

*On-Site Socialized Housing Program: A Comprehensive Approach towards  
Sustainable Community Development*

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## 1. Preface

### (1) Background of the research

The world's population has exceeded the 7 billion mark. The urban population of developing countries has reached about 2.56 billion, and in 2030 some 80 percent of the world's urban population is expected to concentrate in developing countries. The United Nations Millennium Development Goals (MDGs), therefore, calls for "drastically improving at least 100 million slum dwellers' lives by 2020." "To improve drastically the slum dwellers' lives" does not mean improving their living environment alone. It also means our challenges to the overall problems of urban poverty that exist at multiple levels, such as breaking away from low wages, expanding education and basic public service opportunities.

As the concentration of urban population progresses, it is a major challenge for us how to build a society where people can live in safety and security, as well as with human dignity. Various measures have been taken and yet it is far to cope with these issues. It has come to be widely recognized that social capital, such as trust, reciprocity and social network, that can unite society, as advocated by Robert Putnam, is very important to resolve the problems of insecure society and divided society. Various programs to encourage economic self-sustainability, on the basis of the poor people's entrepreneur spirit, such as Grameen Bank's microfinance and the Bottom of the Pyramid schemes, have been undertaken throughout the world. There has also been a growing trend in general that encourage private-sector corporates to fulfill their social responsibility, known as CSR, and not just pursue profits alone.

Even so, it is hardly true to say that enough opportunities are given to slum dwellers today with the progress of globalization that emphasizes market principles. In the Philippines, Socialized Housing Programs have long been implemented to enable slum dwellers to own for themselves the land and residences they have long occupied. However, in reality, the programs are having a very hard time achieving the targeted objectives, with increasing arrears in repayment and resale of their rights. There are mainly two factors behind such situations being repeated. First, the Socialized Housing Programs have been worked out as a system to bring "informal" slum dwellers directly to "formal" markets. Informal society is a unique society that people whom formal society could not sustain socially, economically and institutionally have created to survive in cities. These people have earned their living, built homes, and lived their lives on their own account. It may be fundamentally wrong to require the slum dwellers fixed amount of repayments every month while they are getting no formal incomes like monthly salary or no minimum wages guaranteed.

Second is who the beneficiaries of the Socialized Housing Programs are. Those who get benefits from the improvement of slums are not only slum dwellers who will tenure land and housing, but also people residing in areas surrounding the slums, the city, the province, and eventually, the whole country. Then, one cannot help finding some contradiction in the current situation in which "formal" programs with little flexibility are "thrown" onto "informal" income earners, thus laying the blame on the poor for the failure of the slum improvement programs due to difficulty in repaying their loans. It appears imperative, therefore, for the whole society – individuals, their community and the country – to take up the problem of improving slums as their own

problem and letting the poor positively into formal society, rather than shutting them out in order to take this undertaking closer to the realization.

For improving slum dwellers' lives, a balance between "economic life as an activity to sustain material life" and "social life as an activity to live together with others" will lead to the sustainable development (Onda, 1997). So it seems unavoidable that finance programs to give onsite settlement opportunities, without preparing systems to improve slum dwellers household economic capacity essentially will not produce expected results.

Therefore, this research looks into how slum dwellers' informal economy can be converted into formal economy, and ways to improve their lives through sustainable social and economic development.

## (2) Purpose of the research

This paper compares slum dwellers' household economy and the amount of their repayments in the Socialized Housing Programs in two cases in the city of Cebu, Republic of the Philippines and clarify the problems of the ongoing Socialized Housing Programs. Then, it analyzes the process of development in which community activities become active after the confusion at the initial stage when the development programs were introduced. Finally, as this research's proposals, the paper aims at showing the potential of slum dwellers' organizations, as owners, managing and running the collective housing units built on their dwelling areas.

## (3) Method of the research

Case 1 deals with Barangay Luz (referred hereafter as 'Luz'). Researches were conducted from 2006 to 2011 on the community's features, household economy, details of the Socialized Housing Program, the development process before and after the introduction of the housing program, and the program's amortization payment situations through qualitative and quantitative research methods as well as participant observation.

Case 2 deals with Barangay Lorega (referred hereafter as Lorega). On-the-spot research was conducted on eight occasions continuously between August 2010 and February 2014, focusing mainly on qualitative research and visual research by participant observation. The research purposes were to clarify the dwelling environment of dwellers in cemeteries, household economy and life style, details of the Socialized Housing Program as well as the way it was introduced, and the relationship among actors involved in the housing program, and the differences of opinions about the program that caused the division of cemetery dwellers into two groups. For the same purposes, hearings were conducted on the Barangay Captain (i.e. town mayor), the Cebu City Assembly member in charge of the Socialized Housing Program, the representative of the non-governmental organization (NGO) that serves as a partner for the Socialized Housing Program and the leader of the Socialized Housing Program dwellers' organization.

## **2. Cebu City's land features and population, and the Socialized Housing Programs for the urban poor in the Philippines**

### **(1) Land features and population of Cebu City**

The city of Cebu is located in the central part of the east coast of Cebu Island, and center of the Visaya region. In this oldest colonial city in the Philippines, blessed with good ports, 866,171 people are living (as of 2010). The city has land features, with the land's big differences between the highest and the lowest levels, and its plains account only 18 percent of the island's total area where more than 88 percent of its population and city functions are concentrated (Etemadi, 2002). The population growth rate between 2000 and 2010 was 1.88 percent (compared with 1.65 percent in 1990-2000). With this population growth rate, Cebu City's population will become twice the current size in 37 years (National Statistics Office of the Philippines, 2011).

### **(2) Socialized Housing Program for the urban poor**

In the Philippines, citizens' participation was institutionalized for the first time in 1991 by the Local Government Law, and in the following year, policy measures were taken to place emphasis on improving living conditions of the urban poor by the enactment of the Urban Development Housing Law. Among the various measures to improve dwelling areas of the slum, the Community Mortgage Program (CMP) attracted the most attention. The CMP is designed to provide low-interest loans without collateral to low- and middle-income people who have been occupying public and privately owned land, without residency rights, to help their land purchase and improve their dwelling environment. The system requires those who want to get CMP loans to form dwellers' organization so that the members of the organization will receive guidance and support concerning legal procedures for receiving loans and operation and management of the Socialized Housing Program from support organizations with expert knowledge, called the Originator. In addition, there are Socialized Housing Programs implemented at various levels, such as the country, the province and the city. These programs are made up of the housing infrastructure development plan for the poor, including homeless people, that provides loans up to 300,000 peso per person (about 600,000 yen), and long-term low-interest loans to help finance the housing construction (for houses only, or houses with land). (Housing and Urban Development Coordinating Council: HUDCC, 2005)

The Philippines, at different government levels, have made efforts at slum improvement by revising institutions and laws since the 1990s, as illustrated above, but until today, it is hard to say that those efforts have achieved intended results. While the housing demand in 2005-2010 reached 3,756,072 units, the housing construction goals were set at 1,145,558 units, or one third of the demand (HUDCC, 2012). As the reasons for such demand and supply gap, the HUDCC cites the difficulty in obtaining and organizing the record of land owners, and the government's limited resources, including the high cost for the task, the advance of globalization that has been pushing up land prices and turning more land for commercial and industrial use by reducing land for housing, and resultant one-sided overemphasis on development of high-income housing as against declining incentives for low-income housing construction. The current situation of the housing supply lagging badly behind the actual housing demand, while the urban population keeps

increasing, is expanding the worsening of the urban dwelling environment, such as air and water pollution, spread of contagion, traffic jams and worsening of poverty.

### **3. Living environment in slums before implementation of development projects and household economy**

#### **(1) Barangay Luz**

Luz is located some 5 kilometers northeast from the central part of the city of Cebu. At present, about 15,000 people are living in a land site of some 20 hectares. Since people who lost their homes in the 1956 big fire in central Cebu moved into the land area owned by the Cebu Province government, huge slums have been formed here.

In the latter part of the 1980s, a large land area adjoining Luz was sold to the Ayala business group and the commercial development project called “Cebu Business Park” was decided. Because all the Luz residents are dwellers without residency rights, they feared the possibility of eviction. When some of the dwellers requested the Cebu provincial government for transfer of land, the provincial government approved the sale of land through the Community Mortgage Program, on condition that the Cebu City government as the Originator guide and manage Luz dwellers. However, the Luz dwellers all have experience of evicted from where they used to live. There are 16 districts, known as sitios, but because many of them did not trust the government’s new program, only three of them accepted the CMP scheme. It took 14 years before the Socialized Housing Program was finally put into force in the entire Luz.

Table 1 shows the comparison of the detail contents of the three Socialized Housing Programs in Luz and their repayment situations. The first is the central government’s CMP, the second the provincial government’s Socialized Housing Program Ordinance 93-1, and the third is the Cebu city government’s Socialized Housing Program (CSHP). The interest rates for these schemes’ loans are the same at 6 percent a year, while the repayment periods are different according to the purpose of the programs, at 25 years, 5 years and 10 years. Their monthly repayment amounts are different due to the differences of the repayment periods and land prices. The repayment amounts are 140.30 pesos (about 280.60 yen) for the CMP scheme, 400 pesos (about 800 yen) for the Ordinance 93-1 scheme and 346.29 pesos (about 692.58 yen) for the Cebu Socialized Housing Program. Land prices for the CMP are the lowest since the project began earlier than the other projects, while land prices for the CSHP that entered into business partnership for the project in the 2000s are more than twice those for the CMP.

Table 1: Comparison of three land acquisition programs in Luz

Project	CMP	Ordinance 93-1	CSHP
provider	National Government	Provincial Government	Cebu City Government
paid by	community organization	individual	individual
payment period	25 years	5 years (postponed for another five years)	10 years
interest rate (annual)	6%	6%	6%
implemented in	1988	1990	2002
payment initiated in	1997	1993	2004
program ends in	2022	2004 (ended)	2013 (postponed)
land price (Php/m <sup>2</sup> )	530	560	1,300
monthly amortization (Php)	143.30	400	346.29
collection rate	79%	those tenured = 7% those completed = 24% on going = 47% delinquents = 22%	7%

As for the repayment rates in these three housing programs, the repayment rate of the CMP was 79 percent, according to the research conducted in 2007. This figure for Luz is higher than the CMP's national average of 73.14 percent per year for 1994-2007 (Social Housing Finance Corporation, 2009). Meanwhile, in the 93-1 scheme, households that obtained the land ownership accounted only for 7 percent of all that received loans in the scheme. The repayment rate for the CSHP is extremely low at 7 percent, but despite that low repayment rate, the extension of the program was decided. The low repayment rates, except for the CMP, were mainly due to the fact that the two programs have no one like the "originator" in the CMP who can give guidance and support and also that the contract is on an individual basis and it is difficult to keep their incentives for repayment (Kobayakawa, 2009).

Table 2 shows a compilation of numbers about the household economy in various parts that have introduced the above-mentioned programs in Luz. In those three communities, the households that earn informal incomes accounted for around 65 percent. Judging from the monthly average amount of their incomes, it can be said that the Luz dwellers are earning incomes of almost the minimum wage level. To make the matter worse, because their incomes are informal, the incomes are very unstable and irregular. Without any savings, they would immediately become unable to make repayments for housing loans in the program once they or their family members become ill or even die, causing them to need a good amount of money. In the community that adopted the CMP, repayments are being made even today, and the dwellers there are expected to tenure land and houses eventually, but the other two

housing programs ended in failure. It was decided that the Cebu Socialized Housing Program will be extended again, but the amount of repayments would have to be reviewed to cope with the rise of land prices. In that event, it would become even more difficult for the residents there to continue repayments regularly. The Cebu provincial government's 93-1 program has ended inconclusively and is now shelved. The program has now been a longstanding pending issue for the provincial government as it cannot sell off the land where land owners are scattered like a patchwork.

Table 2: Household Economy of Luz

Program	households	informal households (%)	average monthly income (Php)
CMP	92	65%	9,384
Ordinance 93-1	114	62%	6,816
CSHP	117	66%	10,569

## (2) Barangay Lorega

Lorega is located some 1 kilometer northwest from the Cebu City Office. It has 13 hectares of land area, where slightly less than 13,000 people are living in 17 sitios. There once used to be San Miguel's beer brewery and a slaughter house in the area, but today, it is a residential area after major industries moved out to suburbs. The status of Lorega's landownership is varied, with many private and public owners owning parts of the area, and formal and informal types of residency mixed. In the center of Lorega still exists Cebu City's public cemetery, reportedly opened in 1936. The cemetery area covers about 2 hectares, where about 400 households are said to be living as of 2011.

For cemetery dwellers, gravestones serve as their furniture, like tables and beds, and for kids there, they are playground equipment. Houses are built ingeniously around gravestones standing at-randomly. Because of the nature as a "cemetery" there is no infrastructure prepared. Dwellers take care of such facilities on their own. Dwellers in Lorega are those who flowed into this city on a mass scale from countryside in the 1950-1960s, placing their hopes in the postwar development of the big city Cebu, but were not absorbed into the formal society. People who cannot find jobs and cannot afford to pay rent began to gather around Lorega's cemetery.

Lorega's town mayor submitted a request to Cebu City to let cemetery dwellers live in places which can be called "house" and improve living environment, such as hygiene and security. The petition was approved by the City Assembly and the public cemetery was closed in 2010. Of the total construction cost of 13 million pesos for the Socialized Housing Program, 10 million pesos (some 20 million yen) was allocated from the Priority Development Assistance Fund by the former congressman. The remaining 3million pesos was provided by a Catholic NGO and Gawad Kalinga (GK). Thanks to the funding, a 3-story Medium-Rise-building (MRB) accommodating 60 households was built. GK Lorega is a rare case even in Cebu City, where MRB was accepted by slum dwellers.

The main actors in the Lorega SHP project are Cebu City, the owner of the land, GK, which is responsible for the building construction, and the dwellers' organization. GK conducts activities involving every dweller in Lorega for sustainable community building. Its motto is "bayanihan" meaning "spirit of service to share." In this "bayanihan" spirit, housing beneficiaries, engineers and volunteers come together to cooperate in realizing construction of inexpensive and simple houses and regional facilities. The Lorega Socialized Housing project using the GK methods has been named "GK Lorega." The housing beneficiaries are required to contribute 2,000 hours of labor. This method, called "sweat equity", is an important process to nurture joy of complete their houses and "ownership consciousness" toward their housing and community through working cooperatively together. For GK Lorega, built with the special regional development budget and donations, Cebu City decided to provide the land on a 50-year lease. The GK Lorega dwellers have now been allowed to live permanently as formal residents by paying only 300 pesos a month for management and maintenance fees, in addition to "sweat equity" for the required hours. GK plans to build three more MRBs in the near future.

#### **4. Development process of the community development after implementation of the land and housing acquisition program**

##### **(1) Case of Barangay Luz**

The Socialized Housing Programs in Luz as a whole are in a situation where land and house acquisition is difficult, as discussed above. Judging from the current amortization payment status, the programs are failing. However, if the programs are discontinued at this point, the cancelation of the programs will kill the dwellers' incentives – very important factor for the community development – born at the time the programs were introduced, and such incentives cannot be expected to work any longer for the slum improvement. The following paragraphs analyze how the introduction of the Socialized Housing Program raised the dwellers' incentives for the community development.

Until through the 1990s, Luz was a typical slum where people living there could not afford to buy and eat food without outside support. But by the 2010s, slum dwellers began to positively work on the participatory development, with the number of economically sustainable dwellers increasing through the process. Behind this drastic change of Luz was the introduction of the CMP. Dwellers there that were given the possibility of acquiring their land changed their consciousness about the environment drastically. They became nervous about trashes in streets, which they had never paid attention before. And a clean-up campaign began. While through their clean-up campaigns, they have learned how to separate recyclable cans from garbage, produce compost from kitchen garbage, make small products with used juice packs, and earn cash from trashes. Those products are now sold in the Internet marketing throughout the country and even abroad.

One of the most remarkable among the Luz people's vitalized economic activities is the rental room business. The multipurpose cooperative in Luz is offering funds for those who have already paid up their CMP amortization or paying it constantly to help expand the rental room business. In the first two years after rental rooms are completed with the cooperative's fund, the cooperative receives rents from rental room users to repay the loans. The cooperative also introduces customers to the rental

room owners. There are strong and growing needs for cheap rooms in Luz that offer convenient accesses to neighboring work places for employees in the Ayala Shopping Center and workers at nearby construction sites. So it makes a stable business. The owner can make 6,000 pesos a month, or the lowest monthly wages, if the owner has at least three rooms as the rental rooms fetch monthly rents of 1,500 to 2,000 pesos per room. A system to start up the rental room business, even if they have no savings, has been established in Luz so that they can earn a stable income as rents. The reporter of this research is paying close attention to this business pattern.

## (2) Case of Barangay Lorega

It was fortunate for the GK Lorega dwellers to become able to live in the Medium-Rise-Building (MRB) without amortization payment. In 2013, extensive corruption scandal came to light over the Priority Development Assistance Fund, and the budget is currently frozen and it stops GK from another constructions.

As of February 2014, 49 families are living in the GK Lorega. The move-in time lag is attributable mainly to time-consuming procedures. Economic activities at the GK Lorega have become gradually active. Today the residents of the GK Lorega handle a co-op shop, shao mai vending, signboard making, and T-shirt print shop. They are also donated machines to produce roofs and building blocks from abroad. It is still premature to obtain data of these businesses and earnings. However, it is quite clear that they are capable enough to manage businesses.

The GK representative and a Japanese entrepreneur are planning to set a training centre in Lorega. They believe that if cemetery dwellers are given appropriate and enough training, they will be able to find jobs. They also are discussing the possibility of the dwellers at the GK Lorega starting up new business together. For example, they think, the roofs of the GK Lorega building will be turned to a roof-top restaurant to have customers enjoy panoramic views of Cebu City. Housewives who are now earning incomes from laundry in the city may also jointly open a laundry shop on top of the building roofs. They can expect collect customers more systematically and earnings more effectively by starting up a business in a team rather than soliciting customers individually at individual shops, they say.

## 5. Conclusion

### (1) Lessons from the two cases of Cebu City

This part summarizes what have become clear in the two cases of Lorega and Luz. First, the poor in Cebu City who had stuck to the traditional independent houses have accepted the idea of the MRB. The slum dwellers now understand very well that they have no choice but to accept collective MRBs in order to secure proper housing in urban areas where available land for housing is limited and land prices are high. It is expected that the MRB will become the main stream of the future on-site development of slums. Second, the problems of repayment arrears and interruption in financing programs for the urban poor are often caused by the fact those borrowers with informal job and income have no stable monthly wages. Third, in cases of Lorega and Luz, dwellers community activities became active once their fears of eviction are removed. The dwellers began to participate positively in environment, economic, social and recreation activities in the community, and expand their social

network, to obtain new information, knowledge and resources through the networks, and create opportunities for jobs and business. Slum dwellers have the ability to do sideline-type jobs like making small products using recycled trashes as well as the ability to start up business or set up an organization to do contract work for big companies. Fourth, the successful case of rental room business in Luz. The rental room business model with the cooperation and help from the whole community showed that dwellers with no savings can start up business. Fifth, support and assistance from outside agents with knowledge are essential until a dwellers' organization is formed in a community and that organization grows to become able to launch activities independently and put them on the track. In the case of Luz, the Originator of the CMP, and in the case of Lorega, the GK representative played that role.

On the basis of these lessons learned through the research, the researcher would like to consider in the following paragraphs the ways to solve problems of slum improvement that have been frustrated because the amortization payment cannot continue.

## (2) The possibility of management and operation of the Medium-Rise-Building by the dwellers' organization

This proposal refers to the on-site Medium-Rise-Building programs in urban areas. The recommended construction method is, by adopting the GK method, to form the dwellers' organization among those who agree to the purpose and idea, obtain cooperation from experts and engineers, and have members of the dwellers' organization work in construction to contribute the required hours of "sweat equity" in accordance with the "bayanihan" spirit. What is expected from the "sweat equity" in the MRB construction is not only the effect to cut construction costs but more the effect to consolidate mutual confidence and solidarity of the dwellers through the "sweat equity" as well as raising awareness of ownership and deepening attachment to their community.

The collective MRB is projected to be a 5-story structure, with 20 households living on each of the top three floors. The top three floors will house living quarters, while the second floor will have the space for rental rooms, and the first will offer commercial rental space for shops and work areas. The rental space to be created on the first and the second floor is the device designed for the dwellers' organization to secure stable incomes and is the very feature system this research proposes to help convert slum dwellers' informal economy to formal economy. The rental rooms and rental space will be run and managed by the dwellers' organization to be formed by the 60 households living there, and, as examined in the study of Luz, rents to be earned from those rental space and rental rooms will be paid to those who have provided funds until repayment of the MRB construction costs is completed. After the construction costs have been repaid, the rents and earnings will be incomes for the dwellers' organization. After costs for operation, management and maintenance of the building are deducted from the rents and sales, the balance will be distributed among all families participating in the project.

This proposed system to convert to formal economy will work only in urban areas where needs for rental rooms and shops are high. This system also enables slum

dwellers with no savings in informal economy to start a new life without being forced to pay unsustainable amortization. Also because the system distributes monthly rents to dwellers, once the construction costs have been repaid, this will be a very attractive project with high incentives. It incentives will also be high for housewives who have to raise children and elderly people who have to stay where they live, while their bread earners work outside home.

This proposal requires further research of the 5-story MRB about its validity and appropriate number of families to be accommodated in the housing. In the meantime, the proper size of the rental space and the ways to utilize the MRB's roofs should be considered the owners of the collective houses and the dwellers organization on their own, rather than being told by third parties. For the management and operation of the collective MRB by the dwellers' organization, it is essential to have right support and education by the Originator in the initial stage, and the dwellers' organizations' "bayanihan" spirit to make the project sustainable.

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