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## Housing: Unconventional Approaches to a National Problem

WILLIAM J. KEYES

On 11 December 1975, the First Lady, Mrs. Imelda Romualdez Marcos, offered a challenge to the first national convention of the United Architects of the Philippines. We can perceive in her words a recognition not only that the housing situation has become critical but also that solutions to it cannot readily be found in conventional approaches.

I would like to give you a commission. Build a house for our poor, our ordinary people. One they will feel is part of their character, as their fathers felt of the nipa hut. . . . Unfortunately, [the nipa hut] is not made for city living. But can't we create something that is?

There is need for reexamination, for reform, and yes, even revolution in architectural thought.<sup>1</sup>

Indeed housing is the most difficult and most complex problem that faces a developing country. While "architectural thought" can offer its specific contribution, the housing problem is compounded by land use policies, zoning and building laws, tax structures, market mechanisms, finance priorities, and a host of other constraints, so that generally Third World countries, despite decades of development, have failed to house their people adequately.

It is in the growing number of urban centers in developing lands with more than two million inhabitants, that the worst human environments in the world are to be found. In India, for instance, the number of families living in one room is only 34 percent in the country, 44 percent in all

1. "An architecture for the common man," *Times Journal*, 12 December 1975, p. 10.

urban areas, 67 percent in the four largest cities. In Calcutta the ratio reached 79 percent and still leaves uncounted the thousands for whom the pavement is the only home. . .

The vast migrations of people from the countryside, causing some of the greatest cities to grow by 8 percent a year, have surrounded them by rings of shantytowns in which shacks made from gasoline tins, old automobile tires, and packing cases give a miserable cover to migrants who can still arrive — as in Rio de Janeiro — at a rate of 5000 a week, three-quarters in dire poverty.<sup>2</sup>

Robert McNamara recently expressed the same concern to the World Bank's Board of Governors.

The deprivation suffered by the poor is nowhere more visible than in the matter of housing. Even the most hardened and unsentimental observer from the developed world is shocked by the squalid slums and ramshackle shantytowns that ring the periphery of every major city. The *favelas*, the *bustees*, the *biddonvilles* have become almost the central symbol of the poverty that pervades two-thirds of the globe. . . This, then, is the profile of poverty in the cities. It is not the profile of an insignificant minority, nor of a miscellaneous collection of unfortunates, nor of a fringe group of nonconformists — but of 200 million human beings whose aspirations are identical to yours and mine: to lead a productive life, to provide for those they love, and to try to build a better future for their children. They differ from us in only two respects: in the inhuman burden of their problems; and in the unjust disparity of opportunity they have to solve them.<sup>3</sup>

The Philippine experience has been no different. The poor have not been provided for.

The *annual* housing need has been estimated at 375,000 units<sup>4</sup> while the total contribution of government housing projects in several decades has been only 13,500.<sup>5</sup> The Philippines has been investing about 2 percent of its Gross National Product (GNP) in housing stock, against a United Nations accepted

2. Barbara Ward, *Only One Earth* (New York: W. W. Norton, 1972), p. 181.

3. Robert McNamara, *Address to the Thirtieth Annual Meeting of Board of Governors, World Bank, Washington, D.C., 1 September 1975* (n.p., n.d.).

4. Josefina M. Ramos, "Current Issues in Housing and Land Development," Speech delivered at the First Annual Real Estate Seminar, Chamber of Real Estate and Builders Association, 6 March 1975 (mimeographed).

5. Gustav Ranis, *Sharing in Development: a Program of Employment, Equity and Growth for the Philippines* (Manila: National Economic and Development Authority, 1974), p. 213.

norm of 5 to 6 percent. The result of this neglect or incapacity is a backlog of at least one million units and a widening annual gap brought about by the creation of new families, migration patterns, and the need to replace dilapidated or destroyed units.

But if the housing situation is critical in absolute terms, it is especially critical for lower-income groups. Government-sponsored housing and financing schemes do not reach the income level of the lower 60 percent of the population. Private developers, including our architects, have concentrated their energies and capital almost exclusively on a marketing segment representing only the top 16 percent. No one, it seems, builds for the poor. Through three decades of intense urbanization, the most visible housing activity has been the "development" of the growing edges of the city, consuming farm lands and turning them into subdivisions exclusively for upper-income groups, where many homesites remain idle for years.

Perhaps now, with Mrs. Marcos' plea, "Build a house for our poor," more public notice will be given to the decades of neglect.

It is not a simple problem, and the constraints are more financial than architectural. Social Security System (SSS) Administrator Reynaldo Gregorio recently commented that the ₱16,500 low-cost house of a decade ago would now cost ₱55,000.<sup>6</sup> The cost of the estimated annual need of 375,000 units at that cost would be a staggering ₱20.6 billion. An economy that has been capable of harnessing savings for housing of only 2 percent of GNP could not possibly shift budget priority so dramatically without serious disruption of the economy as a whole (see table 1 on p. 404).

From another viewpoint the problem appears equally insoluble. The United Nations estimates that generally the cost of a family's home cannot exceed two and a half years income. Monthly payments cannot exceed 20 percent of income. With 80 percent of the population earning less than ₱5,000 a year, housing solutions must be made available for about ₱12,000, at

6. Reynaldo Gregorio, "Today's low-cost house costs ₱55,000," *Business Day*, 2 September 1975, p. 17.

Table 1

## Housing Investment

Fiscal Year	At Current Prices			At Constant Prices		
	GNP (₱ millions)	Housing Investment (₱ millions)	Percent of GNP	GNP (₱ millions)	Housing Investment (₱ millions)	Percent of GNP
1972	52,455	1,075	2.05	34,153	722	2.11
1973	61,118	1,415	2.31	36,777	894	2.43
1974	86,548	1,797	2.07	39,731	790	1.98
1975	106,072	1,383	1.30	42,115	575	1.36

Source: Appraisal of 4 Year Development Plan; Chapter 12: Housing. National Accounts Staff, National Economic Development Authority (NEDA), 6 September 1975.

maximum amortization rates of ₱85 per month. Nothing is available at that price or under those terms. The cost of a 200 square meter urban site alone exceeds the capacity to pay of the majority of the population. Add to this the costs of finance, of materials, of labor, and other expenses, and we see the government launched on a program of trying to sustain a free market economic and legal structure which serves only the richer minority. Such a structure cannot provide housing for the poorer majority without heavy and economically unfeasible subsidies. Obviously, the pieces do not fit. To build houses at the present estimated costs in proportion to the number of units required is beyond the capacity of the economy as a whole.

In confronting a problem of such staggering proportions, the government may well be tempted to throw up its hands. Or it might pretend solutions through heavily subsidizing a handful of families in an atmosphere of much self-congratulatory propaganda, while the millions stay homeless. While the temptation is strong to evade the problem, there are solutions available — a number of policies, mutually supportive and reenforcing, that can be undertaken. But real solutions resemble surgery and the sacrificial surrender of a stifling value-system more than they resemble entrepreneurial energy and esprit de corps.

## REVIEW OF PRESENT CONSTRAINTS

When the pieces do not fit and solutions appear beyond the economic capacity of the nation, it would seem a better course of action to investigate the causes of the high costs rather than quixotically pursue a line of action that can, at best, yield partial solutions. Let us examine every factor that contributes to the present stymied situation: land values, development costs, financing, zoning and building-standards laws, and cost of materials. Only labor, estimated at 17 percent of total costs, appears to constitute a bargain.

*Land Values*

The argument is frequently presented that with land values being very high in the city, low-cost housing should be created either through high-rise structures or by building far from the city. Building high-rise structures is a capital-intensive solution. But when we concede the argument that the structure must be expensive because the land is expensive, we have allowed the tail to wag the dog. Next, logically, we will look for a buyer or renter who can afford the doubly expensive shelter and find either that low-income groups cannot qualify or that heavy subsidies are involved. The goal is to bring land values down, not to spend more on the building that occupies the land.

Moving the housing project far from the city to economize on land costs is equally a non-solution. First, building costs are not reduced, and second, diseconomies are introduced for the occupants to an extent that transportation costs for the breadwinner, and frequently for school children, absorb funds that would be better spent in amortization payments. Thus, a Sapang Palay resident pays ₱2.60 daily or ₱65 monthly to get to his job. With this amount he could amortize a ₱6,000 home improvement loan. Not only transportation but food and other household necessities tend to be higher. Thus the burden of the government's and the realtor-builder's incapacity to struggle effectively against speculative land values shifts to the low-wage earner, the person least equipped to handle it or protest against it. Instead of being his castle, the house and lot can become his financial prison.

The solution of the land question lies not in accommodating to it but in challenging it. An airplane passenger approaching Manila sees large areas of open spaces close to the city and even within the metropolitan area itself. The question of land values, then, must be distinguished from that of land availability. There is land available around Manila, but inadequate pressures from government to force it into use. Owners use land, like any other investment, either as a hedge against inflation or in anticipation of windfall profits — profits created not by their own productive activity but by urbanization pressures.

The land problem in Philippine cities is not of scarcity but of refusal to sell. Much of the acreage in the urban and urbanizing districts lies frozen in the hands of owners who have no present intention of developing it. Neither the magnetism of demand nor the temptation of profit can persuade the larger landholders to make use of their holdings or sell to others who will. The situation is most acute in the environs of Manila, where land poverty exists amid land plenty. . . . Because of high land cost, low-income families pay the price of slum life, overcrowding, and ransom rents — or they simply take the law into their own hands and squat on private or public lands.

In a recent pastoral letter, the Bishops of France raised contemporary economic attitudes towards land values to the level of a moral question. They suggested practical but stern norms so that land no longer be treated as just one more market commodity. They established the factors that constitute the just price as follows: the price originally paid, expenses incurred for improvements, a compensation for monetary devaluation and the honoraria for those who perform the sale transaction. (When the land has been used for agricultural productivity there are other considerations.) They asserted:

Beyond this price we have abusive speculation and unjust prices . . . [Land speculation] profits are made on a fundamental . . . and essential good: the right to land for housing and collective development. Speculation on this is no more acceptable than speculation on health or education which would cause the cost of these essential commodities to go up for the sole profit of those who are the only ones able to provide what all need and are entitled to. These profits are not justified by the right to private

property. To propose a limit to the rights of owners is not an unjust offense to their rights. What is unjust is a right to property that would be absolute. Now that housing land is scarce, the laws governing property, established 150 years ago, are no longer workable.<sup>8</sup>

The need for such an approach is even more critical in developing countries like the Philippines. In Chile, a Catholic priest organized land-poor squatters to invade and settle unused urban land. However illegal the action may be, amounting to what is legally considered theft of land, the invasions had the dramatic effect of toppling artificially high values. Seeing the beneficial impact of these invasions, government administrators tended to ignore and tolerate them, advising owners to negotiate with the squatters rather than supporting requests for eviction.

Such an approach may sound revolutionary, yet it does seem to be within the aspirations and legal potentials of the New Society government. Section 13, Article XIV, of the 1973 Constitution provides that:

The National Assembly may authorize, upon payment of just compensation, the expropriation of private lands to be subdivided into small lots and conveyed at cost to deserving citizens.

Presidential Decrees No. 42 and 76 permit extensive use of eminent domain, allowing the appropriate government agency to deposit with the Philippine National Bank the assessed value of the property for purposes of taxation. The People's Housing and Homesite Corporation (PHHC) used this power to assist squatters in Davao. But the fund shortage to date has rendered the decree relatively impotent.

Other presidential decrees (PD 2 and 27) battle against anachronistic land policies in the rural areas, but to date have left urban land untouched. Urban land reform has not been seriously broached, much less effectively implemented. Yet it is just as critically needed and is already possible within existing government legal powers.

To give an idea of the government's tolerance of undeclared land values, the Philippine Suburban Development

8. "Pastoral Letter of the French Bishops on Land Speculation," *Impact Magazine* IX, 10 (October 1974): 780.



Corporation in the 1950's was carrying property in Sapang Palay valued at ₱131,590, when on 21 December 1960, it was reassessed to ₱4,898,110 and then sold a week later to the government for ₱3,386,223.<sup>9</sup> Although this is an extraordinary example, generally market values still remain at least 100 percent higher than assessed values. The government is, apparently, a poor bargainer when it goes to the land market.

We are talking here of the principle of *eminent domain*, but not in its traditional sense whereby government expropriates adequate property for roads, airports, or other similar needs. Rather we envisage the government involved in the land market in a way similar to its involvement in the economy as a whole in this post-Keynesian era. Government by "leaning into the wind" through a variety of fiscal weapons can effect the direction of the economy. So too could government influence land values by manipulating zoning laws in the interest of low-cost housing, by buying up underdeclared or unused lands, etc. By toppling artificially high and speculative land values and providing home-sites, but not houses, by the tens of thousands, housing solutions would begin to reach the dimensions of the problem.

By virtue of the new presidential decrees, government, holding threat of purchase over undervalued lands, could not only substantially raise tax revenues but also bring the value of artificially overpriced land down and force idle lands into use. More than in any other area, it is in controlling speculation in land that the key to low cost housing lies. Government, to date, has been reluctant to put administrative teeth behind this new legal power. It is, perhaps, too politically explosive an issue.

### *Zoning Laws and the National Building Code*

The functions of government throughout history and independently of ideological orientation can be reduced basically to two: control and welfare. Almost any activity or service of

9. "Philippine Suburban Development Corp., petitioner vs. The Auditor General, Pedro M. Gimenez, respondent," G.R. L 19545, 18 April 1975, vol. 63, SCRA, p. 397 ff.

government can be classified as primarily one or the other, carried out by proper delegation to an appropriate bureaucratic entity. In dispatching its function the bureaucracy takes on over time a mind-set or orientation commensurate with its main purpose. To do or think otherwise would be difficult.

Thus, for example, the Office of the City Engineer exercises primarily a control function. Unscrupulous builders do tend to cheat on specifications or materials and, if unchecked, would erect unsafe structures where lives could be lost through fire, typhoon, or earthquake collapse. Hence, a body of laws and procedures gradually build up, aimed initially at protecting the unsuspecting public from dishonest builders. Aesthetical standards are also imposed.

Yet at this point in time developing nations face new historical realities resulting from urban migration and multiplying urban poverty. All Philippine cities are faced with a serious squatter problem; in some cities squatter housing pushes towards 50 percent of the total. Nonetheless the City Engineer continues, faithfully, to fulfill his duty of control and regulation. In the process he serves a decreasing percentage of the total urban population and, in fact, not only controls the unscrupulous contractor but also takes on the role of oppressor for the multitude who struggle for urban survival in any way they can. Caught in a bureaucratic niche, even if the individual bureaucrat chose to accommodate his office to present urban realities, he would find himself constrained by a network of regulations and procedures he is legally bound to implement.

The result is a city whose legal structures allow harassment of the poor. Zoning laws demand minimal lot sizes too large and expensive for the ordinary poor family and road widths prejudicially in favor of the private car owner. All this while lower-income groups would welcome the opportunity to buy a 90 square meter plot or less, in a subdivision interlaced with one-meter foot paths. Yet a control-oriented bureaucracy cannot tolerate such a logical alternative to slum congestion and environmental deterioration. It shunts off such proposals to welfare agencies as the proper entities to deal with the poor as such.

But these agencies possess neither the funds nor the legal potential to adjust the law. An impasse has been reached.

To build an SSS-financed home the potential owner has to meet 32 legal fees totalling more than ₱300. This is hardly exorbitant for a ₱30,000 home, but it does constitute a month's salary for many urban dwellers who need a human shelter not exceeding ₱7,000 or ₱8,000. SSS and GSIS requirements allow only steel roofing, specifying the gauge; insist on hollow block walling with steel reinforcements; fully built interior walling, downspouts, and even paint, before a loan is approved. What chance does a low-wage earner have to comply? What real alternative is open under the circumstances except squatting or otherwise operating illegally?

The solution then, although administratively difficult, must begin with government. Zoning and building code regulations can be adjusted short of total collapse of the urban order. A different set of standards could be adopted for different economic levels. The fundamental point which will decide the future of cities in developing countries is the standard adopted for housing and for the provision of urban services. Given the scarcity of available resources and the impossibility of satisfying every social group in a uniform way, the choice has to be between high standards for the few or lower standards for the many.

### *Finance*

The primary obstacle to housing for low-income families is the economic condition synonymous with developing countries — capital scarcity. When money market placements regularly earn a 15 percent return, and when even land speculation is profitable, the long-term, low-interest capital needed for housing is simply not available. Mortgage banking hardly exists. Banks and insurance companies in the face of more rewarding investment opportunities would have to be forced into it by law.

While the free market economy is experiencing a modest boom in condominium construction, only the very well-to-do can contemplate the usual terms of five years to pay and 12

percent interest. Without a mortgage market, the profit-oriented private sector cannot provide the 25 year, 8 percent interest terms that the ordinary house buyer would require. The Assistant General Manager of PHHC, Jacobo S. de Vera estimates that less than 10 percent of the population can afford to buy a house and lot on the open market. Thirty percent need a substantial subsidy, while most of the intermediate group could afford some housing, if they had access to government-subsidized, long-term, 6 percent interest. Unfortunately, most low-income families do not have that access.

*Table 2*  
Cost of Urban Dwellings in the Philippines (1973)

Package Price	Terms of Payment	Monthly Installment	Minimum Income Needed (4x)	Percent of Households Capable of Paying
₱28,000	10 yrs @ 12%, 20% down	₱360	₱1,400	8%
₱14,000	20 yrs @ 6%, 10% down	₱ 90	₱ 360	52%
₱ 9,000	20 yrs @ 6%, 10% down	₱ 60	₱ 240	70%

Source: Jacobo S. de Vera, "Housing Needs Up to the Year 2000," National Conference on Housing, NEDA, 19-21 October 1973.

The major government housing financiers (Social Security System, Government Service Insurance System, and the Development Bank of the Philippines), have built-in biases against lower-income families. The result is that the bulk of their subsidized loans go to their higher-salaried members, the thin upper percentile most capable of providing for themselves without government subsidy. A study in detail of the Social Security System will show how and why these bias mechanisms operate.

In 1974, by virtue of compulsory contributions from the entire work force of the private sector, SSS cash inflows amounted to ₱606 million. Total assets reached ₱2,389 million. With only about one-fourth of annual revenues paid out in benefits, the investment portfolio increases each year. One of the major uses of investment funds is for housing. Since

1966, SSS has disbursed ₱725.8 million to help finance the construction of 33,335 units. In 1974, ₱71.9 million helped construct 3,260 units. The average loan is ₱22,000.<sup>10</sup>

SSS grants concessional rates of 6 percent a year on housing loans while commercial banks demand at least 12 percent a year. Moreover, SSS is willing to finance up to 90 percent of the house and lot costs. Amortization can be extended up to 25 years, and in certain special projects 30-year amortization has been allowed. In short, both in the amount of funds available and in concessionary terms, low-cost housing cannot be adequately accomplished without the cooperation and support of SSS or one of the other two government financial agencies. At present, there are no other adequate sources.

Although in press releases the SSS aspires to "allow housing loan resources to seep down to low-income families,"<sup>11</sup> in practice they do not. Given the present self-imposed constraints of the system, they cannot. Assumptions built into the system prejudice its ability to cater to the poor. Because SSS believes that it administers public funds which really belong to the members, it feels obliged to safeguard these funds as a public trust. In point of fact, 88 percent of the SSS members earn less than ₱500 per month. Yet ₱500 is the benchmark used by the SSS real estate department evaluators as a minimum wage below which applicants are usually not considered. If the ordinary wage earner's house cannot cost more than ₱10,000 (two and a half years salary) and SSS helps to finance only homes that cost an average of ₱30,000, it is obvious that the system's custodial role over members' funds, in practice, results in using the funds of the poor to finance the homes of higher-income groups (see table 3 on p. 413).

There is further a built-in presumption that the house itself, if it is to be the mortgaged collateral, must outlast the amortiza-

10. Social Security System, *Annual Report, Year Ended 31 December 1974* (Quezon City, 1975).

11. A. Lopez, "Housing remains high in priorities of sss," *Times Journal*, 12 June 1975, p. 12.

*Table 3*  
Salary Distribution of SSS Members as of 30 June 1973

Monthly salary	Number of members	Percent of total
Below ₱75	372,643	10%
₱ 75 — ₱124	391,651	10
₱125 — ₱174	471,693	13
₱175 — ₱224	572,245	15
₱225 — ₱299	571,876	15
₱300 — ₱424	575,080	16
₱425 — ₱499	321,193	9
₱500 and above	<u>415,735</u>	<u>12</u>
Total	3,692,117	100%

Source: Reynaldo J. Gregorio, "The Social Security System and the Housing Program of the New Society," National Conference on Housing, NEDA, 19–21 October 1973.

tion period — usually 25 years. On the face of it, this is a logical policy. But the rigorous adherence to this policy sends building costs up, since it requires strong materials. Generally the SSS has hardly pioneered in devising innovative approaches to cost cutting. Standards are insisted upon which put SSS financing out of the reach of the vast majority of its members. The latter, it will be recalled, are already in the more fortunate, regularly-employed sector of society, and still they cannot qualify for housing loans. If the body of law behind the organization of the SSS (and the GSIS and DBP for that matter) were more aligned with the national crisis, and if the impossibility of maintaining current idealistic standards were recognized, lower-income groups might begin to have access to SSS funding.

There are other difficulties. The real estate loan checklist indicates that an applicant must gather and accomplish at least 17 different documents. The process itself has 25 separate steps. This marathon, or running-the-gauntlet process, lies beyond the time availability and perhaps the comprehension of an ordinary unsophisticated wage earner. Again, the procedure, however unintentionally, reflects a built-in bias against the poor.

All this caution, it will be recalled, is justified under the rationale that the System acts as a custodian or trustee of funds which really belong to the members. Yet, despite this *segurista* or security-oriented attitude, the SSS remains extraordinarily lenient about collecting. The delinquency rate of real estate loans exceeds 50 percent. Foreclosures are very rare. The policy of leniency is pursued with images in mind of a family's being tossed homeless out on the street. The reality though, which is common knowledge, is that: (1) those who get SSS funding are generally at least in the upper-middle class, and can more easily provide for themselves; (2) borrowers are reluctant to be prompt with SSS payments. They would prefer 16 percent returns through stock or money market investment of the "cheap" money owed to SSS rather than surrender it punctually. SSS's reluctance to foreclose might also be motivated by the desire not to be burdened with having to sell off second-hand housing.

There is another area in which SSS performance can be questioned. While it has the funds and can design the terms really to reach down towards the poor, an in-built inflexibility closes that potential. The mentality seems to be that: "We are involved in economic, not social, housing." Put another way, this means that housing must be self-liquidating and not subsidized. This mentality does not open itself immediately to ventures into core housing, light material housing, and the like, which could be constructed for less than ₱10,000 without subsidy. SSS loans continue to average over ₱20,000. Thus far, this government entity refuses to recognize that doing business with the poor can also be good business. Yet unless the major government financing agencies move into these areas, the housing gap will never be closed. Economic and social housing are not a complete disjunction. Much room remains for innovation.

Although SSS has been singled out for evaluation, there is little difference in the approach and attitudes regarding security and standards at the GSIS and the DBP. All three in effect exclude the vast majority of the populace, including their own members, from sharing in their programs. The government

financing agencies render a curious stewardship with the funds of their members.

### *Development Costs and Material Costs*

It is beyond the scope of this article to offer detailed recommendations for cost-cutting techniques in building. Nevertheless, they do exist. The Philippines has a relatively large and sophisticated corps of architects, engineers, contractors. While the major orientation of this professional class tends toward modern techniques of prestressing, precasting, and the like, for capital-intensive high rise structures, talent does exist. Some of it has been diverted to serving the needs of lower-income groups.

Sensible recommendations have appeared in recent media releases. Architect-town planner Nathaniel von Einsiedel has alerted developers to saving potentials in a sometimes unnoticed area of costs: land development.<sup>12</sup> He shows that by minimal trade-off of standards, significant savings can be achieved in road construction, water supply and distribution, as well as in drainage and sewerage systems. Antonio Dimalanta, chairman of a special commission on cost-savings devices for the Chamber of Real Estate and Builders' Associations, offers almost an anthology of design and construction suggestions to bring housing costs down.<sup>13</sup> An imaginative inventor proposes a plan of combining use of chemically treated bamboo with mass production technology and hopes to build "instant houses" at ₱300 per square meter, considerably lower than conventional costs of ₱500 or more.<sup>14</sup>

Others, perhaps less oriented to the indigenous realities of poverty and massive unemployment, search for solutions in Western models. One company is about to manufacture plastic

12. Nathaniel von Einsiedel, "Cost-cutting techniques in housing development," *Bulletin Today*, 15 May 1975, p. 12.

13. Antonio S. Dimalanta, "Cost-savings in housing units," *Bulletin Today*, 12 June 1975, p. 12.

14. E. S. Lopez, "Lowly bamboo is good material," *Times Journal*, 5 May 1975, p. 1.



houses (polyvinyl-chloride) which, supposedly, can sell for ₱10,000. There is even discussion of making housing blocks out of rubbish.

Generally, such suggested techniques have not been explored widely, owing primarily to the constraints of the law. For the most part, low-cost housing as envisaged by this article does not yet exist. Attempts to lower development and materials costs will ultimately be futile unless government, especially its financing institutions, takes the lead in encouraging and allowing an entirely different attitude towards standards.

#### LEARNING FROM THE SQUATTERS

While much of the above appears critical of the present Philippine situation, the goal is not to be critical but to recognize that the Philippines is not atypical of developing countries around the world. Development and the concomitant forces of industrialization and urbanization tend to aggravate the housing problem, so that there is frequently an inverse proportion between economic development and adequate housing. It is a world-wide phenomenon. A Cuban housing minister commented: "Either we concentrate on housing or on development. If we build houses, we forego development; if we concentrate on development, we can't afford houses."<sup>15</sup>

The United Nations Center for Housing, Building, and Planning, recognizing the potential of unconventional approaches to the constraints discussed above, commissioned the Institute of Philippine Culture to explore local activities in this regard.<sup>16</sup> The research was limited mostly to squatter communities of the metropolitan Manila area because squatters still provide for their own shelter requirements.

15. Cited in Robert N. Merrill, "Popular Financing of Housing and Community Development," ECAFE Seminar on Financing of Housing and Urban Development, Copenhagen, Denmark, 28 August 1972, p. 3 (mimeographed).

16. William J. Keyes, S.J., and Maria C. Roldan Burcroff, "Non-Conventional Approaches to Housing Finance," Preliminary draft, Institute of Philippine Culture, Ateneo de Manila University, 1975 (mimeographed).

Squatters, perhaps, more than the architects, can provide the example of the modern urban counterpart of an historically earlier housing solution. The squatter is an enigmatic figure in the modern urban environment. In the eyes of some he is an intruder into the city — a violator of the law, a creator of slums, and a hazard to health. To others he is a genius of adaptation — a person who has found solutions to his housing needs where the government and the economy remain incapable of assisting. Throughout the Third World, informal squatter activity, usually conducted illegally, has produced more human shelters than the combined efforts of governments and the private sector. They have built without finance, with limited skills and inadequate purchasing power; yet have built shelters which are generally judged by the builder-occupant as at least adequate for the needs of his family.

The I.P.C. research explored the squatter accomplishment not to extol the squatter but to look for solutions to the national housing problem, especially for lower-income groups in the urban areas. Some of the major results of the survey are presented here with the perhaps bizarre questions: Can we solve the housing problem by learning from the squatter's more primitive techniques? If development models leave so many homeless, is it so illogical to search for new solutions from those who have already devised relatively satisfactory ones for themselves?

1. The poor, generally, have no access to finance and very little experience with it. While the professional class automatically conceives of housing finance in terms of long-term amortization and mortgaging, such concepts are foreign to the poor, who build their houses by stages, investing a few hundred pesos at a time, using money they either saved or borrowed on an informal or personal basis. Of 51 families interviewed in three squatter locations only 12 had access to money for housebuilding. Only two of these borrowed more than ₱1,000, and six borrowed less than ₱500. Eight of the 12 borrowed from personal sources and under very indefinite terms. Three borrowed from SSS, but in the form of salary loans, not housing loans.

Adjusting to the poor, therefore, is not simply a matter of

lowering interest rates and down payments and using such techniques as so-called "balloon" payments. The basic concept of such financing is, perhaps, psychologically unfeasible. Hence projects that tend to presume that the poor can handle long-term finance at all are liable to fail.

2. The poor tend to economize by a variety of tactics that they have found workable in the city. Only 10 of the 51 families interviewed used all new materials. Not all materials are scavenged from fire or demolition sites; some are purchased second-hand and at low costs, and include such items as second-hand galvanized iron sheets, flattened cans, discarded beer cases and rusty nails. The poor make extensive use of recycling. Labor expenses are generally limited to food and drink shared by all who help in the work. Squatter houses are products of co-operation between the home owner, his relatives and his friends. Only a negligible number of those interviewed used hired labor.

3. While few had any actual contact with government agencies in relation to house construction, there is a general apathy regarding home improvement. The cause is land tenure instability or other forms of perceived or actual government restrictions. A majority of those who replied that they had no plans for the future improvement of their houses expressed fear of eviction as the reason.

4. Despite the above, the squatter house is in a constant state of being built, as materials and savings become available or as necessity dictates. Most of the respondents asserted that the present house is quite different from the original structure. During the past year alone, 13 of the 51 interviewed made changes in the house structure — this despite a specific government prohibition in the Tondo Foreshore against such improvements while area upgrading is in process. House improvement is frequently related to enhancing family income by building an extra room or story to be rented out. Improvement is also made out of the necessity to repair damage or replace dilapidated parts.

5. The I.P.C. study also sought out models of unconventional approaches to housing around the country which tend to adjust to some of the orientations shown above. Despite the paucity of

actual examples, the fact that some do exist argues that the unconventional can work and should be encouraged. Examples offered show practices of self-help construction, imaginative financing, the accomplishment of very low costs, and the presumption that people's organizations are an intrinsic part of the low-income housing project.

#### CHARACTERISTICS OF A REAL SOLUTION

In the light of the magnitude and complexity of the problem, and of the results of the above research into the actual methods by which the poor house themselves, a genuine solution to the housing problem would have to have these characteristics:

1. The cost of the house cannot substantially exceed the paying capacity of the family that will occupy it. When present uncontrolled land values, materials costs, and restrictive legal requirements push the price of "low cost" housing beyond ₱50,000, then the result is that the lower 60 percent of the population either cannot be housed or their housing must be heavily subsidized. The wage-earner's house cannot be priced over ₱12,000. Beyond that amount, subsidies are involved, from whatever financial source, which, given the enormity of the problem, tend to challenge the economy's capacity to generate savings. The problem is simply that there is a shortage of national economic resources in relation to the size of the investments required. Even assuming that governments give housing top priority, it would be difficult to obtain the funds sufficient to construct the number of units needed each year by a growing population and to amortize the accumulated deficit in some form. Social housing is social in motivation only. Social housing has economic costs, and although not borne totally by the occupant they must be borne by the economy. Hence it is impossible to arrive at adequate solutions by conventional methods and conventional costs.

2. Substantial housing solutions cannot be achieved through "prestige projects," capable of housing only several hundred families at most. Existing arrangements along this line absorb high capital unit costs and have little potential, through redupli-

cation, of solving the housing needs of the multitude presently priced out of the market. Such projects at best tend to single out a small handful of the poor and in the process of heavily subsidizing a few tend to create an impression to society at large that the housing problem is at last solved. This undermines real solutions relevant to the numbers of families in need.

The spirit of Christianity should have its part in alleviating the anxiety of the homeless. Many Christian organizations with social aims do this, but since they are somewhat taken aback by the number of poor people, they sort out their would-be beneficiaries and choose the most responsible, who, when all is said and done, are those with the highest earnings, so that the poorest are once again without any support. So what happens is that these organizations are the cause of a new injustice by producing a thousand bourgeois families who make some show of their gratitude and increase the prestige of the institution, instead of helping scantily the greatest possible number of families, who will forget to thank them but will be given a means of pressure with a few square meters of semi-slums capable of obliging the state to concern itself with them, for no private organization will ever have enough money to carry out a complete urbanization scheme.<sup>17</sup>

3. Discussion of the housing needs of low income families should specifically consider the phenomenon of squatting in urban areas, a characteristic of all Third World countries. Solutions to the squatting problem should take their direction and pace from the people themselves, not from the usual models in the business community. They should model themselves on the values of the poor, should recognize the pace at which their poverty allows them to carry out their building plans, and respect the existing investment that the poor have already made in the housing they have.

The experience of the Philippines as well as of other countries shows that the building process of a low-income urban house might take as long as 20 years, during which time the house gradually evolves from a shanty to a dwelling unit that meets regular local housing standards. Thus, squatters' housing should be considered not as permanently "temporary" housing but as a process, which, if properly encouraged, could easily evolve into socially acceptable housing. If, instead, these squatter communities are bulldozed away, barring health or fire hazards, such action may un-

17. Josse Van der Rest, "Concern and Distress in the Third World: Mass Housing," *52% of the World Without Housing* (Santiago, Chile, n.d.), p. 2.

necessarily destroy capital and the foundation for productive living by substantial numbers of families working in the services sector.<sup>18</sup>

4. Housing solutions should provide people with a sense of security in the city, removing the constant fear of eviction which debilitates their efforts to establish roots, improve their housing and community environment, and belong to the city as full-fledged, participating and contributing citizens.

Marginal populations now settle in the city not in the hope of being merely tolerated but fully intending to lead an active life, educate their children, and fulfill many aspirations. They do not as a rule initially desire a permanent dwelling. For decades, their most urgent problem has been the feeling of living outside the law in constant fear of eviction, of being considered second-class citizens. The first essential step towards normalcy would be a building lot. Then they can build their house in their own way.<sup>19</sup>

5. Finally, the solution to the housing problem is not to uproot the urban poor and transplant them to distant out-of-town resettlement sites, such as Sapang Palay and Carmona, or much worse, Montalban. Government attempts in this direction to date have been less than successful, primarily because people have been pulled away from employment and bazaar-type earning opportunities in the city. Bulldozing away slum communities may unnecessarily destroy capital and the foundations for productive living by a substantial number of families. If they are to be relocated, it should not be in an area where only imaginary jobs exist. Mrs. Marcos disavowed such a policy in the speech quoted earlier:

Resettlement is not merely a matter of driving a truck up to a squatter's shack, piling him, his family, and his goods inside, and a half hour later dumping them out some thirty or forty kilometers outside the city. This is inhuman settlement. If you were to transplant a tree that way it would die.

#### THE SITES AND SERVICES APPROACH

The most viable solution, embodying the characteristics outlined above and avoiding the mistakes indicated, seems to be the so-called "sites and services" approach, now very much

18. Gustav Ranis, *op. cit.*, p. 217.

19. Antonio Labadia, "Operation 'Sitio'," 52% of the World Without Housing, p. 19.

recommended by the World Bank and other international agencies. In a "sites and services" project, land is leveled and provided with drainage, water distribution (not necessarily to each home-site), sewerage, and electricity. Adequate schools are built and also a health clinic. The area chosen must be within reach of major markets and adequate job opportunities. A second-best alternative would be provision for adequate and inexpensive transportation. Usually, there is no provision for housing, but advantage is taken of savings already made in squatter housing. There should be, however, technical and financial assistance for house improvement. Sometimes core housing is provided. Most important would be security of tenure, a guarantee that the site is permanent, that there will be no further relocation once further improvements are added or neighboring land values rise. The approach also places stress on the need for a viable, strong, people's organization, capable of handling finance or generating self-help enthusiasm, and of resolving the numerous practical and social problems of the area. The organization of the poor, sometimes looked on with suspicion, is almost an essential ingredient to success.

"Sites and services" is not presented as a revolutionary substitute for conventional financial and legal standards. Rather it recognizes that these standards are beyond the reach of more than half the population who must still be provided for. It is not an ideal solution. There are negative trade-offs in less than ideal land use in comparison to high-rise solutions. There is also some contribution to urban sprawl. Nevertheless, any other solution is unfeasible, considering the dimensions of the problem.

"Sites and services," already popular in other Third World countries, has not yet been tried in the Philippines. The Tondo Foreshore area will represent the first attempt. Existing government resettlement areas, with the possible exception of Dasmariñas, are not technically "sites and services" projects. Their inception was motivated more by a desire to rid the city of the squatters than actually to provide for them. Gradually, the services which should have predated transfer are being added,

ten years after the projects opened. Initial conditions were so bad that 40 percent of the original settlers filtered back into the city, only to be thus branded as "affluent" or "professional" squatters.

The test of the potential viability of resettlement areas is (1) whether people seek admission or are forced to go through

*Table 4*  
Sites and Services Experiences in Other Countries

Country	Documented New Sites Development
Chile	180,000
Pakistan	150,000
India	110,000
Iraq	56,000
Korea	55,000
Turkey	50,000
Burma	40,000

Source: Robert N. Merrill, "Sites and Services: The Experience and Potential," ECAFE Seminar on Financing of Housing and Urban Development, Copenhagen, Denmark, 28 August 1972.

demolition tactics, and (2) whether projects are set up in sufficient number to provide homesites proportionate to the size of the problem. The housing problem begins to be solved when "sites and services" projects proliferate near urban areas and when "for rent" signs begin to appear in the once congested urban apartments.

One could argue that "sites and services" seems to be a legalizing of slums and could thus see a contradiction in the government encouraging an activity it usually opposes. Several different responses could be made, all emanating from the single consideration: whose standards should prevail in a city where poor men live?

The popular image of slums is that of an uncontrolled and chaotic grasp for land in the city, whether over an estero or crowded into a disputed private lot.

Squatter settlements by definition — and by city ordinance — are illegal. Even the word squatter itself is vaguely obscene, as if somehow being



penniless, landless, and homeless were deliberate sins against the canons of proper etiquette. But it is not squatters that are obscene. It is the economic circumstances that make squatter settlement necessary that are obscene.<sup>20</sup>

A "sites and services" project differs from the usual image of the slum in several significant ways:

1. A "sites and services" project develops land according to a pattern with clearly delineated homesites, roads, and open spaces. It is therefore substantially different from the anarchical settling of squatter land. Also, from the start, it is integrated into the city's water, electric, and other basic urban services.

2. The land awardee or purchaser is given adequate assurance that the land will be his; that there will be no further demolition or eviction. He is free to stay, to belong to the city, and to build his home with the assurance that he will no longer be molested.

3. A "sites and services" approach allows the awardee to build not only in a way proportionate to his economic capacity but also according to his own timing. Standards are ultimate goals rather than immediate restrictions, and the presumption is that the community will improve at a pace proportionate to its people. Initially, perhaps, the area may look somewhat like a slum. But when residents are encouraged, not suppressed, to build and improve their dwellings, the slum appearance will gradually fade. Over time, a respectable, though modest, human community will emerge.

In the resettlement areas of Sapang Palay and Carmona where the most desperately poor are sent, people live and build their houses beyond the controlling restraints of law. They fend for themselves, and over time, the houses do improve. If marginal groups can accomplish this, how much more the regularly employed urban workers, if only minimal standards were not held at a threshold too high for their reach. The PHHC projects in Quezon City give witness to the same improvement pattern. In these middle-income communities very few of the original low-cost "boxes" are still visible. People saved and improved

20. McNamara, *loc. cit.*

their homes as opportunity became available, again attesting that "developers" would do well to trust in the energies and desire of the occupants to provide for themselves.

#### CONCLUSION

"Sites and services" is more than a land development tactic. It also conveys an attitude and a judgement. Implicit in the adoption of "sites and services" is a recognition that the current urban development process, as it relates to housing, tends to stifle what has been a major house-building resource in an earlier and less sophisticated age: the initiative and capacity to build of the homeowner himself.

Mrs. Marcos challenged the architects to provide the modern urban counterpart of the *bahay kubo*. Perhaps this is a veiled contradiction. For the splendor of the *bahay kubo*, the reason it was expressive of the Filipino spirit, was not because of its architectural design. Rather it was because the owner was its builder, who brought together neighbors and relatives and used unmanufactured materials in a process that was both an individual and social triumph. The "soul" of the nipa hut was precisely that questions of design and materials were of secondary importance to personal initiative and communal *bayanihan* spirit.

As man became urbanized, economic and legal pressures gradually forced upon him a house that he neither designed nor built. Housing costs rose in proportion to the increasingly passive role played by the owner-occupant. While there will always be a role for architectural assistance, a "sites and services" approach recognizes that a man's basic instinct to house his family decently can be a powerful economic force. Progress in housing can be made by going back to "more primitive" approaches. "Sites and services" does not impose housing on people but attempts to provide an asylum from the strangulating impact of legal requirements and standards so that a family is free to build.

The "revolution" Mrs. Marcos requested may well be in the acceptance by architects of the fact that they have gradually

assumed a control function, imposing standards that most people cannot afford. Rather than pursue a futile search for a better design, perhaps they could recognize what has happened and work collectively towards pressuring government to dismantle the structures that have closed off the opportunity for the poor man to legally construct his home. It is curious that governments, overwhelmed by the dimensions of their housing problems, have not perceived in the activity of squatters the subtle hint that they may be constantly ignoring an area in which ideas for substantial solutions may lie.

A family tends to seek its proper economic level in food, clothing, health care, and other basic necessities, but cannot do so in housing. Proponents of a uniform building code for all economic classes prohibit our economic-legal structure from providing housing solutions that the poor would want and could afford.

After World War II, the University of the Philippines housed its faculty in buildings of sawali and wood, temporary structures left behind by American military forces. These would never have been legally approved for residential purposes outside the sanctuary of the campus. Flimsy though they were and now deteriorated, these houses, some of which are still in use, provided adequate shelter for over 20 years. Some architects and economists judge that the setting up of such "temporary" houses is an unnecessary reduplication of expense and would insist on strong materials from the start. Others, judging it on a cost per year basis, would see it as a sound use of funds. The line between "temporary" and "semi-permanent" is at best a hazy one. When a poor man cannot afford more than ₱7,000 or ₱8,000 for his dwelling, why must the law insist that he build a house that will last 50 years? Must he also assume the burden of the next generation?

The viewer of the housing situation must be made aware of his own filters or biases. What might be considered by some to be the toleration and encouragement of slums is no less absurd than the presumption that the current economic-legal model under which we now operate will ever be able to provide cute little tile-roofed bungalows for everybody.

As part of the Third World, the Philippines is participating in the greatest, and most frustrated, migration of peoples in the history of the world. Population growth, plus intensified urbanization, is creating a need for more human dwellings in the next few decades than the present total housing stock of the nation. Response must be proportionate to the dimensions of the problem and must harness all the economic resources available. The present housing crisis approaches the post-war emergency situation. Conventional response is simply inadequate.

In Tondo, the World Bank and the Tondo Foreshore Development Authority, nudged by the people's organizations there, are moving towards a solution of the up-to-now insoluble Tondo problem through adopting the "sites and services" approach. With a minimum of vehicular roads, adequate as fire barriers and for garbage disposal, the area will be interlaced with footpaths, and each family will be free to build whatever house it chooses or can afford on its 90 square meter lot, with the imposition of only a minimum of standards.

Many people do not perceive that the Tondo situation is not unique but is characteristic of all modern Third World centers. Either standards must be relaxed, or the government must provide adequate sanctuaries where the poor can seek asylum from legal restrictions and economic mechanisms that are aggravating an economic and social imbalance between a minority who can afford the costs and the constraints of law and the majority who cannot.