

## TECHNICAL ASSISTANCE COMPLETION REPORT

Division: SETU/SERD – formerly handled by SESS/SERD

TA No., Country and Name			Amount Approved: \$700,000	
<b>PPTA 4616-PHI: Preparing the Metro Manila Urban Services for the Poor Project</b>			Revised Amount: \$ 1,200,000 (\$500,000 additional funding from Cities Alliance)	
Executing Agency: Housing and Urban Development Coordinating Council (HUDCC)	Source of Funding:  TASF and Cities Alliance (for supplementary funding)		Amount Undisbursed: \$ 47,888 (designated for audit)	Amount Utilized: \$ 1,152,112
TA Approval Date: 19 July 2005	TA Signing Date: 9 Sept. 2005	Fielding of First Consultants: December 2005	TA Completion Date Original: 30 Sept 2006    Actual: 30 June 2010 Account Closing Date Original: 30 Sept 2006    Actual: 23 April 2010	
<b>Description</b>				
<p>This project preparatory TA responded to the government's request for assistance for (i) preparation of a comprehensive slum upgrading and urban renewal program for Metro Manila; and (ii) implementation of the 15-year slum eradication policy that had been developed by ADB with the Housing and Urban Development Coordinating Council (HUDCC) and the local government units (LGUs) of Metro Manila. This policy was designed to address the impacts of rapid urbanization in the Philippines, and particularly in the megacity of Metro Manila. In Metro Manila about 43% of the population live in informal (i.e. illegal) settlements which lack security of tenure, and many of these are likely to become victims of natural disasters. In 2000, there were 726,908 informal settler families scattered all over the metropolis. Of this number, 43% occupied government lands; 15% have established residence on private properties; and 15% live in danger zones such as waterways, riverbanks and railroad tracks.</p>				
<b>Expected Impact, Outcome and Outputs</b>				
<p>The TA aimed to assist the Government in its land reform agenda and in the implementation of a phased, metropolitan-wide 15-year strategy for slum eradication and urban upgrading in Metro Manila. It initiated a process for formulating integrated urban development interventions by LGUs in support of the strategy, including support for the transfer of national government land to local governments, and in preparing an investment project for high-priority sites within Metro Manila. The TA designed a project which intended to: (i) strengthen planning and management for inclusive urban renewal, ensuring that access of the poor to livelihood and services is improved; (ii) establish mechanisms to promote and finance new investment, using incentives and other innovative tools to direct and manage growth and unlock the urban land market, in particular the redevelopment of depressed urban poor communities; (iii) promote sound environmental management; (iv) assist communities to create viable management mechanisms to support comprehensive urban revitalization programs; and (v) strengthen sector organizations to ensure that these activities are sustainable. The proposed investment project intended to pilot its approaches of pro-poor urban renewal on several high-priority sites in Muntinlupa, Quezon City and Taguig. Planning of the subprojects took into account the concerns of stakeholders, including government departments and corporations, LGUs, NGOs, community organizations, and the private sector. The design of the TA was adequate, but could have been made more relevant if the EA had been obliged to present clear proof of availability of the land set aside for the project at the start of the TA. As it turned out, in the case of designated sites in Quezon City and in Muntinlupa, the National Housing Authority (NHA) would not release land that was identified by HUDCC. NHA did not go along with HUDCC's intentions, and HUDCC was not able to convince it otherwise, despite the fact that the Chairman HUDCC also chaired the NHA.</p>				
<b>Delivery of Inputs and Conduct of Activities</b>				
<p>As per the terms of reference, the TA undertook detailed feasibility studies for urban renewal subprojects on three sites in Muntinlupa, Taguig and Quezon City, considered as Tranche 1 of the proposed Metro Manila Urban Services for the Poor Project (MMUSP). In the second phase of this TA, co-financed by Cities Alliance, additional sites were added in Makati, Manila, Mandaluyong, Marikina, Valenzuela and Quezon City, considered as Tranche 2 of the proposed MMUSP. In the case of Quezon City (Tranche 1 site), there were difficulties to secure the land which was proposed by HUDCC and the LGU. The site, administered by the NHA, was not made available to the project, despite efforts of reconciliation with NHA. In the case of another NHA-controlled site in Muntinlupa, HUDCC undertook continued efforts to obtain NHA endorsement, until June 2009 when the project dropped from processing. It may be concluded that NHA would have liked to be the Executing Agency for the MMUSP loan; however, this option was excluded from the beginning due to weak fiscal position of NHA. That land is at the centre of many conflicting interests, is also illustrated by experiences in Mandaluyong where LGU was not able to secure the large Welfareville site which had been identified as the most promising location for MMUSP investments; the LGU cited difficulties to agree with the Department of Social Welfare and Development on a lease or 'usufruct' agreement; thus a smaller LGU-owned site was adopted for the pilot study.</p>				
<p>During loan fact finding of 11 September to 5 December 2006, a Multitranche Financing Facility (MFF) of \$490 million was proposed; however, the Memorandum of Understanding was signed only in February 2008. During further</p>				

processing, Director SESS decided to pilot the MMUSP only in two cities, Taguig and Muntinlupa, through a \$40 million investment project. An MRM was held on 2 September 2008. Management approved project appraisal on the condition that the Government will endorse this project through its Investment Coordination Committee. Subsequently, HUDCC sought endorsement of the project by the Department of Finance (DOF) which was denied on the ground that DOF considered the project as risky. DOF commented that the project should be demonstrating greater exposure of the LGUs, and not use the Social Housing Finance Corporation (SHFC) as executing agency (EA).

As part of the Cities Alliance-funded supplementary PPTA, HUDCC was supposed to hold a Metro Manila workshop to endorse a metro-wide 'Cities Without Slums' (CWS)-strategy developed by the consultants. However, this strategy workshop was never implemented by HUDCC since it perceived DOF's position as detrimental to this agenda.

The TA team did very good work, and was very responsive to the numerous changes suggested by the EA, the different LGUs, and ADB; the latter of which suggested to downscale the project from an MFF design to a single pilot tranche. Quality of the work was high, and the EA as well the LGUs very much appreciated the TA assistance. The performance of the EA, however, was partly satisfactory since it did not do enough to secure land for the project (see Quezon City and Muntinlupa) and it could have done more in the case of Mandaluyong. The performance of ADB has been satisfactory and supportive, despite the length of the TA effort (from December 2005 to May 2009).

#### **Evaluation of Outputs and Achievement of Outcome**

**Outputs:** The PPTA produced eight subproject appraisal reports (SPARs) for investments in basic services, housing and home improvements, including frameworks for resettlement planning and environmental assessments. Individual resettlement plans were developed for Taguig, Muntinlupa and Marikina. A draft Metro Manila Roadmap for Basic Services for the Urban Poor was prepared and circulated among shelter agencies and LGUs.

**Outcome:** As result of the above, the TA did not lead to a project financed by ADB. The following reasons for this can be presented: (i) there is currently no political support for a metropolitan 'CWS' strategy; HUDCC failed to impress on the DOF the urgency and importance of a metro-wide investment program for housing of the urban poor; (ii) the decision of the DOF not to support the MMUSP implementation indicated that the DOF has no confidence in some of the government's housing finance institutions (like the SHFC), the designated financial conduit for the MMUSP loan; (iii) the DOF was not convinced of the paying capacity of the urban poor,<sup>1</sup> and did not expect that SHFC could recover the MMUSP loan adequately in case of defaults by beneficiary households; and (iv) DOF was not sufficiently supportive of the MMUSP subproject designs which intended to provide cross-subsidies to poor beneficiary households through revenues from commercial land development under the MMUSP, and of usufruct tenure as bankable collateral that could enable the urban poor to become bankable.

#### **Overall Assessment and Rating**

The TA was partly successful. The TA has improved the capabilities of LGUs in assessment of demand for housing and habitat-related services, and financial planning for the LGUs. Creation of local housing units at the LGU level was also encouraged in those LGUs where this did not yet exist. The subproject assessment reports represent the end product of training and technical assistance extended under the grant. The shelter plans conducted with HUDCC at the helm improved the awareness of each LGU on the needs of the informal settlers, their affordability, LGU assets, and resources needed to implement their plans. But, the technical assistance project failed to lead to the expected investment program, and to endorse a metro-wide CWS strategy.

#### **Major Lessons**

The TA could have been more successful had there been apriori understanding with DOF on fund flow mechanism for the proposed project, and proof of availability of land. Allocation of land for the urban poor is still a major bottleneck. Despite numerous presidential land declarations for the purpose of housing for the urban poor, these lands are not made available due to complicated titling procedures. There seems to be a lack of political will to improve the situation of informal settlements. Most LGUs pursue off-city resettlement of informal settlers as their preferred strategy, perceive the problem of informal settlements rather as a burden than a development opportunity.

#### **Recommendations and Follow-Up Actions**

The creation of sustainable and disaster-resilient human settlements in Metro Manila remains a challenging agenda. As long as there is no fundamental change in approach by government, chances for success for upscaling of interventions are slim.

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<sup>1</sup> Despite positive cost recovery experiences during the JFPR 35480-PHI: Strategic Private Sector Partnerships for Urban Poverty Reduction in Metro Manila.