

PHILIPPINES URBANIZATION REVIEW

FOSTERING COMPETITIVE,
SUSTAINABLE, AND INCLUSIVE CITIES

EXECUTIVE SUMMARY



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Introduction



Urbanization is a driving force for growth and poverty reduction. Globally, over 80 percent of economic activity is concentrated in cities, and cities are essential for lifting millions of people out of poverty through the opportunities that density and agglomeration can bring with jobs, services, and innovation. However, if not carefully managed and planned for, the benefits of urbanization are not realized and can result in congestion, slums, pollution, inequality and crime.

City competitiveness is an important part of successful urbanization. A competitive city facilitates its firms and industries to create jobs, raise productivity, and increase the incomes of citizens over time.¹ At the same time, it is not possible to achieve these objectives without strong institutions, social inclusion, resilience, and environmental sustainability. All of these elements are important to harnessing the benefits of urbanization and must be enabled by both national and local governments.

The Philippines is one of the fastest urbanizing countries in the East Asia and Pacific region. In the past five decades the urban population grew by over 50 million people, and by 2050, approximately 102 million people (more than 65 percent of the country's total population) will reside in cities. Urban density overall is high, particularly in Metro Manila, one of the regions fast growing megacities.

Urbanization is correlated with economic efficiency and growth in the Philippines, as has been found in other countries.

The economic benefits of urbanization are realized through agglomeration economies based on the high and increasing density of cities which provides much opportunity for structural transformation of the economy.

While urbanization in the Philippines has had positive impacts on increased productivity, economic growth and poverty reduction, the country has not benefited from urbanization gains as much as other countries which leaves much scope for increasing opportunities going forward. There are a number of underlying structural issues affecting urbanization in the Philippines in various ways. First is the country's archipelagic geography which creates divisions in connectivity both internally and to external markets. Second is the country's bypassing the industrialization process normally associated with urbanization, having shifted directly from agriculture to service sector dominance. Third is a stagnating manufacturing sector which has not resulted in high quality jobs and, in turn, has negatively affected urban led growth. In all known cases of high and sustained growth, urban manufacturing and services led the process while increases in agricultural productivity freed up the labor force that moved to the cities and manned factories.² Fourth, is the Philippines high exposure to natural hazards, particularly flooding and seismic risk, all of which exacerbate urban management challenges.

¹ World Bank, 2016, "Competitive Cities for jobs and growth: what, who and how"

² Spence, M. Annez, P. and Buckley, B. eds, 2009, Urbanization and Growth, World Bank.



Beyond these key structural issues are two binding constraints which, unlike the structural issues, can be addressed through a bold reform agenda. These include highly fragmented institutional arrangements for urban development and metropolitan governance, and major shortcomings in land administration and management. The resulting impacts of these issues coupled with rapid urbanization have greatly hampered city competitiveness affecting economic development, job creation, poverty reduction and livability.

This being said, there are many encouraging opportunities for better leveraging urbanization in the Philippines. One only has to look at the vibrant private sector and development of areas such as Bonifacio Global City in Taguig City, or the Iloilo Business Park in Iloilo, City, Center, or a number of successful programs at the local level to know what is possible. To realize these opportunities, however, commitment to implement bold reforms will be needed by a range of stakeholders including national and local government, the private sector and civil society.

The accompanying policy report aims to analyze key issues related to urbanization in the Philippines and provide a set of recommendations as part of a major reform agenda for improving the competitiveness of cities in the country. The report draws on a number of existing data sets, extensive consultations with Government, the private sector, researchers and civil society groups. It also draws on international experience on urbanization.

Chapter 1 of the report provides an introduction to urbanization in the Philippines.

Chapter 2 covers analysis of urbanization and growth in the Philippines.

Chapter 3 focuses on city competitiveness for economic development and job creation.

Chapter 4 provides an analysis of urban poverty with a particularly focus on informal settler families (ISFs) in Metro Manila.

Chapter 5 outlines the key binding constraints related to institutions for urban development and metropolitan governance.

Chapter 6 covers constraints related to land administration and management in urban areas.

Each chapter includes a framework for analysis, identification and assessment of key issues, and provides recommendations for the Government of the Philippines to consider. Important topics related to environmental sustainability and resilience are included as a cross cutting issue as they relate to urban planning and land management, but not covered in depth as they have been addressed in other World Bank reports. The full study is summarized below. Background technical papers for each section have also been prepared and cover much more analysis and detail. These are available as a companion to this overview which summarizes the key findings and recommendations.

Urbanization and Economic Growth

Urbanization presents a great opportunity for the economic growth of the Philippines. Evidence from today's developed countries and rapidly emerging economies suggests that urbanization and economic growth go hand in hand due to agglomeration economies embedded in the high density of cities. The Philippines has the second highest average urban density in East Asia and Pacific Region and it is still increasing. This provides a potential driver for enhanced productivity and economic growth. Rising population and economic densities could enable savings in transport and communication costs, lead to frequent interactions, enable finer specialization and knowledge spillovers, and heighten competition in product and labor markets. A clear densification process has been experienced by Metro Manila since 1990s together with a structural transformation of the urban economy, with industries moving out of the central urban areas into the metro fringe and secondary cities, and replaced by services, which can lead to a more efficient system of cities based on experience from developed countries.



The economic benefits from urbanization in the Philippines, however, are yet to be fully harnessed. Realization of efficiency gains from urbanization have been hampered by some key challenges, which can be summarized from the dimensions of Density, Distance and Division.

Density

The fast growing urban population and urban density have not been accompanied by commensurate investments in urban infrastructure, as exacerbated by the weak and fragmented institutions and governance for urban and metropolitan management and service delivery, leading to congestion diseconomies associated with land scarcity and lack of basic services such as clean water and sanitation, and housing, increases in natural hazard risk and pollution, and rising commuting costs, which have most clearly manifested in Metro Manila.

Distance

The country faces significant connectivity challenges from infrastructure bottlenecks alongside the archipelagic geography. Inadequacy of urban and regional transportation infrastructure remains a major constraint in the movement of people and commodities between production and consumption centers as well as between urban centers. The high domestic transport cost increases economic distance between cities, limits the potential for cities to diversify or specialize based on their comparative advantage and trade with each other, and thus undermines the efficiency of the whole city network.

Division

The economic, social and spatial exclusion in urban areas are most prominently manifested by the large scale of ISFs living in poor conditions with limited access to basic urban services. Such divisions and inequality can also be detrimental to the development of a vibrant urban middle class whose consumption patterns can boost domestic demand and a more service based urban economy.

Competitiveness for Economic Development and Job Creation

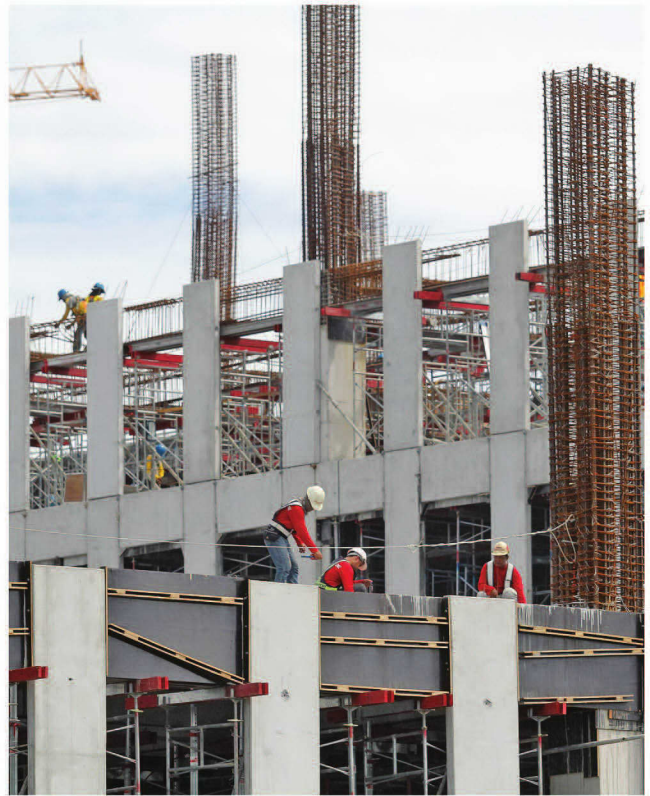
City competitiveness is important to job creation, growth and livability. Both national and local governments have a role in providing an enabling environment that facilitates firms and industries to create jobs, raise productivity and increase the incomes of citizens over time. The primary source of job creation in cities all over the world has been the growth of private sector firms, which have typically accounted for around 75 percent of job creation. In recent years large cities in the Philippines have been the main drivers of growth consistently outperforming the national economy. The rise of service sector, particularly the BPO industry, have led to creation of hundreds of thousands of well paid jobs. However Filipino cities remain behind their international peers, suggesting the need for reforms to improve the potential for additional economic growth and job creation in cities. Several key issues have been identified as major obstacles.



Poor business environment. Business regulations in the Philippines are among the most complex in East Asia, and impact overall job creation. The World Bank Doing Business 2016 report ranks the Philippines 103 out of 189 in overall ease of doing business with only Indonesia ranking lower (109) among major regional economies. Cities impose additional constraints on national level regulations and fail to adopt best practice solutions plenty of which are available within the country. As a result, starting a business, paying taxes, construction permits, and registering property are all especially onerous.

Weak infrastructure, land management and access to markets. The high costs and unreliable provision of internet, water, and electricity serve to undermine firm productivity and growth. Poor telecommunication infrastructure in particular limits the growth of the business process outsourcing sector, an important source of well-paying jobs. Cities are also crippled by traffic due to underinvestment in transportation infrastructure. High infrastructure, logistics and shipping costs, coupled with corruption, has led the Philippines to have higher than average bilateral trade and export costs within the region and limited access to international markets.

Low demand for innovation and skill match. The Philippines spends only 0.1 percent of GDP on R&D, behind all regional peers with the exception of Indonesia. According to the Global Innovation Index, it also lags behind peers in research outputs, patents and intellectual property rights. The combined negative impact of poor business environment, lack of access to early-stage finance and weak access to domestic and global markets has resulted in cities like Metro Manila, Cebu and Davao being unable to leverage substantial human capital potential to enhance innovation. This is compounded by a lack of coordination between the university system and the private sector, and an overall mismatch between the skills of university graduates and the needs of the business community.



Limited access to finance and business support. The banking sector in the Philippines is stable, profitable and well capitalized, but provides limited financing to micro, small, and medium-size enterprises (MSMEs). The lack of legal protection for bank supervisors, an inadequate bankruptcy resolution framework, lack of centralized credit information, and a cumbersome collateral registration process all result in overly conservative guidelines for credit operations. As a result, many large banks fail to meet the legal target of loans to MSMEs accounting for at least 8 percent of the lending portfolio. Other forms of public business support while plentiful suffer from poor coordination and lack of monitoring and evaluation systems that allow for assessment of effectiveness of such programs.

Insufficient economic planning. Many city-level economic development programs, with a possible exception of the few most developed cities in Metro Manila, are under-resourced and fail to reach a critical mass to tangibly support the private sector. Furthermore, a lack of clarity of the economic development functions of both local and national government agencies undermines efficiency. While at the local level lack of transparency and inefficient organization of economic function in city halls becomes a hindrance for economic growth.

Inclusive Growth for Pro-poor Development and City Competitiveness

Inclusive urbanization, where everyone can reap the benefits of urban growth, is a key aspect of competitive cities. If urbanization is managed well, it can provide a pathway out of poverty and act as an engine of growth. If not, it can give rise to inequality and exclusion that can derail the development process. As mentioned above, the challenges of division as manifested through economic, spatial and social exclusion ultimately affect opportunities in cities.



Rising multi-dimensional urban poverty, inequality and high levels of informality. Urban poverty has remained largely unchanged between 2003 and 2012, while national poverty decreased slightly. Yet, disparities in living conditions are most evident in urban areas as cities fail to keep pace with the increased demand for jobs, housing, infrastructure and basic services. Not all informal settlers are income poor, but many live just above the poverty line and are extremely vulnerable to slipping back into poverty with potential external shocks such as natural disasters and illnesses.

Informal employment and low wages. Urban poor suffer from high underemployment, which was twice as high (29%) as that of urban non-poor (14.7%) in 2012. This signifies that urban poor are predominantly engaged in part-time or casual labor, which is informal by nature, and suffer from unstable and low income. The urban poor are affected by informality and low wages due to low levels of education. Workers with less than secondary education face substantially worse labor market prospects than those who completed high school. Their earnings are significantly lower, and the risk of poverty is much higher. Indeed, a survey of 3,000 ISFs in Metro Manila found that 53% have less than secondary education, severely limiting their job opportunities. Research shows that most urban poor prefer formal wage employment should there be opportunities. But many are trapped in informal service sector and are engaged in self-entrepreneurship “out of necessity”.

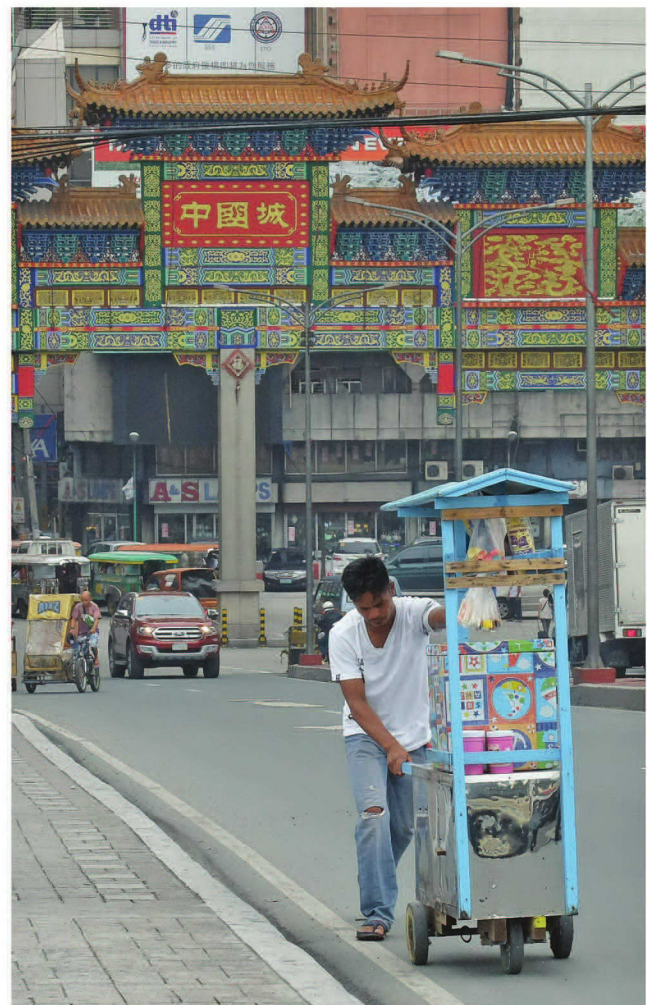
Large and growing slum populations and limited basic services. Informal settlements vividly depict multi-dimensional poverty in the Philippines. The high rate of migration to cities has put enormous pressure on needs for housing, infrastructure, and basic services in major cities. The result has been proliferation of informal settlers without adequate access to decent living conditions with security of tenure. The number of informal settlers in the Philippines has increased gradually, from 4.1% of total urban population in 2003 to 5.4% in 2012. In 2012, 5.4% of the urban population or about 2.2 million people lived in informal settlements. In Metro Manila alone, an estimated 1.3 million people live in informal settlements.

Exposure to natural and other hazards.

Many informal settlements are located on river floodplains or along shorelines exposing informal settlers to recurring floods. This creates an enormous burden in terms of loss of livelihood, damage to housing and assets, and increased health risks due to prolonged exposure to water pollution. Fires in congested informal settlements are also quite common creating additional risk to low income families.

Social problems of crime and violence.

The rates of crime and violence are higher in cities than the national average and understood to disproportionately affect the urban poor. Numbeo data shows that Quezon City, Zamboanga, Bacolod, Manila and Cebu in that order have the highest crime rates in the country. Many low income residents report feeling unsafe, with the group considered most at risk for getting involved in criminal activity being male youth who have dropped out of school or are unemployed.



Institutions for Urban and Metropolitan Management and Service Delivery

Strong institutions and governance are critical to the effective management of cities, the delivery of efficient and sustainable urban services and infrastructure, and the establishment of an enabling environment for business and job creation. In the Philippines, a number of underlying institutional and governance issues at both the national and metropolitan levels stand out as binding constraints, preventing the country from optimizing the benefits of urban development. With continued expansion and population growth in urban areas, the need for the Philippines to address these issues becomes more urgent.



Absence of a comprehensive National Urban Policy.

An effective national urban policy (NUP)—including legal foundations, capable institutions, and financial instruments—is critical for designing and building productive, livable, and resilient cities. The Philippines has historically lacked an effective and comprehensive policy that defines a vision for urban development that is supported by strategies and linked actions to realize the potential and to tackle the problems arising from the concentrated growth of population and economic activity. Encouragingly, a number of existing national planning frameworks, such as the National Urban Development and Housing Framework and the National Framework for Physical Planning, attempt to address specific dimensions of urban development. However, past administrations have not prioritized such plans, and as a result, relevant national agencies have not been empowered to enforce them. The inefficient spatial pattern of urbanization at the macro level, with an over-concentration of development in Metro Manila and the underdevelopment of secondary urban areas, is a consequence of the absence of a national urban policy in the Philippines.

Absence of a lead agency for urban development and housing.

An already complex environment for urban development is exacerbated by institutional fragmentation. Numerous regulatory and sectoral agencies have overlapping mandates and functions, with no single designated national authority to oversee urban development. Due to the absence of a lead agency for urban development and housing, formal mechanisms for both horizontal coordination (across sectoral agencies) and vertical coordination (between national agencies and LGUs) within urban areas are very weak, which has contributed to poor urbanization outcomes as they relate to city competitiveness, mobility, poverty and inequality, and environmental quality.

Fiscal decentralization complicates urban service delivery.

The intergovernmental fiscal system supporting LGUs has not been conducive to improving local service delivery. Structural weaknesses in the institutional and legal framework for fiscal decentralization constrain the capacities of LGUs to effectively and efficiently provide urban

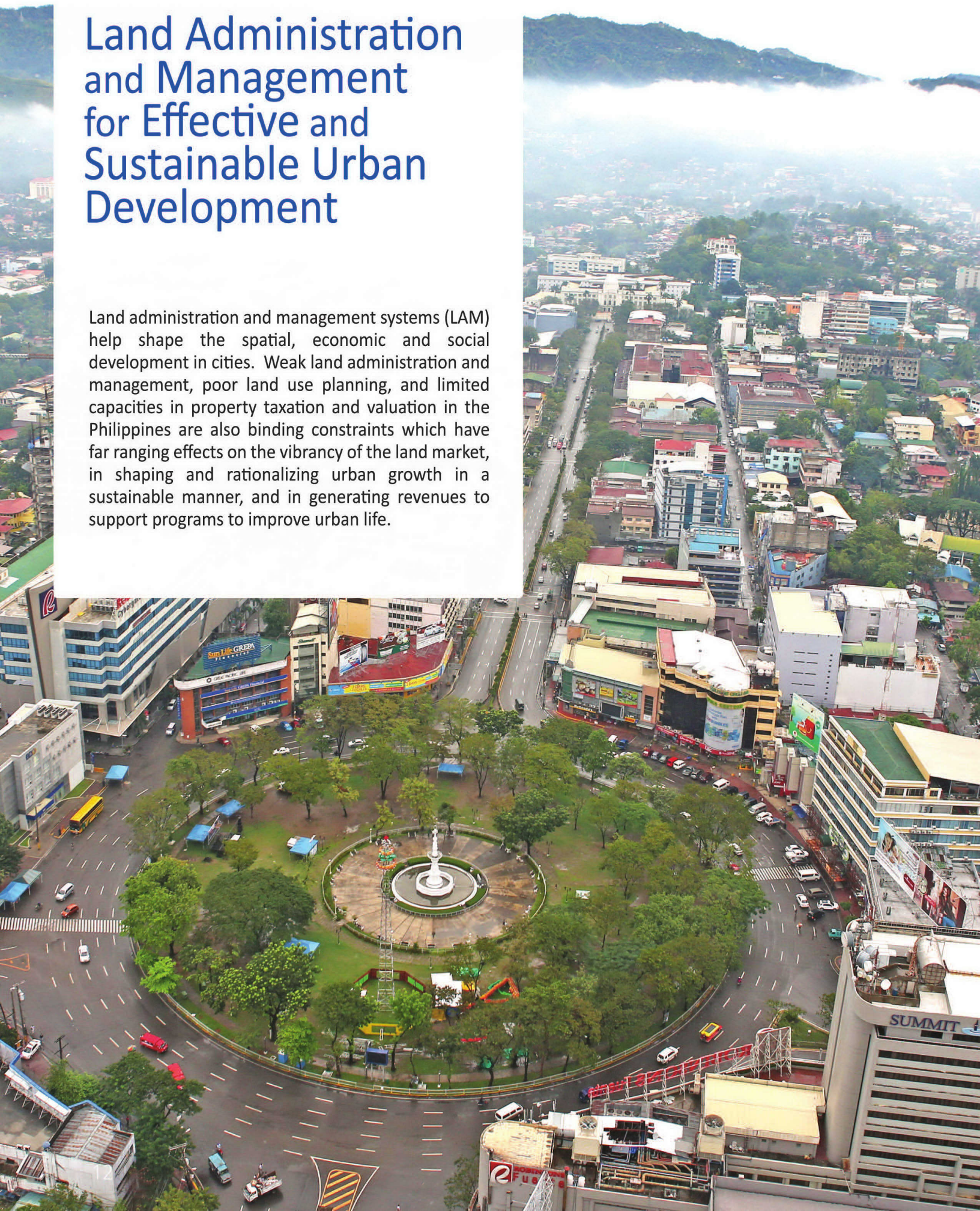
services. Furthermore, an institutional environment characterized by overlapping accountabilities across levels of government, the absence of standards for service delivery, and poor availability of information on service delivery provides weak demand-side and supply-side incentives for LGU performance. Relative to other types of LGUs, cities enjoy productive property and business tax bases and are less dependent on fiscal transfers to finance recurring expenditures. In contrast to the vast majority of provinces and municipalities, most cities are able to raise local revenues to fund the majority of their local expenditures. Nonetheless, cities continue to lack the fiscal capacity to independently undertake major urban infrastructure projects and remain reliant on the national government for major public infrastructure investments, such as major road and bridge construction, drainage and flood control facilities, housing, and solid waste management facilities.

Metropolitan fragmentation and weak mechanisms for inter-jurisdictional coordination.

Urban areas in the Philippines face the same broad issues of metropolitan fragmentation that are confronted by metropolitan regions across the world. As urban expansion leads to mismatches between socio-economic (functional) areas and administrative (spatial) jurisdictions, city and municipal mayors have to grapple with the demands for inter-jurisdictional coordination to effectively and efficiently provide core urban services with metropolitan-wide dimensions, such as traffic management, solid waste and environmental management, and road infrastructure. The experience of MMDA shows that a metropolitan authority created without the proper resources, both financial and technical, has limited potential to fulfill a comprehensive mandate. MMDA has historically lacked the funding, technical capacity, and political authority to properly fulfill its role, leading to poor service delivery outcomes highlighted by an on-going transportation crisis. Outside of Metro Manila, there have been no efforts by the national government to establish formal metropolitan arrangements. Component urban LGUs are left to voluntarily pursue coordination agreements with minimal external support, resulting in varied quality of service delivery and inadequate management across urban areas.

Land Administration and Management for Effective and Sustainable Urban Development

Land administration and management systems (LAM) help shape the spatial, economic and social development in cities. Weak land administration and management, poor land use planning, and limited capacities in property taxation and valuation in the Philippines are also binding constraints which have far ranging effects on the vibrancy of the land market, in shaping and rationalizing urban growth in a sustainable manner, and in generating revenues to support programs to improve urban life.



Weak land administration and management system. There are multiple institutions with overlapping mandates that address land in the Philippines. Poor information sharing between these institutions creates gaps in records, multiple titles on the same land, and fake and spurious titles which all serve to undermine investor confidence in the titling system. Secondly, incomplete cadastral surveys have resulted in unresolved conflicts and boundary disputes among local governments. This has created governance issues in affected areas – such as inconsistent taxation, conflicting land uses, unclear responsibilities in service provision, and computation of national government transfers. Third is the huge backlog in titling. In the face of rising land values, this prevents proper land management in cities and can even constrain investments in property development. This situation has also contributed to an incomplete tax base for real property taxes collection efforts, and underdevelopment of high growth areas. Finally, slow registration and processing times for transfers, mortgages, and securing BIR clearance has increased the cost of doing business in the Philippines.

Outdated and ineffective land use planning and regulations. In cities such as Metro Manila and Cebu, comprehensive land use plans (CLUP) are out of date. Of the sixteen cities and one municipality in Metro Manila, only five cities have updated CLUPs, while in Cebu city, the CLUP has not been updated since 1980. This has created a situation where urban land use planning is not effective in controlling spatial development, and urban growth is happening in an ad hoc manner. Urban sprawl has been the norm, compromising efficiency and negating many of the benefits of agglomeration. Additionally, the review and approval of development permits has been discretionary. In the absence of updated CLUPs as a basis of zoning, applications for land development have been evaluated on a piece meal basis, creating opportunities for improper and corrupt practices.

Increasing informality with many areas at high risk. The growth of ISF in Metro Manila and major urban centers has partly been the consequence of weak planning and ad hoc spatial development. Issues of informality are further exacerbated by limited information about ISF populations, hindering efforts to provide services and assistance. Guidelines and standards for socialized housing are weakly enforced, and there have been systematic barriers in mobilizing government lands for ISF. Rapid property development has also increased land prices beyond affordability, and ISF struggle to find tenure options and have their housing rights respected. Many also settle on lands that are high risk flood prone areas.

Ineffective property taxation and valuation practices. Revenues from real property constitutes the most stable source of income for local governments, and are important sources of resources to improve service delivery and finance infrastructure projects. However, average real property tax collection by all LGUs has declined as proportion of GDP, representing only 0.35% in 2013 down from 0.45% in 2000. This can be explained in part by incomplete LGU assessment roles, which are overly dependent on the self-reporting of property owner about the values of their lands. Information about land and properties is also not frequently shared across government agencies and LGUs. Additionally, in many cities in Metro Manila, Metro Cebu and Cagayan de Oro, property assessment for tax purposes is not based on market prices and the schedule of market values are not updated regularly.





Recommendations

The analysis in the study raises a number of complex, deep rooted problems that have limited the Philippines from fully benefiting from urbanization. Looking ahead, there are many opportunities for changing course towards more competitive, sustainable and inclusive cities in the Philippines. This will require bold actions and a sustained commitment to prioritizing investments in cities. Both Metro Manila and secondary cities have substantial needs for urban infrastructure, improving the investment climate, and the delivery of basic services to residents. Actions are required at both the national and local level, and will be reliant on strong leaders who are willing to take risks in a transparent and consultative manner, and push forward on difficult reforms.



Given the size and complexity in Metro Manila, and its importance for the national economy, there is an urgent imperative to prioritize a few critical areas that impede competitiveness such as congestion, urban flooding, and slums. These issues span across administrative boundaries and can only be solved through strong political commitment and coalitions for change in metropolitan governance and land administration management. At the same time, investing in secondary cities presents an enormous opportunity for shifting the overall balance of spatial development in the country, increasing productivity in urban areas and avoiding many of the problems that have evolved over time in Metro Manila as these cities grow. Across all cities, there are substantial needs to address fiscal and capacity constraints to deliver core urban services.

Key recommendations are grouped into 5 priority areas, with two that stand out as top priorities for broadest impact:

- i) addressing the binding constraints of weak institutions to improve the delivery of necessary infrastructure, services and sustainable urban planning, and
- ii) improving land administration management to open up land markets for city competitiveness.

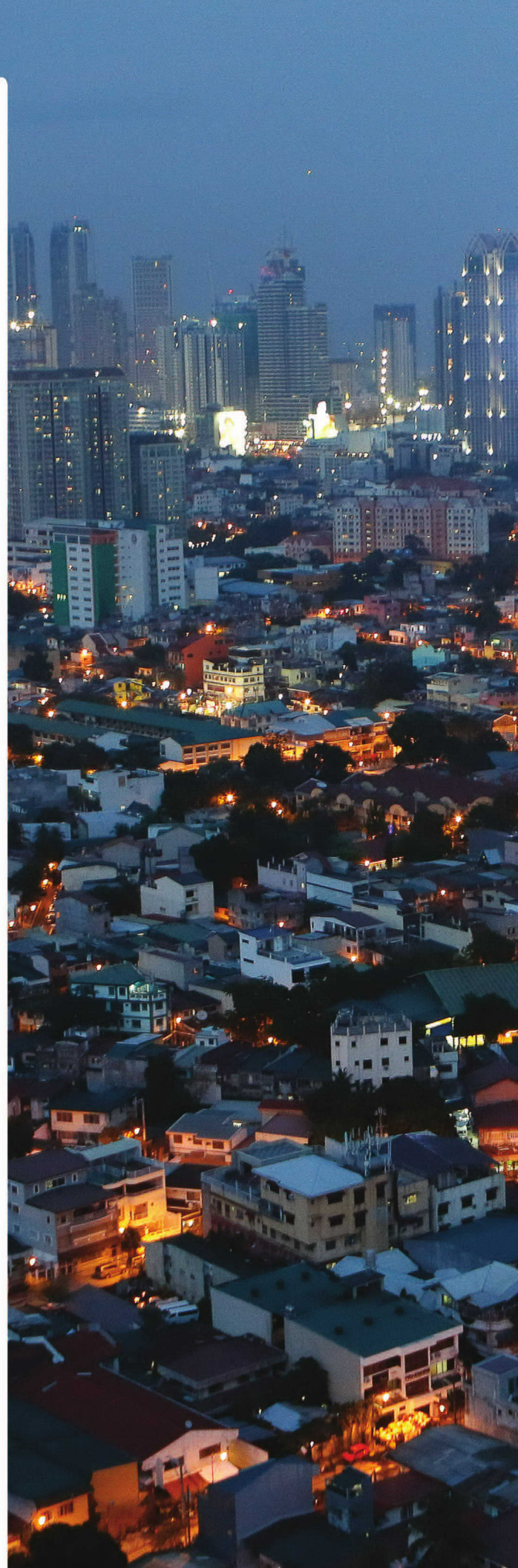
The recommendations are discussed in greater detail in the full report. A matrix of proposed level of priority, time frame and implementing agency is also included.

1

Managing Urbanization for Efficiency and Growth

In order to maximize the economic gains from urbanization, policies on land use and investments in connective infrastructure should focus on managing the existing urban density and prepare for further concentration.

It is important to ensure that spatial planning, land use, infrastructure development and service delivery can progress commensurately with the population growth and density increase in existing urban areas. Policy measures are needed to make the productive factors, such as land, people and capital, more efficiently allocated within cities. The land administration and management need to be strengthened and the land use planning needs to be more effective so that the land market can function to meet the needs of growing urban density. Infrastructure development needs to be coordinated with land use planning and addressed as an integrated urban strategy that can cater to various user groups and anticipate long-term needs. More investments and stronger management are needed to improve intra-city connectivity and reduce the actual distance between people and jobs. Investments should be focused on increasing the capacity of existing road networks on one hand, and expanding and modernizing the mass transit system on the other hand. Efficient land use through transit-oriented development (TOD) has been demonstrated to be a high-value complement to mass transit development in many other countries.





Improve transport infrastructure to lower inter-city transport cost, expand market access and generate complementary and specialized functions for each city, and formulate an efficient system of cities.

Given the differing roles of cities in a national urban portfolio where each has a comparative advantage, specialization can facilitate the benefits of agglomeration. Primary cities such as Metro Manila typically serve as the gateway to the global economy with a strong service sector. Clustering of manufacturing in secondary cities enables cost saving for firms due to relatively cheap land and labor. Meanwhile, producers in the same or related industries gain from proximity to others through the sharing of capital inputs, information, and labor, matching between production requirements and types of land, labor, and intermediate inputs and can help accelerate industrial diversification and upgrading for the country. The importance of secondary cities is already recognized by in the Philippines through its National Spatial Strategy. Growth of secondary cities would also help absorb surplus labor from rural areas and alleviate migration pressures on Manila. Key elements to fostering the growth of secondary cities are improved transport infrastructure and low transport costs between cities which can enable firms to access local, regional, and global markets—both for buying inputs and selling outputs, reinforce agglomeration effects and generate complementary and specialized functions, as well as investments in quality basic services such as health and education to attract a well skilled labor force. Policy measures to improve inter-city connectivity should be prioritized based on an integrated transport framework that takes into account selectivity, sequencing and prioritization. New connective infrastructure investments should be accessed based on their impacts on the entire existing transport network and respective overall and spatial economic development. Accordingly, key data gaps, such as the absence of a national database of local roadways, needs to be addressed to promote evidence based planning.

2 Improving City Competitiveness to Generate Local Economic Development and Foster Job Creation

Simplify business registration, licensing, and tax regimes to spur more rapid business growth.

A healthy business environment is essential for growth and poverty reduction. Yet, the Philippines ranks 103th among 189 countries in the World Bank Doing Business 2016 report. In the short-term, the government should:

- (i) standardize requirements and procedures,
- (ii) reduce or abolish the paid-in minimum capital requirement,
- (iii) make the use of notaries and lawyers optional for company startups, and
- (iv) move toward a fixed registration fee that covers only administrative costs.

Government should consider disassociating business tax collection from business permit renewal, in line with international good practice. The simplified tax regime can encourage micro, small and medium enterprises (MSMEs) to move to the formal sector. Possible measures include replacing the value-added tax (VAT), percentage tax, and income tax with a single business tax on turnover and offer a simplified system of accounting and reporting. Modernization of tax payments through on line systems would increase efficiency.³

Improve access to land and markets and upgrade infrastructure to foster better trade connectivity and higher firm productivity.

Given the fragmented market and archipelagic geography, good access to regional and international markets and trade connectivity are essential for the Philippines. Accurate land information system on ownership, boundaries, and land values available to all is urgently needed. Government should prioritize investments in connective infrastructure, mass transit, and identifying areas of land for development to foster a more competitive environment for private sector. Reforms to lower entry barriers for shipping and modernization of ports⁴ should be accelerated through coordinated efforts by Bureau of Internal Revenues (BIR), Department of Trade and Industry (DTI) and Department of Public Works and Highways (DPWH) to further simplify import-export procedures by streamlining customs and border management procedures, simplifying the BIR importer licensing process, improving shipping/trucking/warehouse regulations and facilitating logistics services multimodality. More investments are needed to improve roads, electricity, water, sanitation, transportation, communication and upgrading of ports to improve productivity and connectivity. The Competition Commission which became operational in 2016 has substantial power to promote fair competition across industries and can help to promote competition in the network industries, particularly the telecoms, to encourage sharing of infrastructure by providers, increased competition on the price and quality, and more inclusive access, especially for broadband Internet.

³ For good practices on paying taxes, see <http://www.doingbusiness.org/data/exploretopics/paying-taxes/good-practices>

⁴ The Philippines Economic Update. October 2015. The World Bank.

Strengthen innovation systems that drive productivity and sustained economic growth.

Filipino cities, with their high levels of human capital, well-established university systems, and vibrant business process outsourcing (BPO) industry, have high potential to breed innovative activities. Yet, their potential is not maximized. The establishment of a new flagship entrepreneurship agency would help to consolidate various existing support programs and centralize resources available for supporting innovation. There is also much potential for expanding collaboration between universities and business, drawing on programs such as the Commission on Higher Education (CHED)'s secondment program between science and the business community. At the city level, there is scope for developing the community of entrepreneurs through creating networking spaces, accelerators, incubators and shared services facilities, and upgrading skills and attracting talent through targeted programs.

Improve access to finance and business support services especially for MSMEs to facilitate their growth.

Reforms are needed in many areas to address the main constraints to financing MSMEs including strengthening of comprehensive credit information system, legal protections for banks and adequate bankruptcy and debt resolution framework to encourage more proactive bank financing, and better collateral registration system. There is also need to consolidate the business support system managed by multiple agencies. A low hanging fruit is the expansion and strengthening of the network of Negosyo centers, one-stop shops for business support, and upgrade the scope and quality of their services.



Strengthen cities' role and capacity in economic development planning and implementation.

Cities can play a decisive role in promoting competitiveness, given the significant responsibilities decentralized to the local governments. Yet, there is lack of enabling environment, adequate capacity and incentives for the local governments to fulfill their mandates. The national government needs to clearly delineate the roles of national and city governments for economic development, provide incentives for local governments to collaborate at the metropolitan level and harmonize business support mechanisms (such as registration requirements, tax regimes, etc.) to promote the development of industrial clusters, modify the structure of Comprehensive Development Plans (CDPs) to give priority to economic development targets, and provide resources for local governments' capacity building. City governments should strengthen the Local Economic and Investment Offices (LEIPOs) to identify local economic development priorities and coordinate relevant activities, and deepen the public-private collaboration with business associations to promote economic policy reforms.

3 Promoting Inclusive Growth by Creating Opportunities for the Urban Poor

[Economic Inclusion]

Enhance livelihoods/jobs support for ISFs in close collaboration with the private sector.

A majority of the ISFs engage in low-paying low-skilled informal jobs due to lack of education and skills, vulnerable to external shocks that can push them below the poverty line. There is a need to help them move up the job ladder and augment their income. Such support requires a two-pronged approach. One for skills training and placement for formal wage employment, and the other for enterprise development. For the former, the government should reorient the existing vocational skills training and placement programs to a more “market demand-driven” approach, where potential employers are involved in the course design and subsidy for initial post-placement period. For the latter, upfront support to analyze the marketability of end products or services and end support to link the microenterprises to market need to be built in. A properly designed public works program can also be an effective means to provide complementary income support to the unskilled poor, especially to compensate the unstable income.

Prioritize investments in facilitating secondary education completion to improve job prospects of the poor.

Completion of high school education is critical in securing job opportunities. Support to alleviate the financial burden of uniforms, school supplies, education materials, and transportation costs, possibly through the ongoing conditional cash transfer (CCT), would greatly enhance the chances of more urban poor youths to complete higher education.



[Spatial Inclusion]

Provide support for affordable housing, secure tenure, and access to basic infrastructure and services.

Provide support to finance primary and secondary infrastructure development which would be undertaken under the leadership of the local government unit (LGU) consistent with city-level planning. Tertiary infrastructure such as small-scale water supply, drainage, sanitation, solid waste management, footpaths, fire safety measures, sidewalks and street lights are also needed. Identification and prioritization of tertiary infrastructure could be carried out in a community-driven manner to empower the poor. Disaster risk reduction will be mainstreamed through design and implementation to reduce the poor's exposure to both natural and man-made disasters. Alternative housing support in the form of incremental housing or rental housing should also be undertaken concurrently to maximize options.

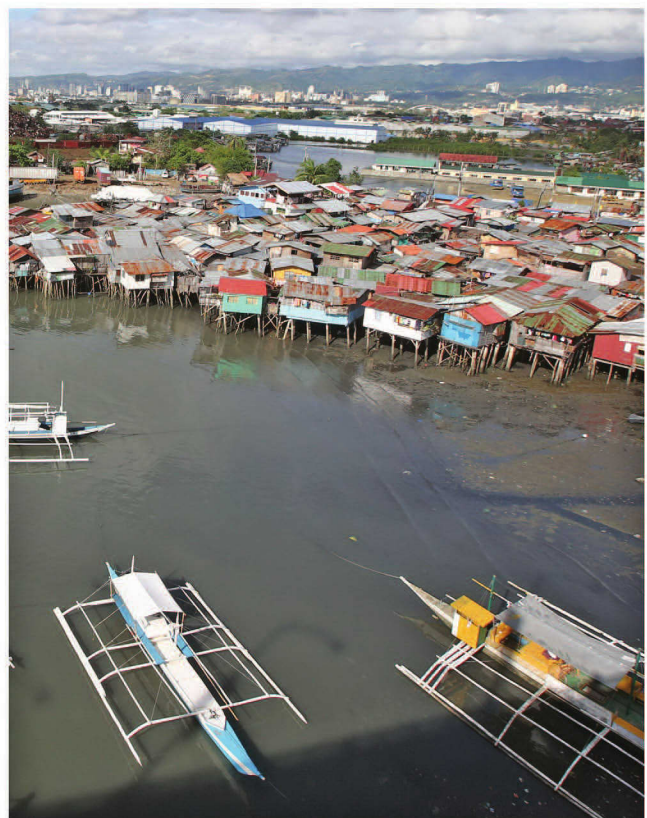
Strengthen institutions that underpin affordable housing and inclusive urbanization.

A coherent assignment of institutional roles and functions in managing the urbanization processes at both the national and local level is absent. There is a need to strengthen support for the LGUs. Additionally, the mandates of key shelter agencies need to be refined, and an authoritative body that oversees overall urban development needs to be identified or created. Finally, there is a need for continued support to develop and implement key policy reforms in the areas of urban development planning, housing finance, land use management and administration, disaster risk management etc.

[Social Inclusion]

Support communities and engage them in the local development process through citywide mapping and community-driven slum upgrading.

Beyond the needs of addressing affordable housing and secure tenure for ISFs, there is much that can be done at the community level. It is well established that communities can be effective if empowered to undertake planning and decision-making of their own affairs. By providing hands-on facilitation, capacity building, and engaging them in community-driven mapping and slum upgrading, and providing opportunities to engage with LGU officials, urban poor communities will be empowered and social cohesion within the community will be strengthened. Increased social cohesion can nurture mutual trust that helps mitigate crime and violence. Moreover, increased interaction between the LGU and the communities helps generate social capital which can be harnessed by LGUs toward advancing local development and housing initiatives.





4 Strengthening Institutions and Metropolitan Governance for Better Delivery of Infrastructure, Services and Resilient Urban Planning and Management

Strengthen the institutional framework for urban development through the adoption of a Philippine National Urban Policy (NUP) and the establishment of a lead agency for urban development and housing.

A comprehensive NUP for the Philippines should define the urban development priorities of the country, which specifies how urban development is integrated into broader national development goals and defines a vision for the sustainable spatial expansion of urban areas across the country. Key elements include specification on the respective roles of the national and local governments in the urban planning, financing, and provision of core urban infrastructure and services. At the same time, NUP should also provide a comprehensive urban planning framework that integrates national level development objectives and strategies with metropolitan- and city-level land use and development plans. The NUP should provide for the establishment of a lead agency for urban development and housing, which will be responsible for the implementation of the policy's objectives and priorities. Consistent with on-going policy discussions to consolidate all the key shelter agencies under one national government agency, the lead agency should also assume full responsibility for the housing sector and be empowered to provide capacity building, technical assistance, and policymaking support to cities and metropolitan areas.

Reform metropolitan governance arrangements in Metro Manila and in secondary urban areas.

Given the strong history of and legal protections for the local autonomy of LGUs, a renewed approach to a more effective metropolitan governance of Metro Manila requires a balance of maintaining the local autonomy of the constituent LGUs while adopting politically and technically feasible compromises for the more effective and efficient delivery of critical urban services. A feasible arrangement could be one that allows territorial fragmentation but where sector-based integration overcomes it in the performance of certain sectors, such as transportation and traffic management, solid waste disposal and management, and water and sanitation. Such an arrangement will require a shift in the role of MMDA to focus on metropolitan wide development and land use planning and coordination. The current functions of MMDA as an implementing agency with responsibilities for direct service provision would thus be greatly reduced, allowing it to focus on its core competencies. For smaller metropolitan areas outside of Metro Manila, a more nuanced approach should be provided for under the proposed NUP that allows for more flexibility and innovation.

i) In relatively large, “fragmented” metropolitan areas, particularly Metro Cebu or Metro Angeles in Pampanga, adopting the same approach proposed for Metro Manila would be appropriate. Metropolitan-wide planning bodies may be established to coordinate inter-jurisdictional development and land use planning and to lead the coordination between the metropolitan area and the national government for service delivery and large-scale public infrastructure investments. Concurrently, metropolitan service authorities may be established to deliver strategic, inter-jurisdictional urban services across each metropolitan area.

ii) For smaller “spillover” metropolitan areas, a more practical approach may be to strengthen formal mechanisms and incentives for inter-local government coordination for spatial and land-use planning and collaboration for service delivery.

Improve accountability systems for local service delivery through fiscal decentralization reforms.

Structural reforms to the intergovernmental fiscal system of the Philippines require legislative actions and must hence be considered as part of a long-term agenda. DILG has led comprehensive reviews of the fiscal decentralization system in past but proposed revisions to the Local Government Code (LGC) have found minimal support in Congress. Nonetheless, executive actions of the proposed enactment of NUP and establishment of a lead agency for urban development and housing will help to address weak systems of accountability that stem from fundamental issues in the decentralization system. Further, short-term reforms should be pursued to support the capacity building of cities for local revenue administration and to improve the institutional environment for debt financing. Capacity building support and advocacy activities targeted to cities can help to facilitate the regular updating of schedules of market values and local revenue codes, the adoption of modern tax mapping and GIS tools, and the streamlining of business permits and licensing systems. Executive actions are also needed to facilitate LGU borrowing, such as better coordination by Bureau of Local Government Finance (BLGF) of the Department of Finance and the Monetary Board to lower the bureaucratic hurdles and to shorten the processing time for LGUs to access loans.

5 Strengthening the Land Administration and Management System to Promote City Competitiveness and Sustainable Urbanization

Establish a unified land information system available to the public and streamline the institutional arrangement for LAM.

Fragmented institutional responsibilities have resulted in lack of a coherent land information system. This has led to gaps in records, overlaps, existence of multiple titles on the same land, and spurious titles, increasing the transaction costs in securing, registering and transferring property rights and constraining investments in property development. By consolidating land information from all agencies concerned, an integrated system can serve as a backbone of a land tenure improvement program and up-to-date property tax and information system. It should be supported by the development of a national spatial data infrastructure (NSDI) or data inter-operability system that will facilitate exchange and sharing of land records among agencies and make these more accessible to the public. Concurrently, fragmented institutional responsibilities on LAM should be consolidated to improve efficiency in service delivery.



Develop a metropolitan-wide land use physical framework plan to optimize the benefits of agglomeration and mitigate urban sprawl.

A metropolitan-wide land use physical plan that takes into account future requirements for space, economic activities and function is needed to guide development and improve efficiency in infrastructure and service provision across cities. Such a plan needs to support implementation of projects aimed at maximizing the benefits of agglomeration, especially in the areas of transport, environmental management, sewage, and other urban infrastructure. This should be developed in a consultative manner including the private sector and citizens as they will have important roles to play in its realization. Based on the framework plan, there should be incentives for the LGUs to update their comprehensive land use plan (CLUPs) and Zoning Ordinances to guide spatial development in cities. The roles for projects to be implemented by local government and those to be carried out by national government based on the framework plan should be clearly distinguished.

Address increasing informality in major urban centers by establishing an integrated land and ISF information system and undertake a systematic approach to tenure improvement of ISFs.

Given the magnitude of ISFs, it is vital that opportunities for affordable housing and secure tenure are sustainably expanded. A program on integrated land and ISF information systems is urgently needed, and will require dedicated funding, resources and a timetable to undertake inventory of existing tenure status of ISFs and prepare citywide land tenure improvement plans. The designated office would also need to take responsibility for identifying available land for ISFs for in-city resettlement and on-site development, establish infosystem link between government agencies and LGUs, make land information more accessible to all users, and take measures to institutionalize land data-sharing between and among LGUs and national government agencies.

A systematic or citywide approach to tenure improvement for ISFs is also urgently needed, while piloting alternative tenure options such as usufruct, long term leases, and land sharing. There is also a need to simplify current procedures to mobilize government lands for ISFs.

Strengthen local governments' capacity on property valuation and taxation to improve service delivery and increase investments in vital infrastructure.

Capacity building by BLGF under Department of Finance is needed for LGUs on valuation and taxation to implement existing standards and methods. Concurrently, there is a need to develop an accurate integrated land information system that allows LGUs to capture accurate information on land ownership, strengthen BLGF's monitoring of LGUs' real property tax collection, and developing measures to ensure that LGUs regularly update their schedule of market values – such as establishment of a National Valuation Authority which will be responsible for approving the values - so that property tax is based on the latest market prices.

Prioritize sustainable land management and enhance resilience in urban planning.

Given the potentially negative consequences of specific urban planning and land management decisions that can lead to congestion, pollution and high greenhouse gas emissions, cities need to consider the trade-offs of infrastructure investments as these are likely to be locked in for hundreds of years. The rapid population growth particularly in unplanned or poorly planned settlements is also contributing to growing exposure to natural hazards in cities. Enhancing city resilience as a cross cutting approach through multi-hazard risk reduction measures, public awareness and preparedness, and risk mitigation for public facilities (e.g. retrofitting of schools, hospitals, government administrative buildings, etc.) in the Philippines is a priority for city competitiveness and can be integrated with good urban planning and management, sectoral investments, and better preparedness.

Summary Matrix of Policy Recommendations

Key to Table

Priority Level

H-High, M-Medium, L-Low

Time Horizon

S: Short term: next 12 months

M: Medium Term: next 3 years

L: Long Term: next 5-6 year

Level of Difficulty

(based on experience in the Philippines and internationally)

- 1: Easiest: Introduction/change in business process/practices without changing existing policies/regulations. Changes that can be issued as a Secretary's letter.
- 2: Moderately easy: Introduction/changes in process, programs, policies or regulations pertaining to a single agency. Changes that can be introduced through Memorandum Circulars/Memoranda signed by one secretary.
- 3: Challenging: Introduction/changes in process, programs, policies or regulations pertaining to multiple agencies, which require substantial commitment, capacity, and budget. Changes that can be introduced through Joint Memorandum Circulars signed by various secretaries.
- 4: Very difficult: Introduction/changes of permanent character that require Presidential Executive Order or Administrative Order.
- 5: Extremely difficult: Introduction/changes in policies and regulations that require an enactment of a bill e.g.- establishment of a new department.

Issue	Recommendations and Priority Level (H, M, L)	Priority (H, M, L)	Leading Institutions (Primary/Secondary)	Time Horizon (S, M, L)	Level of Difficulty (1-5)
1. Managing Urbanization for Efficiency and Growth					
High and increasing urban density not accompanied by commensurate infrastructure and management, leading to congestion diseconomies	Give policy priorities to managing the urban density and preparing for further concentration, facilitating market driven urbanization and make the productive factors more efficiently allocated within cities.	H	NEDA (w/ HUDCC, LGUs)	M/L	3
	Improve the land administration and management and strengthen the land use planning to make the land market function for growing urban density.	H	HUDCC (w/ LGUs, DENR, LRA)	M/L	3
	Coordinate infrastructure development, especially public transport, with land use planning as an integrated urban strategy that can cater to various user groups and anticipate long-term needs.	M	HUDCC (w/ DOTr, MMDA, LGUs)	M	3
Inadequate inter-city connectivity infrastructure increases economic distance, limits market access and specialization inter-city connectivity	Increase investments in inter-city connectivity infrastructure.	H	NEDA (w/ DOTr, DPWH, DOF)	M	2
	New investments should be considered under an integrated transport framework and assessed based on their impacts on the entire existing transport network and respective overall and spatial economic development.	M	NEDA (w/ DOTr, DPWH, HUDCC, DTI)	M/L	3
	Key data gaps, such as the absence of a national database of local roadways, needs to be addressed to promote evidence based planning.	H	DOTr (w/ DPWH, PSA)	S	3

2. Improving City Competitiveness to Generate Local Economic Development and Foster Job Creation

<p>Poor business environment</p>	<p>Further simplify business registration, licensing and business permit renewal based on international and domestic good practice.</p> <p>Improve transparency of business regulations by publishing all regulations and processes online.</p> <p>Introduce a simplified tax regime for micro enterprises to enhance compliance with tax laws, reduce the size of the informal sector and increase tax revenue.</p> <p>Harmonize regulatory requirements and processes across metropolitan areas to reduce compliance burden on enterprises.</p> <p>Expand the use of city rankings on the business environment to enhance transparency and accountability and strengthen incentives.</p>	<p>H</p> <p>H</p> <p>H</p> <p>M</p> <p>M</p>	<p>DTI (w/ NCC)</p> <p>DTI</p> <p>BIR</p> <p>LGUs</p> <p>DILG (w/NCC)</p>	<p>S</p> <p>S</p> <p>M</p> <p>M</p> <p>M</p>	<p>2</p> <p>1</p> <p>3</p> <p>3</p> <p>2</p>
<p>Low demand for innovation, skills mismatch, and limited access to finance and business support</p>	<p>Expand incentives for collaboration between universities and business by reforming funding for public universities and increasing funding for applied, commercial research.</p> <p>Create a public fund to support the development of a private seed and venture capital market to finance startups.</p> <p>Introduce innovation-oriented public procurement to support innovative SMEs.</p> <p>Attract diaspora and global talents by expanding on the existing programs for attracting diaspora and creating new programs to attract global talents.</p>	<p>H</p> <p>M</p> <p>M</p> <p>M</p>	<p>DOST (w/DTI)</p> <p>DOST (w/CHED)</p> <p>DOST (w/DTI)</p> <p>DTI</p>	<p>S</p> <p>S</p> <p>S</p> <p>M</p>	<p>2</p> <p>2</p> <p>3</p> <p>2</p>

Issue	Recommendations and Priority Level (H, M, L)	Priority (H, M, L)	Leading Institutions (Primary/Secondary)	Time Horizon (S, M, L)	Level of Difficulty (1-5)
	<p>Address the skills mismatch by facilitating city-level dialogue between universities and business, adjusting curricula to business needs, and monitoring the job market performance of university graduates.</p> <p>Consolidate the business support system; and introduce a monitoring and evaluation framework to track its effectiveness.</p> <p>Encourage cities to leverage national support programs by providing small grants to prepare and submit applications for funding to national support programs (“grants for grants”).</p>	<p>M</p> <p>H</p> <p>M</p>	<p>CHED</p> <p>CHED</p> <p>DTI (w/LGUs)</p>	<p>M</p> <p>M</p> <p>S</p>	<p>2</p> <p>2</p> <p>2</p>
<p>Inefficient economic planning, unclear mandate and weak governance</p>	<p>Increase transparency and accountability of local governance to strengthen incentives for reforms by expanding access to online information and raising rewards for top performers.</p> <p>Modify the structure of the local planning system and guidelines for LGUs to give priority to economic development targets.</p> <p>Enhance the mandate and capacity of Local Economic and Investment Offices (LEIPOs) to identify economic development priorities and programs and coordinate activities of various departments.</p>	<p>H</p> <p>M</p> <p>M</p>	<p>DILG</p> <p>NEDA (w/LGUs)</p> <p>DILG (w/DTI)</p>	<p>S/M</p> <p>S</p> <p>M</p>	<p>2</p> <p>2</p> <p>3</p>

Issue	Recommendations and Priority Level (H, M, L)	Priority (H, M, L)	Leading Institutions (Primary/Secondary)	Time Horizon (S, M, L)	Level of Difficulty (1-5)
3. Promoting Inclusive Growth by Creating Opportunities for the Urban Poor					
Low incomes and limited job opportunities for ISFs	Help the urban poor access formal wage employment by providing skills training and placement services in close collaboration with the private sector.	H	DOLE (w/ NCC)	S	2
	Expand cash-for-work programs to provide income support to the unskilled poor to smooth the income variability.	M	DSWD	S	2
	Provide financial support through conditional cash transfer to facilitate secondary education completion.	M	DSWD	M/L	2
Shortage of affordable housing, large slum populations, and deficiencies in access to basic services	Establish an integrated land and ISF information system through citywide participatory mapping.	H	HUDCC (w/ LGUs, LRA, DENR)	S	3
	Provide grants in the form of serviced land, help secure property rights, and provide home improvement grants for low-income informal communities.	H	HUDCC (w/ SHFC, NHA, LGUs)	S	2
	Provide infrastructure and site development for formal but blighted communities and informal communities that are in the process of securing land tenure.	H	SHFC, NHA (w/ LGUs)	S	2
	Expand connective infrastructure to allow neighboring areas to benefit from urbanization, including off-city resettlement sites.	H	DPWH (w/ HUDCC, LGUs)	M/L	3
	Help the rental housing market grow.	M	HUDCC (w/ private market)	M	3

Issue	Recommendations and Priority Level (H, M, L)	Priority (H, M, L)	Leading Institutions (Primary/Secondary)	Time Horizon (S, M, L)	Level of Difficulty (1-5)
Communities excluded from local development process	Provide hands-on facilitation, capacity building, and engage them in community-driven mapping and slum upgrading, and provide opportunities to engage with LGU officials.	H	HUDCC (w/ SHFC, LGUs)	S	2
	Provide TA funds to help organize urban poor communities around collective priority issue of housing.	H	HUDCC	S	2
Weak institutional capacity for affordable housing and inclusive urbanization	Strengthen support for the LGUs to allow them to fulfill their mandate to plan and implement housing programs.	H	HUDCC (w/DILG)	S	2
	Review and streamline the roles and responsibilities of key shelter agencies need to be refined.	H	HUDCC (w/ key shelter agencies)	S	4
	Work to establishing an authoritative body that oversees overall urban development and housing needs. .	H	HUDCC (w/ key shelter agencies, Congress, Senate)	M	5
	Continue to support to develop and implement key policy reforms in the areas of urban development planning, housing finance, land use management and administration, disaster risk management etc.	H	HUDCC (w/ key shelter agencies, Congress, Senate)	S	3

4. Strengthening Institutions and Metropolitan Governance for Better Delivery of Infrastructure, Services, and Urban Planning and Management

<p>Absence of a Comprehensive National Urban Policy</p> <p>Absence of a Lead Agency for Urban Development</p>	<p>Strengthen the institutional framework supporting urban development through the adoption of a Philippine National Urban Policy and the establishment of a lead agency for urban development and housing.</p>	<p>H</p>	<p>Office of the President</p> <p>Legislature</p> <p>Senate Comm. on Urban Planning, Housing & Resettlement</p> <p>Congress Comm. on Housing & Urban Development</p> <p>HUDCC (w/ DILG, DOF-BLGF)</p>	<p>M</p>	<p>5</p>
<p>Metropolitan fragmentation and weak mechanisms for inter-jurisdictional coordination</p>	<p>Strengthen metropolitan governance and service delivery through the reform of metropolitan governance arrangements in Metro Manila and secondary urban areas.</p>	<p>H</p>	<p>Office of the President</p> <p>Legislature</p> <p>Senate Comm. on Urban Planning, Housing & Resettlement</p> <p>Congress Comm. on Housing & Urban Development</p> <p>HUDCC (w/MMMDA)</p>	<p>M</p>	<p>5</p>
<p>Weaknesses in the fiscal decentralization framework</p> <p>Short-term reforms to support the capacity building of cities for local revenue administration and to improve the institutional environment for debt financing.</p>	<p>Strengthen accountability systems for local service delivery through fiscal decentralization reforms.</p>	<p>H</p>	<p>Office of the President</p> <p>Legislature</p> <p>Senate Comm. on Local Government Comm.</p> <p>Congress Comm. on Local Government</p> <p>DOF-BLGF (w/ DILG)</p>	<p>M</p> <p>(The potential Constitution shift to a federal system will entail fiscal decentralization reforms)</p> <p>S</p>	<p>5</p> <p>3</p>

5. Strengthening the Land Administration and Management System to Promote City Competitiveness and Sustainable Urbanization

Overlaps in delivery of LAM services	Support earlier moves to establish a single agency integrating the functions of LRA, and DENR-LMB.	H	LRA (w/ DENR-LMB, Congress and Senate)	L	5
Lack of land information sharing among agencies	Establish unified land information system (ULIS) at the LGU.	H	LGUs (w/ LRA-RoD, DENR-LMB)	M	4
	Develop a national spatial data infrastructure (NSDI) or data interoperability system that will facilitate exchange and sharing of land records among agencies and make these more accessible to the public.	M	LGUs (w/ LRA-RoD, DENR-LMB)	M	4
	Develop and implement Citywide Land Tenure Improvement Plans.	M	LGUs (w/ LRA-RoD, DENR-LMB)	M	3
Most CLUPs are outdated, resulting in ad hoc and unplanned development, uncontrolled urban sprawl; lack of coherence in city CLUPs in metropolitan areas	Prepare implementing rules for section 209 of Local Government Code mandating RoDs to provide annual abstracts of Registries to LGUs.	H	DOJ (w/ DILG)	S	2
	Develop a metropolitan wide land use physical planning framework that takes into account future requirements for space, economic activities, and function and incentives for updating of CLUPs. The national government, should develop a metro wide plan to support implementation of projects aimed at maximizing agglomeration, for transport, environmental management, sewage, and other urban infrastructure.	H	NEDA (w/ DILG, HUDCC, MMDA, LGUs in MM, Metro Cebu and LGU clusters) NEDA (w/ HUDCC, DILG)	M	3

Issue	Recommendations and Priority Level (H, M, L)	Priority (H, M, L)	Leading Institutions (Primary/Secondary)	Time Horizon (S, M, L)	Level of Difficulty (1-5)
No updated inventory of ISF and tenure status of lands occupied, making it difficult to adequately plan and support formalization of growing number of ISF	Issue an Executive Order to implement a program on integrated land and ISF information system for NCR (for ISF and other related programs); and eventually, for the rest of the country. In support of above, undertake systematic or city wide approach to tenure improvement of ISF. Pilot test alternative tenure options.	H H H	HUDCC (w/ DILG, LGUs) LGUs (w/ DENR, LRA, SHFC) HUDCC (w/ DILG, LGUs)	S M S	2 3 3
Limited tenure options for securing tenure for ISF	Implement a shelter program to help ISFs secure property rights and provide serviced land with core houses – through a systematic “citywide community upgrading strategy”.	H	HUDCC (w/ SHFC, NHA, LGUs)	M	2
Limitations and gaps in existing settlements planning and building standards (BP 220) *(Does not apply to on site development and self help initiatives, does not take into account alternative and affordable housing solutions)	Formulate new planning and building guidelines and standards that will strengthen a more holistic approach to planning and implementation of shelter and settlements development for ISF communities.	M	HLURB	M	3
Problematic Proclamations that cannot be enforced to formalize ISF	Executive Order to establish an Interagency Presidential Task Force to resolve Issues in enforcement of Proclamations.	H	HUDCC (w/ NHA, SHFC, LGUs)	S	4

Issue	Recommendations and Priority Level (H, M, L)	Priority (H, M, L)	Leading Institutions (Primary/Secondary)	Time Horizon (S, M, L)	Level of Difficulty (1-5)
Absence of clear guidelines on administration and disposition of lands proclaimed for ISF	Standardize guidelines for administration and disposition of proclaimed lands for ISF, through an Executive Order.	M	HUDCC (w/ NHA, SHFC, LGUs)	S	3
Poor performance of LGUs in real property taxes collection	<p>Establish and maintain a unified land information system at the LGU in order to have complete and updated information base for tax assessment and collection.</p> <p>Strengthen BLGF oversight and monitoring of LGU Treasurers to ensure the administrative and judicial remedies are utilized, to improve tax collection and collect delinquent payments.</p> <p>Review IRA formula to incentivize local revenue generation.</p>	H H M	LGUs (w/ LRA-RoD, DENR) BLGF DILG (w/ BLGF)	M M L	3 2 5
Outdated Schedule of Market Values (SMVs) and SMVs do not reflect market prices	<p>Strengthen LGU capacities on property valuation and taxation.</p> <p>Review options obliging LGUs to update SMVs based on market values: (i) provision of incentives to those who will abide by the mandatory general revision; and (ii) establishment of a National Valuation Authority (NVA) which will be responsible for approving the values.</p> <p>In the long term, work towards the establishment of central mass valuation system that provides fair and timely estimates of property and taxation values.</p>	M M M	BLGF BLGF (w/ DILG) BLGF (w/ DILG)	S/M M L	2 4 5

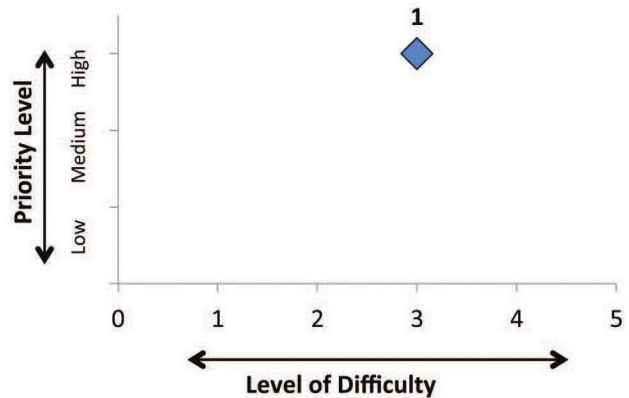


Graphic Representation of Policy Recommendations

1. Managing Urbanization for Efficiency and Growth

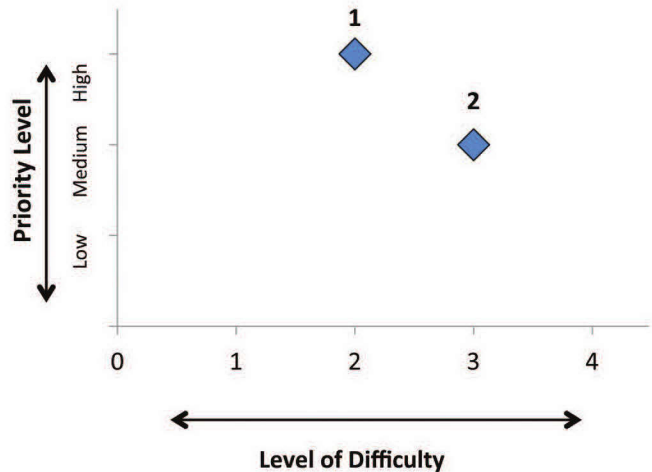
Short-Term Policy Recommendations

1. Key data gaps, such as the absence of a national database of local roadways, needs to be addressed to promote evidence based planning.



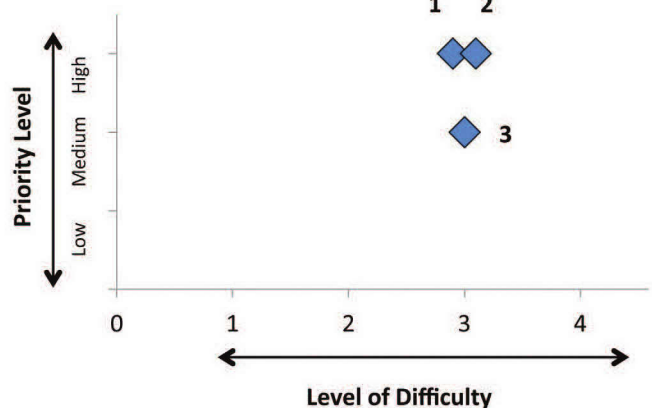
Medium-Term Policy Recommendations

1. Increase investments in inter-city connectivity infrastructure.
2. Coordinate infrastructure development, especially public transport, with land use planning as an integrated urban strategy that can cater to various user groups and anticipate long-term needs.



Long-Term Policy Recommendations

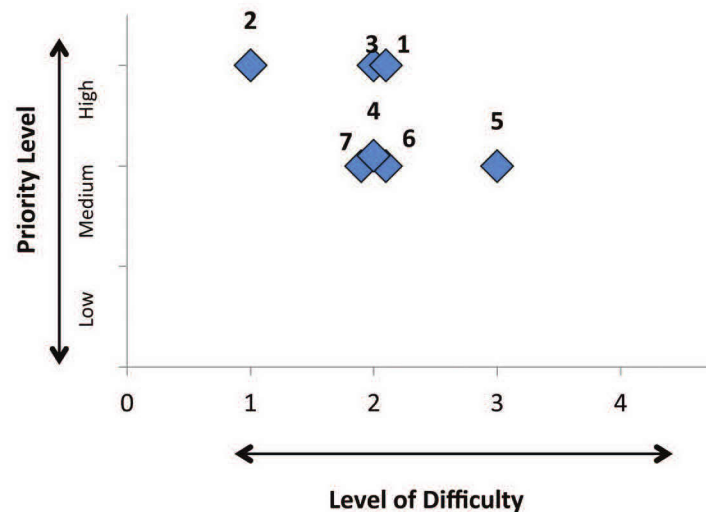
1. Give policy priorities to managing the urban density and preparing for further concentration, facilitating market driven urbanization and make the productive factors more efficiently allocated within cities.
2. Improve the land administration and management and strengthen the land use planning to make the land market function for growing urban density.
3. New investments should be considered under an integrated transport framework and assessed based on their impacts on the entire existing transport network and respective overall and spatial economic development.



2. Improving City Competitiveness to Generate Local Economic Development and Foster Job Creation

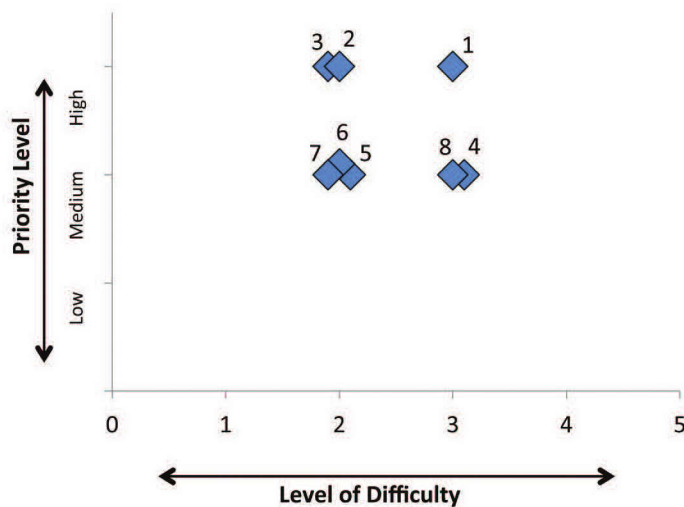
Short-Term Policy Recommendations

1. Further simplify business registration, licensing and business permit renewal based on international and domestic good practice.
2. Improve transparency of business regulations by publishing all regulations and processes online.
3. Expand incentives for collaboration between universities and business by reforming funding for public universities and increasing funding for applied, commercial research.
4. Create a public fund to support the development of a private seed and venture capital market to finance startups.
5. Introduce innovation-oriented public procurement to support innovative SMEs.
6. Encourage cities to leverage national support programs by providing small grants to prepare and submit applications for funding to national support programs (“grants for grants”).
7. Modify the structure of the local planning system and guidelines for LGUs to give priority to economic development targets.



Medium-Term Policy Recommendations

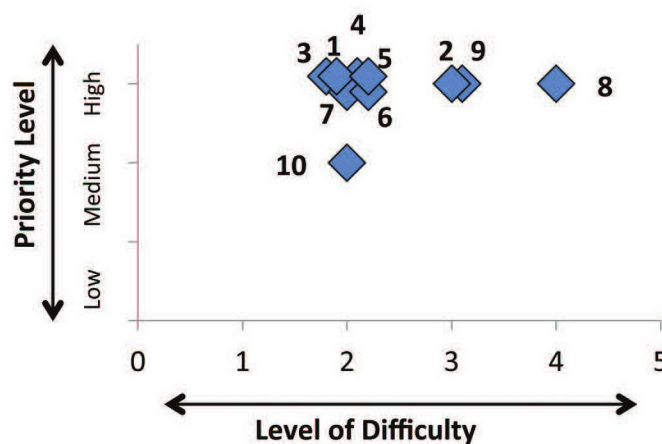
1. Introduce a simplified tax regime for micro enterprises to enhance compliance with tax laws, reduce the size of the informal sector and increase tax revenue.
2. Consolidate the business support system; and introduce a monitoring and evaluation framework to track its effectiveness.
3. Increase transparency and accountability of local governance to strengthen incentives for reforms by expanding access to online information and raising rewards for top performers.
4. Harmonize regulatory requirements and processes across metropolitan areas to reduce compliance burden on enterprises.
5. Expand the use of city rankings on the business environment to enhance transparency and accountability and strengthen incentives.
6. Attract diaspora and global talents by expanding on the existing programs for attracting diaspora and creating new programs to attract global talents.
7. Address the skills mismatch by facilitating city-level dialogue between universities and business, adjusting curricula to business needs, and monitoring the job market performance of university graduates.
8. Enhance the mandate and capacity of Local Economic and Investment Offices (LEIPOs) to identify economic development priorities and programs and coordinate activities of various departments.



3. Promoting Inclusive Growth by Creating Opportunities for the Urban Poor

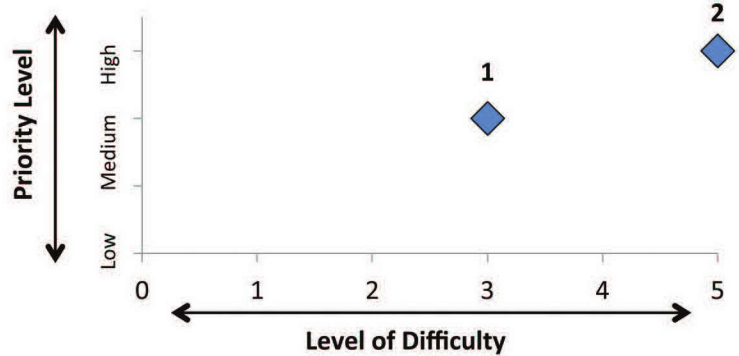
Short-Term Policy Recommendations

1. Help the urban poor access formal wage employment by providing skills training and placement services in close collaboration with the private sector.
2. Establish an integrated land and ISF information system through citywide participatory mapping.
3. Provide grants in the form of serviced land, help secure property rights, and provide home improvement grants for low-income informal communities.
4. Provide infrastructure and site development for formal but blighted communities and informal communities that are in the process of securing land tenure.
5. Provide hands-on facilitation, capacity building, and engaging them in community-driven mapping and slum upgrading, and providing opportunities to engage with LGU officials.
6. Provide TA funds to help organize urban poor communities around collective priority issue of housing.
7. Strengthen support for the LGUs to allow them to fulfill their mandate to plan and implement housing programs.
8. Review and streamline the roles and responsibilities of key shelter agencies need to be refined, and an authoritative body that oversees overall urban development needs to be identified or created.
9. Continue to support to develop and implement key policy reforms in the areas of urban development planning, housing finance, land use management and administration, disaster risk management etc.
10. Expand cash-for-work programs to provide income support to the unskilled poor to smooth the income variability.



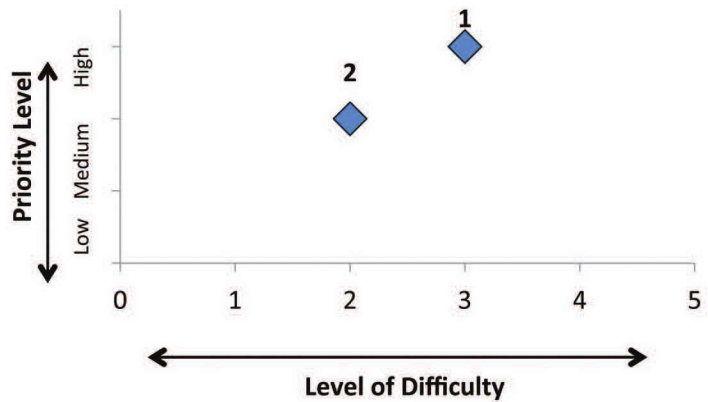
Medium-Term Policy Recommendations

1. Help rental housing market grow.
2. Work to establishing an authoritative body that oversees overall urban development and housing needs.



Long-Term Policy Recommendations

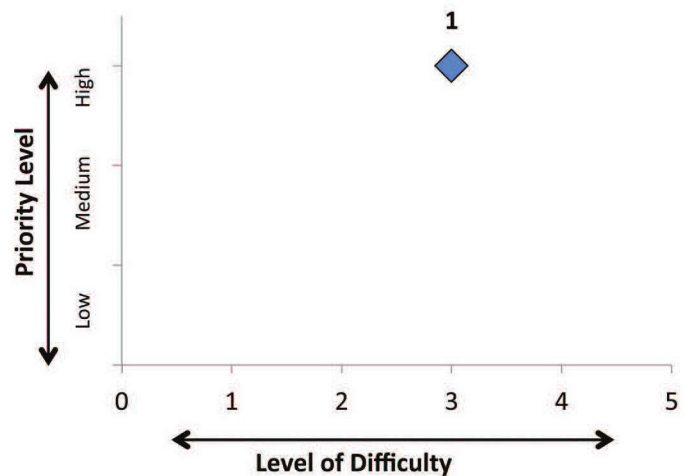
1. Expand connective infrastructure to allow neighboring areas to benefit from urbanization, including off-city resettlement sites.
2. Provide financial support through conditional cash transfer to facilitate secondary education completion.



4. Strengthening Institutions and Metropolitan Governance for Better Delivery of Infrastructure, Services and Resilient Urban Planning and Management

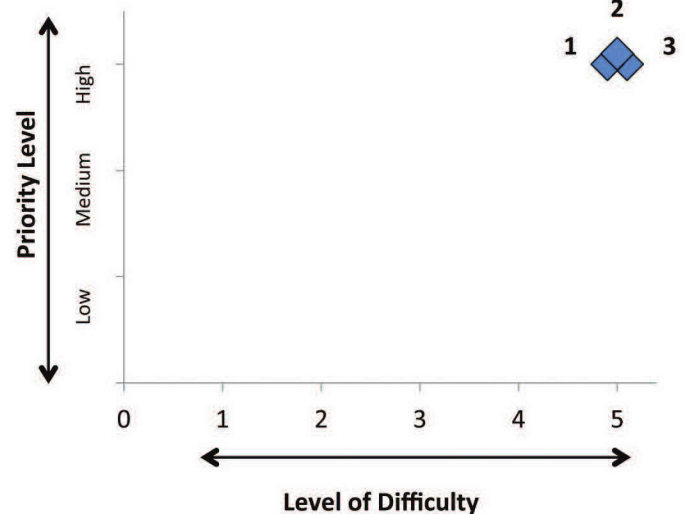
Short-Term Policy Recommendations

1. Short-term reforms to support the capacity building of cities for local revenue administration and to improve the institutional environment for debt financing.



Medium-Term Policy Recommendations

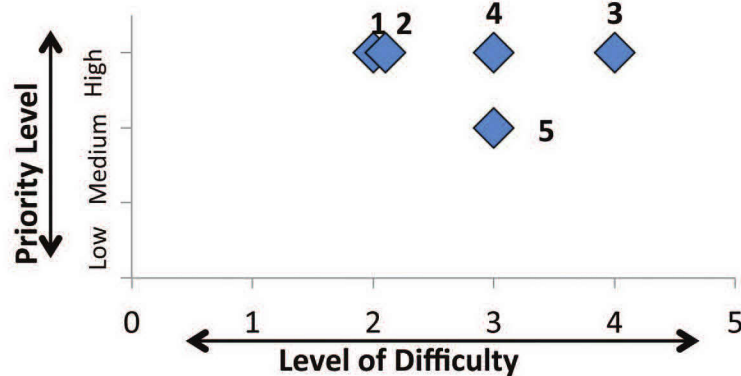
1. Strengthen the institutional framework supporting urban development through the adoption of a Philippine National Urban Policy and the establishment of a lead agency for urban development and housing.
2. Strengthen metropolitan governance and service delivery through the reform of metropolitan governance arrangements in Metro Manila and secondary urban areas.
3. Strengthen accountability systems for local service delivery through fiscal decentralization reforms.



5. Strengthening the Land Administration and Management System to Promote City Competitiveness and Sustainable Urbanization

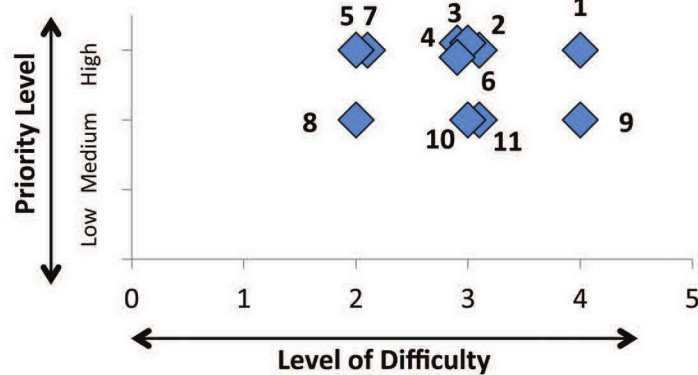
Short-Term Policy Recommendations

1. Issue an Executive Order to implement a program on integrated land and ISF information system for NCR (for ISF and other related programs); and eventually, for the rest of the country.
2. Prepare implementing rules for section 209 of Local Government Code mandating RoDs to provide annual abstracts of Registries to LGUs.
3. Executive Order to establish an Interagency Presidential Task Force to resolve Issues in enforcement of Proclamations.
4. Pilot test alternative tenure options.
5. Standardize guidelines for administration and disposition of proclaimed lands for ISF, through an Executive Order.



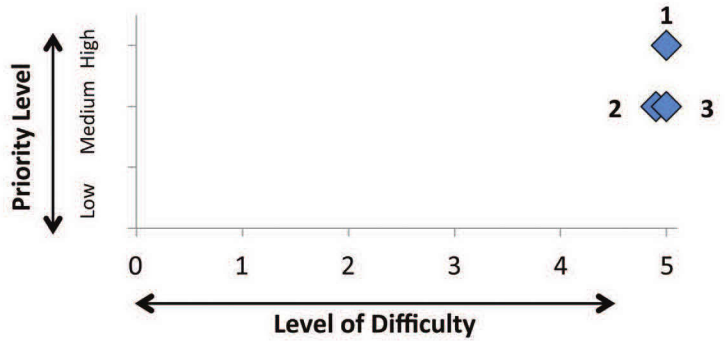
Medium-Term Policy Recommendations

1. Establish unified land information system (ULIS) at the LGU.
2. Develop a metropolitan wide land use physical planning framework that takes into account future requirements for space, economic activities, and function and incentives for updating of CLUPs.
3. The national government, should develop a metro wide plan to support implementation of projects aimed at maximizing agglomeration, for transport, environmental management, sewage, and other urban infrastructure.
4. In support of above, undertake systematic or city wide approach to tenure improvement of ISF.
5. Implement a shelter program to help ISFs secure property rights and provide serviced land with core houses – through a systematic “citywide community upgrading strategy”.
6. Establish and maintain a unified land information system at the LGU in order to have complete and updated information base for tax assessment and collection.
7. Strengthen BLGF oversight and monitoring of LGU Treasurers to ensure the administrative and judicial remedies are utilized, to improve tax collection and collect delinquent payments.
8. Strengthen LGU capacities on property valuation and taxation.
9. Develop a national spatial data infrastructure (NSDI) or data interoperability system that will facilitate exchange and sharing of land records among agencies and make these more accessible to the public.
10. Formulate new planning and building guidelines and standards that will strengthen a more holistic approach to planning and implementation of shelter and settlements development for ISF communities.
11. Develop and implement Citywide Land Tenure Improvement Plans.



Long-Term Policy Recommendations

1. Support earlier moves to establish a single agency integrating the functions of LRA, and DENR-LMB.
2. Review IRA formula to incentivize local revenue generation.
3. Work towards the establishment of central mass valuation system that provides fair and timely estimates of property and taxation values.



Acknowledgement

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