

## **Book Reviews**

*The State of Philippine Housing Programs.* Gilberto M. Llanto and Aniceto C. Orbeta Jr. 2001. Makati City: Philippine Institute for Development Studies. ISBN 971-564-038-9.

GONZALO M. JURADO\*

The seriousness of the housing problem in the Philippines was brought to the forefront of national attention when President Gloria Macapagal Arroyo referred to it in her State of the Nation address as one of two extremely urgent issues that needed to be confronted, the other being agrarian reform. Indeed, in the period 1993-1998 alone, approximately 3.7 million new housing units needed to be constructed and another 1.3 million units needed rebuilding and upgrading to house the low-income groups in our population. Without a doubt those requirements could have increased by at least a few more hundred thousand in the last four years.

This, of course, was not the first time that the government had expressed alarm at the country's housing problem. Since the 1950s, the government has been involved in the provision of housing through the National Housing Authority (NHA), which organized housing projects for employees, selling houses and lots to them on a long-term basis. This effort was accelerated in the 1970s when the Bagong Lipunan Improvement of Sites and Services program, popularly known as BLISS, was instituted, mainly to carry out housing improvement in certain areas (rather than relocating the residents) and delivering the appropriate services. The current housing program, which was begun in 1987 through the Housing and Urban Development Coordinating Council, is an expansion

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and intensification of previous measures, an indication perhaps that, far from being solved, the housing problem is becoming worse.

An evaluation of such efforts by the government to respond to the housing challenge is the focus of this book on housing—the first of its kind in the Philippines. Its main strength lies in its use of cost-benefit analysis in the evaluation of the government housing program. The book describes the dimensions of the housing problem, the government agencies involved in the housing program, and the financial cost of this program to the Filipino people.

The book finds that between 1993 and 1995, the government housing program entailed a financial outlay of more than P55 billion of which more than P35 billion was in the form of loans, more than P18 billion in the form of guarantees, and another P1.4 billion in the form of direct subsidies. These amounts were disbursed through several housing programs: P29.4 billion through the Unified Home Lending Program (UHLP), P4.5 billion through the Expanded Housing Loan Program (EHL), P808 million through the Community Mortgage Program (CMP), P716 million through the Social Housing Development Loan Program (SHDLP), P1.716 billion through the Abot-Kaya Program, P15.5 billion through Home Insurance Guarantee Corporation (HIGC) Retail Guarantees, P1.032 billion through HIGC Developmental Guarantees, and P1.4 billion through the NHA Resettlement Program.

The book tackles two important concepts vis-à-vis the government's housing program: social cost and social benefits. It defines "social cost" as the amount of subsidy provided by the government in various forms, including direct budgetary transfers to the different housing institutions and/or housing programs, public asset in-kind used in socialized housing, mandated transfers from certain institutions to housing intermediaries, and tax exemptions granted to participating institutions. It describes "social benefits" as consisting of two components: the subsidies themselves that go to the intended beneficiaries and the benefits that arise from better housing conditions (i.e., better sanitation and improved social cohesion). In this context, housing interventions are socially

beneficial only if the net social benefits are either larger than or equal to the social costs. The book further argues that for the housing programs to be deemed successful the incentive structure created by the interventions should not discourage or dampen the spirit of different economic agents in the housing markets.

Subsequent to its analytical framework, the book provides a cost-benefit analysis of the various government housing programs. Thus it gives a summary of the subsidies given out to the ultimate beneficiaries and payers over the period 1993-1995: P25.3 billion through the UHLP; P1.322 billion through the CMP; P24.1 million through the SHDLP; P4.157 billion through the EHLP; P1.71 billion through the Abot-Kaya Pabahay Program; P3.038 billion through the HIGC Retail Guarantee Program; P55.4 million through the HIGC Developmental Guarantee Program; and P2.188 billion through the NHA Resettlement Program. Estimated subsidies, excluding condoned penalties and nonpayment of housing loans, comprised around 1.3 percent of the GNP in 1995. If these costs included the financial losses of the National Housing Mortgage Financing Corporation (NHMFC), resulting in the need for about P23 billion to recapitalize it, the total fiscal costs of the housing program would reach P50.9 billion, or 2.7 percent of the GNP in 1995.

According to the book, the housing subsidies have mostly benefited the high-income group, not the low-income households, who are the intended beneficiaries of the housing program. The only exception is the CMP, which seems to effectively target the poor.

The incentive structure of the subsidies, as the book describes it, introduces distortions that discourage private sector financing. Consequently, low-cost housing becomes totally dependent on public sector resources, which are inadequate to meet the huge housing financial requirements.

For the government to reduce fiscal costs and ensure a more effective targeting of the poor sector, the book proposes an alternative measure—a one-time capital grant to qualified low-

income households and only for the acquisition of owner-occupied housing units. The grant will take the form of a voucher, representing 20 percent of the cost of a low-cost housing unit, which the household will present as a down payment to the developer, who will then present it to the government for redemption. A household is considered qualified if it is creditworthy, i.e., able to borrow from financial institutions on competitive terms.

This scheme will not only expand the reach of the housing program; it will also enable the government to direct its scarce resources to housing programs for the very poor, such as the CMP and NHA's resettlement programs.

These are important findings and recommendations. Specifically, the findings give notice to policymakers that there is a need to improve targeting, since high-income people more than the low-income ones are benefiting from the programs; to expand the coverage of the CMP program, apparently the most effective of the various approaches; and to eliminate features of the subsidy program that discourage the private sector from actively participating in solving the housing problem. The recommendation is certainly worth trying.

The book, however, has one serious deficiency. It offers no estimate whatsoever of social benefits—the second component of its analytical framework—and its definition of social benefits is questionable, to say the least. Since the proportions of social costs of the various subsidy programs that go to the ultimate beneficiaries are costs to the government, why should they be treated as parts of the social benefits alongside improvement of sanitation, enhancement of social cohesion, and other public goods?

The estimation of social benefits is always a tricky matter. There are few statistics in the social field that analysts can readily use. Very often the analyst is forced to utilize qualitative information and value judgment to substitute for solid quantitative data. Just the same, the concept of social benefit would have assumed greater significance if the book provided information on, say, gastrointestinal diseases, husband-wife separations, and crime rates as

between communities where housing has been improved and those where housing has remained in a dismal state. An imputation of monetary values to “improvements” and “enhancements” would have gone a long way to complete the analysis.

Because of this shortcoming, the book fails to answer the standard question posed in cost-benefit analysis: is the project worth undertaking? Better yet, is the government realizing enough social gains from its housing program to offset its sacrifice of competitive financial returns? The book still has no answer.

*Cities Data Book: Urban Indicators For Managing Cities*, edited by Matthew S. Westfall and Victoria A. de Villa. 2001. Mandaluyong City, Philippines: Asian Development Bank. ISBN 971-561-312-8.

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*Cities Data Book: Urban Indicators For Managing Cities* is, by far, one of the most extensive researches and analyses of urban-development indicators within the context of urban development and globalization in “developing Asia.” The book, which aims to appeal to urban managers and policymakers, comes out at a very challenging time in world and, specifically, Asian history—just five years after the 1997 Asian financial crisis and within this period of global economic slowdown.

The extensive database covers over a hundred indicators in the following categories: population, migration, and urbanization; income disparity, unemployment, and poverty; health and education; urban productivity and competitiveness; housing; municipal services; urban environment and urban transport;

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cultural; local government, finance; and urban governance and management.

The results are competently organized in various ways. The 18 city participants are classified into low-developed cities, transition cities, medium-developed, and high-developed cities. City Development Indices are computed and analyzed versus various indicators.

The starting point of any development-related benchmarking exercise is precisely how “development” is defined, and how it is planned to be measured. Peter Hall, in his introduction, paraphrases Amartya Sen, mentioning how development ought to be measured not in terms of “money” or “GDP” but in terms of success in capacity building among individuals and communities. Measuring city development in urban areas of various shapes, sizes, and stories has to be seen in the light of academic inquiries that have been and are still being discussed among urban development experts and practitioners this past decade or so. For instance, is globalization good for lagging regions and urban areas? Are megacities bad, and how can they be managed? What are the implications of recent technological advancements in communication on the need for agglomeration economies and urban structures?

The strongest points of the book lie in the following areas:

- Extensiveness and mix of indicators
- Efforts in interrelating indicators
- Efforts in linking urban indicators with strategic development and urban governance

#### **EXTENSIVENESS OF INDICATORS/ EFFORTS IN INTERRELATING INDICATORS**

Urban managers, for instance, would easily notice that those cities that got the highest City Development Indices also have the lowest unemployment rates, relatively low percentage expenditure on food, and higher life expectancy rates.

Also, results would show that in general, the rates of population increase decline from low-developed cities to medium-developed

cities and increase in high-developed cities. Another observation is how low-developed and transition cities are big cities (in terms of urban area), while medium-developed cities are smaller, and high-developed cities are also relatively big.

The book also mentions how City Development Indices are heavily correlated with average household incomes and the Human Development Indices (UNDP).

### **URBAN INDICATORS AND STRATEGIC DEVELOPMENT**

It is interesting to note how the use of indicators is linked with strategic planning in the local level. Urban indicators reflect relative performance vis-à-vis accepted global norms and global counterparts. Performance should then be read in the context of policy objectives and internally acceptable economic and social norms and then translated to action plans.

*Cities Data Book* can help answer questions related to:

- Desired urban size and structure
- Nature and mix of urban tenure
- Diversification and choice of municipal revenue
- Acceptable levels of municipal services, urban infrastructure, and extent of private-sector participation
- Level of public investment and mix of investment in physical and technological infrastructure
- Level of investment in human capital
- Tolerable level of social and environmental externalities and diseconomies

The book repeatedly states that more than half the world will be urbanized by 2020, and how much of this urbanization is to occur in less developed urban areas. AIM-W. SyCip Policy Center also acknowledges that while urbanization rates continue to increase, a big part of this is now occurring in what we would call “secondary cities and urban centers.”

Continued and isolated analysis of megacities can be unproductive when not analyzed in the context of the development

of the entire gamut and network of small, mid-size, and megacities in individual nations. This is partly why AIM-WSPC's research has focused in large part on the development of mid-size cities, which has to be boosted to help relieve urban-primate cities of Metro Manila, Jakarta, Bangkok, and others of developmental strains.

One interesting finding of the group is how the level of satisfaction among local business sectors seems highest in smaller but dynamic cities, when compared to the country's biggest cities (from city competitiveness research done among Philippine cities).

*Cities Data Book* will definitely prove to be among the major research works on Asian cities. However, future works could also include:

- Perception-based indicators relating to the business environment and responsiveness of local governance to basic economic and social needs
- A more specific "breakdown" of what is meant by "urban manager"; in many developing urban areas, the public sector exerts much smaller influence and control over the nature of urban development; private land developers, especially the biggest ones are the major movers and shapers of urban areas
- Relative role and influence of endogenous versus indigenous sources of growth (i.e., FDI-led versus export-oriented development).