



**14th WEDC Conference**  
**Water and urban services**  
**in Asia and the Pacific**

**Kuala Lumpur 1988**

## **Urban project development trends** **- Philippines**

**Alistair Wray**

### INTRODUCTION

This paper reviews the urban development projects that have been undertaken in the Philippines in terms of objectives, components and implementation experience, and suggests approaches that may be considered in the future to address the problems of rapid urbanisation.

To date, international aid agency funding has been provided by the World Bank through five separate loans. In addition, UNICEF has a growing programme of activities in urban areas nationwide; there has been a certain amount of bilateral aid for low income housing; and, there have also been national housing programmes implemented through the Ministry of Human Settlements and the National Housing Authority. Given the scale of the investment, this paper will focus on the World Bank assisted projects. My own experience has been related to the three most recent, which are now in various stages of implementation.

### URBAN PROJECT DETAILS

#### Capital City Investment

The main components and details of these World Bank urban projects are given in the table attached.

The first project focused on shelter in Metro Manila and was one of the World Bank's early experiences in progressive development housing with the emphasis on the provision of tenure, basic services and housing materials loans and the promotion of small businesses. Its implementation has been well documented (ref. 1,2,3) and is generally deemed to have been successful. Self-help construction was relatively efficient, impacts on housing stock and socio-economic conditions were favourable and the project affordable and accessible to target populations not hitherto served. While the appropriateness of progressive development projects was demonstrated, there were delays in

implementation and organisational problems, which increased costs and threatened affordability. Additionally the poorest households were unable to participate and there was under-utilisation of the materials and business loans.

This experience encouraged further use of this type of project, but with efforts at reducing costs and standards still further, making provision for rental accommodation to serve the poorest families and improving the institutional arrangements in order to speed up implementation.

The second urban project therefore reinforced this approach with the provision of basic needs in further low income housing areas in Metro Manila, together with smaller upgrading projects in three other Philippine cities, with the aim of building up the capability to implement shelter projects outside the capital area. Slow rates of land acquisition and implementation were again experienced, together with difficulties in subsequent cost recovery, but the principles of the approach were again validated.

The third urban loan concentrated once again on Metro Manila and focused on the upgrading of a number of squatter areas throughout the capital and also a large number of 'grey' areas where land tenure was not a problem but where basic infrastructure services were lacking. This was an attempt to speed up implementation and address serious deficiencies through the rapid letting of a large number of small, appropriate infrastructure contracts as part of a rolling programme. It also included an important planning and budgeting exercise for the capital which attempted to coordinate the efforts of various agencies and prioritise projects for the allocation of limited funds (ref 4). The project did indeed proceed quickly, but, as it concentrated once again on the capital, did nothing to

WORLD BANK DEVELOPMENT PROGRAMMES IN THE PHILIPPINES (1976 - 1987)

Costs in US \$ Millions

<u>Date and Project</u>	<u>Location</u>	<u>Total</u>	<u>Loan</u>	<u>Main Components</u>
1976 Manila Urban Development Project	Metro Manila	65	32	Upgrading of infrastructure and community services to some 15,000 structures in the Tondo Foreshore area together with 3,000 sites and services units, provision of housing materials loans, assistance to small businesses and development of various key transport links.
1979 Second Urban Development Project	Metro Manila and three other cities	70	32	Provision of basic needs of more than 180,000 low income people in Dagat-Dagatan, Metro Manila, and in three secondary cities. Also employment promotion in Dagat-Dagatan.
1980 Third Urban Development Project	Metro Manila	120	72	Upgrading and provision of tenure in 13 priority areas, provision of basic services to numerous deprived areas, sites and services on 79 ha, small business assistance and training programmes.
1983 Regional Cities Development Project	Four Regional Cities	115	67	Multi-sectoral urban project to reduce infrastructure bottlenecks to economic development in four regional cities, providing basic urban services and improving local management capabilities.
1984 PREMIUMED	Fifteen Urban Centres	69	40	Assistance to local governments in providing infrastructure and municipal services through the establishment of a revolving municipal development fund and establishment of a central office to assist local government in project preparation and implementation.
1984 Manila Urban Development Project Supplement	Metro Manila	-	10.5	Supplementary finance to the 1976 Manila Urban Development Project.

stimulate development in other regions of the country. It also continued the theme of investment in the housing sector and supporting infrastructure.

#### Regional City Investment

These projects tended to emphasise the primacy of Metro Manila over other cities and increase its attraction, especially for displaced rural workers. In an attempt to redress this imbalance, the Philippine government identified four key regional cities with potential for growth and prepared an investment programme to stimulate this growth. This formed a regional development strategy which addressed not only low income housing needs, but also key deficiencies in basic municipal infrastructure and facilities and sanitation problems. It aimed at the improvement of urban management in areas such as planning, budgeting and finance, and in the provision, operation and maintenance of essential services and infrastructure. This, it was hoped, would remove bottlenecks to economic development and stimulate these regional cities as a counterbalance to Metro Manila.

The wide range of projects in each package necessitated the involvement of numerous national agencies as well as the concerned local governments. Coordination was carried out centrally through the National Economic Development Authority (NEDA) but implementation was undertaken through local city project offices in each of the four cities, working closely with the different branches of the local government. The innovative nature of the project, the number of agencies involved and the complex division of responsibilities did create problems of coordination with resultant delays, which were further exacerbated by the overall economic situation in the country, but the programme did move ahead, implementing projects in a wide range of sectors (sites and services and upgrading areas; roads, bridges, drainage and landfill sites; market rehabilitation and construction, slaughterhouse and bus terminals; maintenance workshops and equipment procurement), providing substantial employment in the cities. Action programmes were also initiated in areas such as municipal finance and

budgetting, the management of municipal enterprises and the operation and maintenance of municipal infrastructure and municipal services. Once again land acquisition and coordination between the concerned agencies and the local governments tended to delay the shelter based projects and mini-industry schemes, and it was the projects in the local government sector of responsibility, particularly the municipal enterprise components (markets, slaughterhouses and bus terminals) that were implemented most quickly. Local interest in these particular projects was high as was the resulting impact, with the rate of implementation dictated only by availability of local counterpart funds. As these projects were revenue generating, the drain on local resources was minimal and their implementation helped to strengthen the overall financial management and the operation of municipal enterprise schemes. The experience with locally-based offices was also favourable and the close ties with other local government departments assisted in promoting the desired improvements in municipal operations and management.

However, it was clear that the scale and rate of implementation of the shelter programme would have to be greatly increased if it was merely to maintain the status quo, and the long preparation times, land acquisition difficulties and high administrative costs were in many cases out of proportion to the capital investment and resultant areas of improved housing.

Implementation of both national and local infrastructure components was straightforward but clearly most effective when tied to other projects, particularly as all new infrastructure represented additional operating and maintenance requirements, in situations where much could be done to improve the management of existing infrastructure.

Overall this multi-sector project demonstrated the many benefits of a balanced approach to meeting the deficiencies in the cities, and allowed the project packages to be tied closely to the cities' priorities and ability to pay and raise additional revenues. The use

of the local project offices was also seen as an effective way of improving city management capabilities.

### Investment in Other Urban Centres

Some of these points were taken up in the fifth urban loan which the Government used to assist in providing needed infrastructure and municipal services, but not shelter projects, to a range of smaller urban centres through the establishment of a revolving development fund. A greater central government role was required in this case to assist these smaller local governments in preparing, evaluating and implementing the projects. Fifteen urban centres of differing sizes were identified and a rolling programme of projects prepared. Various centres are now implementing projects, although others have found it difficult to raise the necessary counterpart funds and have dropped out while additional centres have been slow to come forward resulting in delayed implementation. This has resulted in underutilisation of the development fund and a rather piecemeal approach to investments, particularly when considered in the regional context. In addition, the central government office proved to be too remote for its role of assisting local governments with what are essentially small projects, and had limited impact on improving municipal management.

The Government is now considering the strategy to be adopted for further urban project development.

### FEATURES REVIEWED

The experiences stemming from these urban projects have already given rise to a series of responses and shifts in emphasis by the Philippine Government.

There was the early emphasis on Metro Manila and shelter; the adoption of smaller projects to speed implementation; the switch in emphasis to various regional centres to counteract the rapid growth of Manila; the adoption of a broad based multi-sector approach to spur development in selected urban centres; the devolution of many implementation responsibilities to local centres to build up local capabilities; and finally, the creation of a funding

mechanism which would enable local governments to propose their own projects. However, these developments must be viewed against the background of rapid urbanisation, the limited ability of local and national governments to respond and provide the services required, and the need to plan urban development strategy whilst having regard to the potential of different regions. This suggests that implementation lead times must be reduced further, and the process made more flexible and effective with the strengthening of the regional approach to urban development.

### FUTURE STRATEGIES

#### Role of Regional Offices

This regional approach could be effected through the establishment of regional offices tasked with the review, analysis and development of urban strategy within the region. Policy would still be formulated at the national level, but the regional offices would support the local governments in developing structure plans which could be translated into short term action programmes and longer term frameworks for urban growth. Local governments would be able to propose projects but these would be reviewed in the regional context and the local governments assisted in their preparation.

High priority projects could be quickly picked up under the short term action programmes, and if revolving development funding was also controlled at the regional level, these offices would have the financial and organisational ability to implement projects in a short time-frame, thus maintaining the interest and support of local officials.

While assisting in planning, project implementation and financing, the underlying function of the regional offices would be to increase urban efficiency and to ensure it is not stifled by rapid urban growth. Project implementation will assist in this as will the close contact with strong technical teams in the region. Furthermore, project implementation should be linked to improvements in various financial and operational performance indicators to encourage increased efficiency in municipal

management and operations, and make expenditures more effective while strengthening the revenue base.

### Role of the Project Components

Revenue generating municipal enterprise components such as markets, slaughterhouses and bus terminals can be implemented relatively quickly, have high impact and if properly operated require only limited amounts of scarce local funds. They provide good vehicles for improving operating procedures and fee collection performance. As such, where justified they should be implemented as priority projects. The Regional Offices would be able to assist in promoting the regional approach and avoid piecemeal developments, and be able to evaluate projects such as a large slaughterhouse or wholesale market in a wider regional context. Assistance could be given to small local governments in counterpart funding and preparation of schemes beyond their financial and technical capacity.

Infrastructure investment should also be vetted in the context of regional plans; potential for stimulating growth; and support provided to other projects. New capital expenditure on local infrastructure should be appraised critically, as frequently minor investments in items such as simple traffic management measures and maintenance operations can have a more marked effect on improving city efficiently and management.

Shelter and basic needs provision deserve special consideration. The present approaches, whether through the national agency or local governments, are well prepared and efforts are made to tailor standards to affordability and vet beneficiaries correctly, but the resulting preparation times and frequent poor cost recovery means that the volume of housing handled does not keep up with demand and squatter areas continue to proliferate. Much greater involvement and encouragement of the private sector in true low income housing might be the only solution to meeting demand. The private sector may already be involved in self-help housing and house improvements in these areas, but is there any reason why they cannot be more involved in

the site development and subsequent operations and collection processes, with government involvement limited to land acquisition, and establishing guidelines for planning and services levels and affordability. The provision of cheap funds to private developers linked to performance guarantees might mobilise the necessary housing efforts, with coordination undertaken by strengthened regional offices. It does appear that it will only be through maximising private sector involvement in all aspects of low income housing, by means of appropriate incentives, that throughput will approach the desired levels.

Much of this argument for greater private sector involvement also applies to other aspects of urban development. Clearly, municipal enterprise development and operations are well suited to private sector involvement, as are services such as solid waste management and infrastructure maintenance. The management of the revolving development funds themselves may best be handled by private banks and finance houses, and help mobilise additional private finance.

### CONCLUSIONS

It is hoped that the above observations might encourage discussion into possible approaches to urban project development in the Philippines and also in other countries at similar stages of urban development. However, the views expressed in this paper are personal and do not necessarily reflect the opinions or policies of the Philippine Government or of any involved national or international agencies.

### REFERENCES

1. LEA J P, COURTNEY J M (ed), Cities in Conflict - Studies in the Planning and Management of Asian Cities. A World Bank Symposium, 1985.
2. LAQUIN A A, Basic Housing - Policies for Urban Sites and Services and Shelter in Developing Countries. International Development Research Centre, 1983.
3. KEARE D H, PARRIS S, Evaluation of Shelter Programs for the Urban Poor. World Bank Staff Working Paper No 547, 1982.
4. ALLPORT R J, LEE M, An Innovative Approach to Urban Management: Metro Manila, Philippines. PTRC Seminar July 1985.