

THE ECONOMIC COSTS OF HOUSING REGULATIONS IN THE PHILIPPINES

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INTRODUCTION

Norms, standards, rules -- these are words that govern the conduct of things in the civilized world. Once in a while, minds that are bored with the regular tempo of life begin to question, rebel, then break away. Revolutions of any form are always chaotic. Anarchy sets in for whatever it's worth. But after the momentary discord, humanity always sees a world making a step forward.

This paper raises a question on the extent of validity of the rules that have been governing the approaches used in addressing the perennially glaring housing problem in the Philippines. The natural rate of population growth in the country poses enormous pressure on the housing sector. Planners cannot simply ignore this issue when they come to grips with the ties between housing and economic development. The government cannot hope to finance more than a meager proportion of the total housing needs. When public funds are not sufficient as they normally are, the alternative is to mobilize private capital. But private investors are usually dis-

couraged by development controls in the form of regulations.

The major justification for regulations is rooted in the belief that the normal workings of the market cannot be relied on at all times in managing the area effectively, efficiently and equitably. The arguments against regulations, on the other hand, are rooted in the issues of inflexibility, uni-dimensionality and non-implementability.

Housing regulations block the potentials of housing in contributing to economic development by discouraging private sector participation.

THEORETICAL BACKGROUND

A. Economic Development and Housing

The process of economic development is marked by accelerated concentration of capital, increase in the utilization of the existing labor force, increase in productivity and increased specialization of territorial areas. The house construction industry mobilizes private capital which would otherwise be stuck in long-term interest bearing deposits.¹

Apart from directly absorbing labor through its labor-intensive activities, house construction also absorbs rural migrants who are responding to labor demand in the cities. The concentration of offices and industries in urban areas demand settlement areas for its workers. Thus, by providing houses for labor, the process of structural change arising from the shift in the employment from low to high productivity sectors is sustained.

Urban productivity, which is enhanced by local specialization, requires labor mobility. Therefore, if there could be enough vacant units available for occupancy, workers could more easily move to wherever the demand for their skills is existent. The positive correlation between health conditions and productivity of labor further supports the ties between housing and economic development.

B. The Private Sector

The construction industry is marked by some common features. There is ease of entry and exit to the industry because it requires low initial capitalization. There is a high degree of flexibility in that firms can easily shift to other forms of businesses in times of slumps in construction. The labor force is fluid due to the unskilled nature of most of the jobs. Thus, records of registered construction firms usually exhibit a high rate of turnover.²

Various aspects of construction in countries such as the Philippines are still undertaken basically in open-air assemblies that are subject to weather conditions. Thus vulnerability to both physical and non-physical conditions require timely responses.

Capital is invested in production by buying materials, labor time and equipment. Extracting surplus and attaining a desired level of profit is done by increasing the speed or length of the working day, increasing productivity by re-organizing site production set-up and division of labor, decreasing the value of circulating constant capital and fixed constant capital.

The performance of the construction industry figures under three headings in national statistics: gross output, capital formation and value added.

C. Regulations

The enforcement of regulations such as Batas Pambansa 220 or the "Rules and Standards for Economic and Socialized Housing Projects", Presidential Decree 957 or the "Subdivision and Condominium Buyers' Protective Decree," the land use plans and housing credit requirements are justified by socially acceptable goals. A classic one is to achieve order and visual amenity.

The second paternal goal of regulations is to protect the public or societal interest. As Harrison puts it, "a process which may be cheapest to a firm may not be the cheapest from the viewpoint of society as a whole."³ It is claimed that some individuals and weak groups either do not have the power to protect their welfare or may not be able to see what is good for them. Furthermore, individual interests when put together need not necessarily equate to the collective interest. Among the many public consequences that cannot be left to the workings of economic markets are externalities such as pollution, noise, traffic delays, etc.

Another paternal goal is to equitably distribute welfare and resources. It is claimed that market processes can result to high disparities in income.⁴ Housing credit requirements are usually formulated to ensure that the so-called poor can gain access to housing.

Enforcing agencies are also believed to be more capable of directing future growth because they are more informed about how future scenarios will be, while the developers' time horizons are much shorter. This belief justifies land use planning and density zoning, which are supposed to be tied in with the future social, political and economic variables which government authorities are expected to be more familiar with.

Regulations are also enforced for bureaucratic convenience. It is characteristic of government agencies to operate with a set of standardized systems, which can be implemented with the least time and manpower requirements.

There are also some very strong arguments against housing regulations and all these points translate to economic costs. The first of these arguments is that regulations are uni-dimensional. Codes are too engrossed with the orderly arrangement of spaces which may have no relation to or even conflict with economic and social policies.

In a lot of instances, code requirements are irrelevant to local conditions. It is generally characteristic of the use of regulations that decisions are taken centrally at the local or national level and may not fit the facts of individual cases very well. Furthermore, regulations are just as slow in adapting to changes in the macro-conditions, as they

are in responding to technological changes.

Inappropriate standards also give rise to illegal settlements and structures. Illegal settlements are often defined by the absence of building, development or occupancy permits. But this gives a crude distinction between what is an acceptable and non-acceptable dwelling. In assessing the relevance of standards, it is important to distinguish the following : a) Good structures squatting on land without permission; these are structures which meet all minimum health and safety requirements, but are built on land which was not legally acquired. b) Bad structures on legally acquired land; these are houses which used to conform to building codes, but whose qualities have deteriorated over time. c) Bad structures squatting on land without permission; these are structures which do not meet health and safety requirements and at the same time built on illegally acquired lots. Owners of (a) and (c) are the foci of government regulatory bodies' attention while owners of (b) escape government controls.

Regulations are also confiscatory in nature in that they limit the developers' options on how to use their properties and resources. While they leave little discretion to developers, regulations put too much power in the hands of authorities. There is no single, all-knowing government. Authorities, too, have limited data and knowledge about the future. Regulations interfere with demand and supply and thus, pricing. By influencing the kind of new housing which may be supplied, regulations influence indirectly the demands placed upon the existing stock of housing. And oftentimes, speculations arise from the weak enforcement and possible modifi-

cations of regulations. This situation can lead to rapid escalation in land prices, exclusion of low-income households and increases in the cost of services.

Lastly, regulations pose procedural difficulties, therefore resulting in significant costs in terms of time.

CASE ANALYSIS

This case study focuses on the Socialized Housing Development Loan Program (SHDLP), which is one of the programs being implemented by housing agencies that operate under the National Shelter Program. The housing agencies include the: Housing and Urban Development Coordinating Council (HUDCC), National Home Mortgage Finance Corporation (NHMFC), Home Development Mutual Fund (HDMF), Housing and Land Use Regulatory Board (HLURB) and Home Insurance Guaranty Corporation (HIGC), and the National Housing Authority (NHA).

A. Implications for Private Investment

The following analysis attempts to look at the reasons for the large turnover of small contractors in the Philippines.

1. The Market

The point of the activity of a firm is to achieve profitability. To ensure this end, it is crucial for any product to have a market. In many ways, the SHDLP regulations contract the private developer's captive market. The program imposes a selling price ceiling of P180,000, which was drawn to correspond to the 70th income percentile, or those earning a monthly income of P3,000.00 and below. A P180,000.00

package would be paid with monthly installments of roughly P750.00 over 26 years. The monthly amortization of P750.00 is twenty five percent of P3,000.00, which is the generally acceptable ratio between allotment for housing and monthly income. This is the rule of thumb derived from technical methods of ascertaining affordability. It is this concept of affordability, which disqualifies an average of 70% of all SHDLP applicants every month. For private developers to meet this particular regulation, the proposed packages usually end up as 20-square meter boxes, which meet health and safety standards, but are often unappealing to the market. While the maximum selling price is imposed, a minimum level of standard is prescribed. Under the SHDLP, land development should conform to PD 957 and house construction to BP 220. These codes distort market processes by establishing a minimum set of specifications regardless of consumption preferences. This situation prevents the market from reaching its own equilibrium.

In 1988, the favorable performance of the construction industry was brought about by the increase in disposable income. The private builder easily mobilizes and demobilizes depending on the investment climate. They thrive on speediness of response to threats and opportunities posed by macro-conditions. But the SHDLP regulations do not allow the private developers to exercise this much needed adeptness and flexibility. A P150,000 selling price ceiling was prescribed in 1987 when the inflation rate was as low as 6.7 percent up to 1990 when inflation rate went to a high of 13.5 percent.⁵ This macro-economic indicator reflects changes in the buyer's purchasing power and

should thus be considered in drawing up market policies. By fixing the selling price, it does not act as a regulator to match supply and demand.

Another inhibitive requirement of the SHDLP has to do with its site suitability criteria. In screening proposals for development financing, the NHMFC uses a set of criteria that requires, among others, that the project site be within an urban area. Urban here is defined as an area with a population of at least forty thousand and with at least ten establishments comprised of commercial, manufacturing, recreational, government and or personal services. It also requires that the site be within a five-kilometer distance from the different community facilities.

Some ten percent of the total SHDLP applicants are barred from financial assistance at this stage. The criteria assume that cities and municipalities perform the same functions such that a particular number of inhabitants or facilities can be prescribed to gauge their productive capacities. There could clearly be a backlog of 11,000 in one municipality, but some of these homeless households would rather move and settle elsewhere in the future.

The site suitability criteria also requires that there be at least one subdivision development within a five-kilometer radius from the proposed project site. This regulation does not support initiatives of mostly local builders, who have more knowledge of the capacity of the site to sustain new development.

2. Production Cost

Another aspect which bears on project profitability and hence investment attractiveness is production cost.

The common responses of builders and agencies to the rising cost of housing are in the form of scaled-down versions of units. Areas are reduced and features are simplified. The public housing sector in the Philippines responded in the same manner when the BP 220 was promulgated to downgrade minimum standards. But measures such as reducing the door height to 1.80 meters from 2.10 meters, stair widths from 1.20 to 1.00 meter, do not have significant impacts on the total cost. Oftentimes, the difference between targeted cost and actual cost is attributable, not to the hard costs, but to national policies, which are far removed from the physical appearance of the house. Labor policies, for instance, could provide for training programs, which would make up for the flight of skilled labor from the country to overseas market. Scarcity of managerial and technical expertise on the side of both the private developer and housing agencies result in high labor cost, mismanagement of resources and time delays. These factors, rather than design features, affect the final price that is passed on to the buyer much more. Thus, the mechanisms for enforcing the physical regulations only add up to the already high cost of housing because of the voluminous paperwork requirements.

The NHMFC releases collateralized land titles according to the progress of the project, which increases the value of the remaining titles. The Confirmation of Completion and Appraisal (COCA) is required prior to the release of titles. The conditions for the issuance of the COCA oftentimes go against the mass production strategies employed by the contractor. The COCA requires that land development and house construction be undertaken simultaneously such that

completed house and lot units released will be ready for occupancy. This regulation discourages the developers from employing assembly line production, which will achieve economies of scale. The regulation also keeps them from maintaining a high inventory of materials and works in progress since these items will not be valued as accomplishment despite the corresponding cash outlay.

3. Cost of Financing/ Opportunity Cost

In 1988, only 41.7 percent of the total P18.1 billion investment targeted for the year, through the government's Medium-term Investment Program, was expended. Construction agencies utilized only 18 percent of their allotment. This low level of performance is attributed mostly to procedural problems such as delays in the release of funds encountered during the implementation of projects. A total of P1.6 billion in loans, equivalent to 11,695 housing units was made available for the Unified Home Lending Program. Only 50.6 percent of this amount, however, was used. During the same period, there was a significant shift from residential to commercial building construction.⁶

Studies revealed that most loan applicants are apprehensive of bureaucratic red tapes and excessive requirements, which all translate to high opportunity costs. Some developers opt for private financing institutions despite the much higher interest rate.

A close look at the complex system that an applicant gets entangled in, once he decides to pursue a residential subdivision project would reveal a process that consists of 47 major activities. The

applicant, from the conceptualization stage, up to the implementation stage, deals with about 7 to 10 entities, five of whom are government entities. In his transactions with at least 20 personalities and 10 departments, he is required to prepare 70 types of documents, which need to be reproduced in specified quantities.

It ideally takes 200 days before the project finally takes off. Undue clogging of activities and the length of time it takes to complete the process, may be attributed to, among others, duplication of activities. It will be noted that similar activities, with the same underlying regulatory objectives, are undertaken by two or even more government agencies.

4. Cost of Uncertainty

Another set of costs incurred are costs of delay and uncertainty. These costs relate to overhead expenditures such as salaries, property taxes, inflation and interest, which continue regardless of whether or not the project has been halted. A one-month delay in SHDLP projects translates to some P400,000.00 in the short-run.

One of the causes of uncertainty is the arbitrariness of actions by local officials. Codes include many ambiguous provisions, which leave much room for discretion with the approving authority. In many instances, the power of officials exceed their expertise and understanding of what the regulations require and what the developers request for. For instance, BP220 stipulates the following:

Section 5 : The minimum design standards set forth herein are intended to provide minimum requirements within the generally accepted levels of safety,

health and economic considerations. Variations, however, are also possible as may be based on some specific regional, cultural and economic settings, e.g. building materials, space requirements and usage.

Section 9: Variances from these standards and requirements may be granted when the strict observance hereof will cause unnecessary hardship to the owner/developer or prejudice intended beneficiaries such as in the case of regional considerations, characteristics, peculiarities of the location and other relevant factors.

Changes in policies that go with the changes in leadership, are another major cause of uncertainty. In 1988, when a new appointee presided over NHMFC, a new policy came out stipulating that no SHDLP loans will be granted directly to any private entity. A private applicant needs to execute a joint venture agreement with any local government or with the National Housing Authority. Year 1988 then was a peak in evaluation activities in NHMFC. Many projects were in the pipeline, most of them undergoing the necessary revisions to suit SHDLP requirements. Then came this order that development loans for private developers will be administered by another government agency, which had a different set of lending policies. This shift caused a lot uproar, not only from the applicants, but from the members of the various private developers' organizations the applicants were part of.

The government knows very little about the future, but regulations assume otherwise. Project implementation is very much constricted by the conditions agreed upon during the evaluation stage. A cashflow is prepared beforehand showing which items should be

finished first, how many units should be constructed per month, sales that will be effected per month, etc. Releases of loans are made strictly in accordance with the projected levels of physical accomplishment. But the conditions assumed during the evaluation are much too ideal. One typhoon can completely mar all financial projections. Private firms financed by private institutions can very easily adapt to these changes, but government structures constrain this adroitness to cope with uncertainty.

5. Locational Factors

The type of regulations that bears most upon location decisions is zoning.

A developer, before proceeding with the full-blown feasibility study, needs to secure a locational clearance to ensure that the type and density of the development conform with the land use plan and zoning ordinances of the city or municipality. But zoning practices were put in place by the Spanish colonial government for the purpose of ensuring its colonial officers and other Europeans a high standard of living and security. They were developed at a time when the Philippine economy was overwhelmingly agricultural and rural-based and people's movements were severely constrained. These regulations, therefore, are ill-suited for independent nations, which are characterized by a very high rate of urbanization.

The major impacts of zoning are any or all of the following : a) the developers may increase the cost of homes built as a result of the high land prices, which zoning creates. Pre-empting direction and location of growth leads to land speculation, which causes price of land to escalate. b) developers may also de-

crease the density of development patterns to come up with house and lot units, which would command high selling prices. c) or developers could change the direction of development to less populated areas to build in conformity with less restrictive zoning, which allows more economical products.⁷ While the SHDLP prescribes a selling price ceiling, it also requires an economically progressive site where land prices are relatively high. Land prices in the areas which conform to the site suitability normally range from P150.00 to over P1,000.00 per square meter. This land cost range leaves very little or none at all for house construction and land development. To achieve a balance between cost and selling price, developers would most likely resort to multi-family dwellings. But there are also the density restrictions to contend with. Many areas with urban locations forbid high density development because of the resultant pressure on the existing services and facilities. Therefore, alternatives (a) and (b) can only be done to a limited extent. This leaves developers to consider alternative (c), that is to look for another site.

The zoning plan's goal of achieving spatial order masks its intent of protecting property values. Density restrictions defeat the SHDLP's goal of accommodating the low-income households because they effectively segregate income groups.

E. Indirect Implications for Economic Development

1. Absorption of newcomers/migrants

Urbanization, which comes about as a result of the pull created by labor de-

mand in the cities, is a requisite for economic development. As the structure of production changes in favor of the high productivity sectors, movement of people is triggered. The resultant movement of people is consistent with the movement of the job-generating sectors.

A whole range of institutions play a big role in influencing the process of migration. The institutions which bear upon migration include those which operate in labor market, like employing firms and job agencies. Those authorities operating in the housing market like NHMFC and other finance providers, likewise bear upon migration.

Housing plays a role in the economic development process because it supports the migration process that goes with it. But government, which cannot bank on non-profit organizations in a significant scale should attract private builders to participate in the process. Housing regulations, however, hardly complement the private developers' nature and motives.

2. Mobility of Labor

Labor mobility refers to movement between local labor market areas and thus involves short distance movement.⁸ The issue of labor mobility dominates most discussions of housing shortages. This paper, however, asserts that the real issue is immobility rather than mobility. Movement of labor within an urban area is necessary for economic development because it enhances the process of territorial specialization. As the uses of land in the urban area are continually purified through normal market mechanisms, settlements are needed to sustain the process.

Among the many factors which influence the rate of labor mobility are the family life cycle and nature of jobs/employment.⁹ As social status changes while household incomes increase, families opt to change places of residence to suit their new lifestyle. As families change in composition, their housing needs expand or contract and they move. These movements result in filtering. The filtering theory refers to the changing occupancy whereby the house occupied by one or more groups becomes available to the next lower income group as a result of decline in market price. Therefore, provision of new housing, may have indirect as well as direct effects. The households who move into new housing benefit directly and leave behind them vacant dwelling into which others may move. The SHDLP, however, concentrates on direct housing provision. By directly targeting at the low-income group, SHDLP policies do not consider the dynamics of the social milieu arising from ongoing family life cycles.

Ability to move and labor mobility are also tied up with the nature and location of jobs, the extent of local skill or labor supply shortages and wage rates. Varying employment conditions would require varying spatial and settlement organizations. For instance, the mobility of labor in the central business district of Makati, would be different from that of the fishing communities of Navotas or the industrial towns of Bataan. Professionals in managerial positions would most likely be the short distance movers. They will change residence according to the location of markets and transport junctions. The question of who moves and what drives them to move reflect housing needs, which require varying responses. Stan-

dardized housing regulations, however, assume that the same conditions govern all localities.

3. Employment

As already mentioned, housing construction is a very labor-intensive activity. The degree of labor-intensiveness depends on the level of technology in the country. In the Philippines where automation has not reached a very high level, one housing project would, on the average, involve 40 people. But very few workers join the skilled and unskilled labor force if there are job alternatives. Construction workers do not enjoy prestige, despite their contribution to the economy because of the nature of the work, which is done in open air. Since hiring is often done on a contractual basis, construction offers little job security. Some of the NHMFC's regulations do not counteract the inherent unattractiveness of jobs offered by construction. Take for instance the NHMFC's system for pre-qualifying private developers. Pre-qualification criteria are categorized under four headings: Organization, Projects Undertaken, Equipment and Legal Status.

Under 'Organization,' the NHMFC looks at the manpower set-up of the firm. It seeks to ensure that the firm has the managerial and technical expertise to undertake the proposed project by evaluating educational attainment, number of staff and workers, and related work experience. But the criteria used do not recognize that construction work experience represents genuine uncertificated skill upgrading. The on-the-job training derived from construction compensates for the lack of access of most of these workers to formal education. The criteria also do not recognize the indigenous builders or the so-called

'maestro'. These are the builders who, after several years of building experience, need no detailed drawings to manage the construction of a fine house structure.

Under 'Projects Undertaken,' NHMFC looks at the past projects in terms of size and cost. This system gives higher points to developers who have undertaken bigger projects and thus, discriminates against new entrants to the industry. With the very high turnover in registered developers in the country, it is essential that new firms be accorded the same support as the established ones.

Under 'Equipment', a higher score is given to firms with its own set of equipment than to those which need to hire them. This system is not in consonance with the nature of the construction firm, which mobilizes and demobilizes in accordance with investment conditions and, therefore, need not necessarily invest on fixed assets such as pieces of equipment.

4. Productivity and Cost of Enforcement

Weak coordination defeats the cost and time-saving rationale of regulations. It is said that standardized specifications and procedures are set for bureaucratic convenience. However, the problems encountered by the NHMFC in its attempts to turn over community facilities to the other government agencies, prove otherwise. Facilities such as deepwell systems, school buildings and access roads have to be turned over to the public authorities like the Metro Manila or Local Waterworks Authority or the Municipal governments. But most of these supposedly recipient agencies refuse to accept the facilities primarily

because they were not involved in the planning and construction stages and are therefore not certain as to the soundness of designs and construction. Skepticism exists despite the voluminous documents and plans showing that construction works were done in conformity with the prescribed codes.

Regulatory functions are often duplicated not only within the network of housing agencies but also within a corporation. But at the end of the day, all these costs rebound to nothing. To ensure say, that a house conforms with health and safety standards of BP 220, one architect or engineer is tasked to evaluate the house plan. Another technical person is tasked to monitor construction to ensure that the plan is adhered to. Right before transferring the title to the buyer's name, the house is inspected by two people -- one from NHMFC and another from the HIGC. But a few months later, it is not unusual not to be able to recognize the same house because the dweller often makes alterations without securing the necessary permits. Hence, a project inspector would likely find 'sari-sari' stores encroaching pavements, extensions encompassing the required open space and other code violations. But little could be done about these violations after the units have been awarded to the beneficiaries.

In 1992, the NHMFC's daily operating expenses amounted to P116,000. This translates to roughly P259 per person per day. A significant percentage of operating expenses is used for travels. Once a project takes off, the site is inspected at least once in two months. The purpose of this undertaking is to monitor implementation and to ensure that land development and construction are un-

undertaken in accordance with the mutually agreed plans and specifications. But with this frequency of inspections, monitoring can only be done superficially. With every site visit, the inspector would most likely find twenty completed houses and portions of the road network cemented. No report can be said about the proportion of cement poured on the columns nor the kind of lumber used for the roof trusses. Hence, costly travels are undertaken for regulatory purposes with insufficient accomplishment. The point is that no matter how strict the regulatory framework the project underwent in the evaluation stage, adherence cannot be ensured because of the very high cost of enforcement it involves. In this case, strict monitoring can only be done by having at least one staff permanently detailed on site. But with very scarce public funds, assigning one staff to each of the project sites would simply be not financially feasible.

F. The Need for Regulations

Notwithstanding the different costs of regulations, it cannot be concluded that all types of housing regulations should be scrapped. Some of the SHDLP's projects bear witness to the need for some kind of regulation in the house construction industry.

The SHDLP's pricing policy, to a certain extent, guarantees that the low income group gets access to housing. Some developers do take chances with government-initiated projects because of the low interest rate of 12 to 14 percent compared to the private financing institutions' 26 percent.

Ensuring the livability of settlements definitely cannot be ruled out. Buyers who are willing to invest out of their

meager incomes are entitled to some degree of safety. Typhoons are yearly occurrences in the Philippines, while fires, earthquakes and volcanic eruptions come occasionally without warning. Physical regulations without doubt, are needed to address these threats.

Ecological considerations also justify the use of regulations. More than 600 residents of Cielito Homes Subdivision in Caloocan City in 1987 filed a formal complaint due to the environmental problem posed by the project site's proximity to a farm/piggery. There would be no grounds for filing the said complaint if there were no zoning ordinances.

Screening of project proposals does entail a certain degree of skepticism because there are indeed developers who, for profit, would gamble on people's lives and safety if they can. Others would produce plans and cost estimates just for the sake of fulfilling documentary requirements. For instance, it is very rare for cost estimates to pass the preliminary technical evaluation because applicants oftentimes submit mediocre information. Most developers would, during the evaluation stage, claim that their proposed costs and prices are realistic just so they would meet the selling price ceiling. But they all end up requesting for either adjustments in selling price or for alteration of plans in the middle of project implementation.

Project evaluators also need to be skeptical about the developers' intents because there are some who want to avail of low-cost financing and divert the funds to other more profitable ventures. There have been many SHDLP cases where after loans have been fully released, development proceeds with a snail's pace. Payments for slippages may

be charged, yet, this cost may be negligible for the developer who has invested the money in a highly lucrative business.

Proposing to develop a site into a housing project is also an easy way out of being subject to the Agrarian Reform Program. With the project in the pipeline, the legal proceedings relative to land distribution from landlord to tenants is delayed.

There are particularly sensitive activities which require some control mechanisms. These are activities which entail more than one person or department to ensure that the tasks are undertaken with competence and integrity. Collateral appraisal is one such activity. NHMFC policy requires a 120 percent collateral coverage at all times. This means that the loans should, at all times, be 80 percent or less of the value of collateralized land and accomplishment thereon. It takes both technical expertise and incorruptibility to go to the project site and to make a report on the actual level of accomplishment undertaken by the developer.

SUMMARY AND CONCLUSION

Housing is an essential component of economic development. Without human settlements, the processes which bring about accelerated concentration of capital, increased utilization of labor force and increase in productivity and specialization of territorial areas cannot be sustained. But providing for housing needs is a task which cannot be done by the public sector alone. Therefore, government housing agencies need to come up with policies which would attract private builders, who have the financial power and manpower to produce a sizable share of housing needs. The

National Home Mortgage Finance Corporation is one such agency which needs to look at its policies, particularly its regulatory framework to fully tap the potential contributions by the private sector to the alleviation of housing problems in the Philippines. The way they are, the regulatory frameworks of the housing agencies in the Philippines hardly accord with the nature of the private house construction industry.

ENDNOTES

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