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Strategic Private Sector Partnerships for Urban Poverty Reduction (STEP-UP) in Metro Manila

From 2003 to 2006, the percentage of the Philippines's population living below the poverty line (i.e., the incidence of poverty) increased from 24.4% to 26.9%, implying a 10% increase in poverty incidence over this 3-year period. In comparison, poverty incidence in Manila remained at single-digit levels throughout the period, reflecting more advantageous income and livelihood opportunities in the National Capital Region than in many rural areas. This notwithstanding, the rise in poverty incidence in Manila from 4.8% to 7.1% represents a nearly 48% increase over the period—a growth rate that raised some concerns about urban poverty in the Philippines and the need to arrest its growth. Further, because of the sheer size of Manila's population, 7.1% represents a relatively large absolute number of persons living below the official poverty line. The STEP-UP Project thus formed one part of the Government's response to the growth rate of urban poverty, its overall purpose being to address partly the relatively steep increase in the incidence of urban poverty in the nation's capital.

Partners in poverty reduction

More specifically, the project's primary goal was to reduce poverty in 23 poor communities of Metro Manila, and to do so through the use of public–private sector partnerships. This was to be accomplished through the project's three components, each of which is described below.

The project's first component, strategic partnership building, focused on coalescing three groups deemed critical to urban poverty reduction:

- a business consensus group, which was to spearhead participation by private sector businesses in urban poverty reduction initiatives;
- multisectoral groups for broadening participation by stakeholders, in part by building relationships with local government units; and
- homeowners' associations.

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Thanks to STEP-UP, the office of the Homeowner's Association in Pasig City is the venue for vocational training and child group activities.

Credit responsibility is creditworthiness

The project's second major component supported improvement of housing; generation of microenterprise business opportunities for improving the livelihood opportunities of the beneficiaries; and upgrading of community infrastructure (such as road, drainage, and water supply facilities; multipurpose community centers; and access to health, sanitation, and other services).

Both housing improvements and microenterprise business opportunities were to be supported by establishing revolving funds for these purposes that would provide access to loans at affordable interest rates for members of the beneficiary communities. These revolving funds had a second purpose, which was to demonstrate creditworthiness on the part of the urban poor. To achieve this, a target repayment rate of 95% of all loans extended was established for these revolving funds. In the case of community infrastructure upgrading, grants were provided under the project.

Disaster preparedness

The third major component addressed risk reduction and management issues relating to natural and artificial disasters. Since the urban poor comprise the population most vulnerable to both types of these calamities, this component focused on policy toward, and education and training in, risk reduction and disaster preparedness. Disaster management teams were thus organized in each target community under the project.

Experience with other projects that have addressed issues relating to the urban poor demonstrates that building stakeholder participation is a time-intensive process, particularly if subprojects are to be community-led. This was particularly true in the case of the STEP-UP Project since one of its goals was to demonstrate that the poor can be self-sufficient, instead of relying ceaselessly on handouts.

In this regard, the project was successful, since the beneficiary communities collectively exceeded their target for counterpart contributions. In fact, under the project, the beneficiary communities were the second-largest source of counterpart funding after private sector businesses. Contributions provided were mainly in the form of collective lands purchased by community residents themselves, as well as human resources.

Limitations and benefits of the partnerships

By taking the lead in negotiating with local government units to provide counterparts for initiatives under the project, homeowners' associations (HOAs) demonstrated both competence and self-sufficiency, although achieving this was likewise a time-intensive process. The initial 3-year projection for completing the pilot project proved to be too ambitious, given the sheer number of target communities that in aggregate formed a widely diverse group in terms of their ability to catalyze development through group initiatives.

As for the private sector companies, their participation extended well beyond financial and in-kind contributions. The time and skills their staff contributed to the project through community visits and direct interaction with HOAs greatly contributed to the project's success. Nor were these contributions limited to those made by lower-level employees. Staff at the executive level spent considerable time reviewing subproject proposals and providing input and suggestions relating to the viability of particularly initiatives. However, despite these laudable contributions, the actual collective counterpart contribution of private sector companies fell short of the target level.

As for the multisectoral groups envisioned under the project, their formation depended on whether or not there was already an existing and active local housing board or local government unit (LGU) committee looking after urban poverty issues. As a result, the only three multisectoral groups formed were those serving Malabon, Muntinlupa, and Pasig. The other LGUs either already had housing programs in progress spearheaded by the Government, or else they were unreceptive to the formation of multisectoral groups.

No formal memorandums of agreement were signed with HOAs or LGUs. Although this did not greatly affect HOA–community partnerships, the same cannot be said of LGUs. The reception the project received from various LGUs varied widely across municipalities. Fortunately, some LGUs were quite willing to provide counterpart contributions (in the form of material donations or technical expertise) for project initiatives. This was an important factor affecting project implementation, as the ability of LGUs to provide such resources strongly impacted the rate of implementation of community-level initiatives under the project. A direct correlation also exists between the degree of development of specific HOAs and LGU support provided to the project.

Possibilities for the future

Overall, the project was successful in achieving its goals. This was particularly true of demonstrating that private sector businesses can participate directly in urban poverty alleviation, and that HOAs are capable of raising the status of the communities they serve, provided they have appropriate support. Perhaps the most significant accomplishment of the project was that it demonstrated creditworthiness on the part of the urban poor, who managed not only to implement their own housing loan programs but also to achieve 95% repayment rates. This in and of itself may eventually open up other opportunities for accessing formal-sector credit facilities.