate change poses and also to minimize damages and losses during natural disasters.

The delivery of safe water, sanitation, waste management, energy, and transport also continues to be a major challenge in the Philippines, particularly with respect to creating the conditions necessary for livability in the cities. The intense movement of people, materials, and information, combined with generally inadequate urban transport systems in the Philippines, is causing millions in lost productivity and economic opportunities. The situation is growing even worse in Metro Manila and the other urban agglomerations in regional growth centers nationwide. The country's archipelagic setting, combined with the magnitude of urbanization, makes accessibility between and within the islands costly and time consuming.

The New Urban Agenda will:

#### Agenda 6.1

**Enable informal settler families to live in resilient, vibrant, and connected urban communities.**

This is in essence the vision of the recently approved 10-year National Informal Settlements Upgrading Strategy (NISUS). NISUS envisions most, if not all, ISFs finding a secure and better place to live—in resilient communities that are able to withstand climate change and natural disasters, vibrant communities animated with socio-economic dynamism and quality urban infrastructure and services, and connected communities that are linked by transport and telecommunication to employment, sources of livelihood, the urban economy, and the rest of the city. In particular, the New Urban Agenda shall pursue, among others, informal settlements upgrading with secure tenure within an urban renewal and income generating framework;

engagement of the private sector and civil society to produce and manage affordable , new homes for ISFs; and capacity building of people’s organizations, community-based organizations and homeowners’ association to engage more in ISF housing.

#### Agenda 6.2

#### Expand financing and encourage investments in spatially integrated and climate change resilient housing and basic infrastructure.

The provision of urban housing and basic infrastructure in the Philippines is markedly constrained by limited financing capacity and low levels of investment. The strategies to be employed must consider economies of scale—which in many cases can be achieved by a more spatially integrated design. Climate change also imposes the inclusion of resiliency features. Under a New Urban Agenda, investments should be rationalized using a co-benefit approach which espouses that projects, to be considered, must have multiple benefits in different sectors or subsectors resulting from one policy, strategy, or initiative. Projects selected should simultaneously contribute to reducing the negative impacts of climate change while solving other local environmental, economic, and social equity problems in the cities. With the prevailing significant participation of private sector developers in the market, a much needed review of laws covering development standards as well as public and private sector with people partnerships (PPPPs) should be encouraged, in order to move toward resilient housing provision that also provides access to basic services. The New Urban Agenda shall also expand the role of microfinance and community finance in urban renewal and ISF housing; develop subsidies for those in need based on household incomes; and provide appropriate funding for urban renewal and ISF housing.

#### Agenda 6.3

#### Promote the shift to a demand-based, low carbon yielding urban transport system.

While urban transport has been an enabler of voluminous economic activities and social connectivity particularly in the highly urbanized cities, there has been a bias so far towards planning for individual motorized transport rather than accessibility. This has led to tremendous traffic congestion and urban sprawl. The "Avoid-Shift-Improve framework" should be promoted under a New Urban Agenda in planning subsequent urban transport systems. "Avoid" will underscore better land use planning and travel demand management. "Shift" will encourage the move to more sustainable means of transport—non-motorized and public transport. "Improve" will consider vehicle and fuel efficiency. The envisioned outcome is a successful transition to a more inclusive, greener urban transport system with a lower carbon footprint for Metro Manila and the other highly urbanized cities nationwide.

# The Philippine National Report and Plan of Action for Habitat II

## Appendix 1

In June 1996, the Philippines participated in the Second World Conference on Human Settlements, or Habitat II, that was held in Istanbul, Turkey. Attended by member states of the United Nations, Habitat II addressed two themes of equal global importance: "Adequate shelter for all" and "Sustainable human settlements development in an urbanizing world". As an active member of the United Nations Center for Human Settlements, now known as UN Habitat, the Philippines prepared and submitted to the UNCHS for the conference its National Report with the title "*SHELTER AND HUMAN SETTLEMENTS: Philippine Report and Plan of Action*". The document embodied the country's development roadmap, which was anchored on three interconnected strategies – total human development, global competitiveness, and sustainable development. It contained the country's commitments to Habitat II.

### The Major Commitments

Infrastructure development in support of human settlements, pursuit of knowledge and livelihood, and ensuring physical, economic and social mobility were the avowed commitments of the Philippine government to Habitat II in 1996. The country committed a holistic approach of interagency coordination for human settlements development with poverty reduction/livelihood generation and environmental protection as national development thrusts.

The major commitments made for Habitat II are summarized below. They focused on poverty alleviation and on housing and urban development. The corresponding actions taken to meet each commitment are also shown.<sup>171</sup>

Major Commitments	Actions Taken to Meet The Commitments
<p><b>Poverty Alleviation</b></p> <p>1. Development and promotion of policies, plans and programs for the poor.</p>	<p>Institutionalization and implementation of the Social Reform Agenda (SRA). The SRA is an integrated set of social reforms for the marginalized sector that aims to enable them to meet basic human needs, widen their share of resources for livelihood and empower them to participate in the decision-making process for their welfare</p> <p>A new institution, the National Anti-Poverty Commission (NAPC), was created to serve as the coordinating and advisory body for the implementation of the SRA</p> <p>The Presidential Commission for the Urban Poor (PCUP) was also created to attend directly to the needs of the urban poor.</p> <p>In 2010, inclusive growth as overarching theme of the Philippine Development Plan for 2010-2016 is rich with strategies on poverty alleviation. Social protection has been added to the Cabinet Cluster programs to focus on assistance to the poor.</p>

<sup>171</sup> SHELTER AND HUMAN SETTLEMENTS: Philippine National Report and Plan of Action, HUDCC, 1996.

Major Commitments	Actions Taken to Meet The Commitments
<p>2. Assistance to families below the poverty line to meet basic needs, most especially the vulnerable and expansion of social welfare benefits and social security</p> <p>3. Promotion of labor-intensive industries and creation of employment opportunities.</p>	<p>Conditional Cash Transfer (CCT) or Pantawid Pamilyang Pilipino Program (4 Ps) is a subsidy program that provides direct cash transfers to poor families to assist in their children’s education and their family’s health care under the Social Protection Framework. The beneficiaries are identified through the National Household Targeting System for Poverty Reduction (NHTS-PR) developed by DSWD in 2010, which is an information management system that identifies who and where the poor are nationwide.</p> <p>Provision of universal health (medical insurance through PhilHealth) and free elementary and high school education in public schools for the poor.</p> <p>Establishment of Export Processing Zones, strengthening of the Manufacturing Program of the DTI and the service sector; creation of Philippine Employment Services Office (PESO) at the local level.</p>
<p><b>Housing</b></p> <p>1. Increased funding and sustainability of housing finance for the poor and low income families.</p> <p>2. Increase in the inventory of socialized housing</p> <p>3. Land access for the poor/low income families</p> <p>4. Creation of local housing boards</p>	<p>Passage of the Integrated Shelter Finance Act; increased budgetary allocation for shelter agencies; mandatory membership in the Home Development Mutual Fund.</p> <p>Amendments to RA 7279 for alternative compliance modes to balanced housing development; increased guaranty cover of the Home Guaranty Corporation to mobilize private sector investments in socialized housing; implementation of Local Government Housing Programs.</p> <p>Release of public lands for socialized housing per RA 7279; identification and incorporation of sites for social housing in the local land use plans.</p> <p>Establishment of local housing boards by local governments</p>
<p><b>Infrastructure and Basic Services</b></p> <p>1. Increase and expansion of infrastructure services and facilities</p> <p>2. Integrated infrastructure planning for more efficient service delivery</p>	<p>Increased budgetary allocations for basic and social services and infrastructure facilities, passage of the Build-Operate-Transfer Law (RA 7718); institutionalization of Public-Private-Partnership (PPP) in major infrastructure development (mass rapid transport systems, power sector, road networks and expressways, government hospitals, etc.)</p> <p>Long-term National Infrastructure Plan; executive issuances on synchronization of national and local infrastructure plans (budgeting and programming).</p>
<p><b>Environment</b></p> <p>1. Enforcement and review of environmental laws (e.g., Forestry Code, Water Code)</p> <p>2. Prohibition of new settlements and restriction/resettlement of existing communities in disaster-prone areas</p>	<p>Passage of RA 9275 (Clean Water Act); Issuance of the Writ of Mandamus by the Supreme Court for the clean-up of the Manila Bay by DENR; Enactment of the Solid Waste Management Act, Climate Change Adaptation Act.</p> <p>No-build zone policy in disaster-prone areas; Integration of disaster risk reduction and management in local planning.</p>

Major Commitments	Actions Taken to Meet The Commitments
3. Local capability building on environmental protection and management	Implementation of the National Climate Change Adaptation Plan, National Risk Reduction and Management Framework Plan; Funding provision for local environmental protection and management (IRA).
4. Integration of environmental protection and management in school curriculum	DepEd mandated the integration of environmental protection and management in the school curriculum from elementary to high school.
<b>Settlements Development and Institutional Mechanism</b>	
1. Integration of regional plans and policies into a single integrated urban development framework	Formulation of the National Urban Development and Housing Framework (NUDHF) in accordance with RA 7279 – initial version crafted in 1996.
2. Formulation and implementation of population management measures	Enactment of the Reproductive Health and Responsible Parenthood (R.A. 10533) in 2012.
3. Creation of a Department of Housing and Urban Development (DHUD) and the enactment of a National Land Use Act	Pending bills on the creation of the DHUD and the NLUA in Congress.
4. Enhancement of local capability on urban management	Development of capability programs on local development and land use planning, management systems (e.g., Local Governance Performance System, Community Based Monitoring System).
5. Encouraging growth of regional centers to improve delivery of urban services.	Regionalization strategies in the Philippine Development Plan.

A review of government’s past and current efforts revealed that a greater number of the policy thrusts/commitments have been initiated and translated into concrete programs, projects, and legislations as shown in the above table.

There has been considerable progress in some sectoral concerns such as the improvement of the economy, more efficient bureaucracy, increased social awareness on environmental protection, setting up of pollution controls, institutionalization of disaster preparedness, reforestation programs, better infrastructure facilities and improved living conditions in low-income communities, and increased housing stock. Notable among these initiatives is the enactment of the Reproductive Health Law, which was recently affirmed as constitutional by the Supreme Court of the Philippines. As an implicit population management tool, the government hopes to manage urban growth without curbing urbanization through education, promotion of responsible parenthood, and granting women and couples the right to choose appropriate family planning approaches.

Another landmark action is the issuance by the Supreme Court of a Writ of Continuing Mandamus in 2008, ordering 11 government agencies and all local governments of Metro Manila to cleanup all major river systems and minor rivers and waterways that drain or discharge into Manila Bay to restore the water quality of the bay to a level fit for swimming and bathing. To encourage citizens to become vigilant over their environment and not to hesitate to use the force of law to ensure its protection and conservation, the Supreme Court also issued in 2008 the Writ of ‘Kalikasan’ (Nature), which contains very specific set of remedies that may be availed of individually or cumulatively.

However, much still needs to be done in pushing for the fulfillment of other commitments that have not been addressed but are still relevant given the current issues and challenges posed by rapid urbanization. Foremost of these are: the enactment of a National Land Use Act that will rationalize the utilization of land resources and the creation of a Department of Housing and Urban Development to plan, manage and coordinate the implementation of plans, policies and programs for housing and urban development in the country.