

URBAN DEVELOPMENT

By

Armando Armas, Jr.*

In view of the current developmental orientation in favor of urban planning, Chapters 3 and 4 of the World Bank's *Report* should be very useful since they deal with Urban Development. To appreciate the chapters on Urban Development, however, it should be borne in mind that the *Report* is addressed *not* to the t-values and R² watchers or cost-benefit enthusiasts but rather "is published in the hope that it may prove useful to a wider audience" (p. xvi). On this noble objective the authors are able to communicate what would otherwise have been unreadable technical papers.

The *Report* clearly departs from gagged demographic notion of urbanization.¹ The authors relate other aspects of urbanization such as production, employment, incomes, infrastructure expenditures, social services, and even political administration, to the development not only of urban but in connection with rural areas. Though the authors rely heavily on well-published data, they present various hypotheses on Philippine urban growth and propose different means to alter urban development. The authors effectively argue the critical influence of socio-economic factors on our urban development yet, being keenly aware of other factors, they did not limit their strategies on the socio-economic factors. A distinguishing feature of the *Report* is the so-called "sector strategies" in three sectors, namely: (1) housing, (2) water and sewerage, (3) transport, which are based on the need for more optimal government interventions. It seems that the *Report* aims to achieve an optimum government participation in the distribution of urban social services especially with regard to the three strategic sectors. Government participation, however, is

* Assistant Professor of Economics, University of the Philippines.

¹ A classic demographic notion is that of Eldridge who considers urbanization as "...a process of population concentration." For further discussion see H.T. Eldridge "The Process of Urbanization," in J.J. Spengler and O.D. Duncan (eds.), *Demographic Analysis* (Illinois: Free Press, 1942).

carefully formulated so as not to work havoc on the working of the market system.

While on the whole the *Report* has identified "areas that are likely to be crucial to the development prospect of the country" (p. xvi), it nevertheless has some minor gaps that I wish to have some paginal comments on. The two chapters on urban development are, however, very closely related as Chapter 3 presents the "Patterns of Urban Growth" and Chapter 4 is addressed to "Altering Urban Development." In other words, Chapter 3 provides the ground work for Chapter 4 which focuses on policy implications. Thus, because of the linkage of topics in both chapters, it would seem better to have my minor points presented according to the topic presented instead of having paginal summaries and comments.

The first section summarizes the demographic features of urban centers. For example, the *Report* noted that "urban growth has not, however, spread evenly across all cities, but appears to have been greatest in a few of the largest urban centers" (p. 44) and "The centers of concentration of the urban population are distributed across the major islands" (map, p. 45). Although much of the features presented are already well known, even from the BCS summary of census reports, they are nevertheless often ignored in policy discussions.

The next sections are the most important ones since they deal with production, employment, income, and expenditure patterns. Metro Manila, considered as the biggest urban area, is reported to have an increasing share in GNP, reaching over 26 per cent in recent periods. In all nonagricultural sectors MMA is noted to account for a significant gross value added: 63 per cent in commerce, 77 per cent in transport, 69 per cent in communications and storage, and 54 per cent in services. The *Report* does not suggest any specific explanation for the heavy industrial concentration in MMA, but merely asserts the familiar idea that MMA is "dominant not only as the population center of the country but also as a source of growth within the national economy" (p. 49). The *Report* should have mentioned, at least in a footnote, that MMA depends so much on the rural areas for 1) foreign exchange to subsidize its inefficient import substituting industries, 2) food to feed its malnourished population, and 3) raw materials to supply its industries.²

²The *Report* seems to ignore these aspects because it explicitly complements in many respects ILO's *Sharing in Development in the Philippines* (ILO: Geneva, 1974) where they are analyzed more fully.

The *Report* concludes that the "average labor productivity is substantially greater in the Manila area than in the rest of the Philippines" (p. 50). With a higher share of MMA in GNP but a lesser employment share, this conclusion tautologically follows from the productivity formula. The authors should have noted that MMA's industries are highly monopolistic, subsidized, protected, and that they employ socially inappropriate capital intensive techniques. This may explain the higher *monetary* labor productivity in MMA compared to rural areas.

With regard to income, the *Report* states that in 1971, the mean family income of about P9,500 (US \$1,500) in urban areas was more than double that in the rural areas. In addition, the authors present some estimates of urban and rural Gini coefficients.³ The urban Gini coefficient (.49-.52) has been higher relative to the whole country (.48-.51) except in 1971 when it decreased to .45 vis-a-vis .49 for the whole country. The authors warn, however, that due to possible income understatement "it is not clear that these were in fact actual trends" (p. 50). In spite of this problem, the *Report* concludes that the resulting improvement in wealth distribution probably reflects the greater access to education and the expansion of the informal sector employment.

Moreover, the authors state that "A substantial proportion of the urban population lives in absolute poverty" (p. 44). In fact, they claim to estimate that about 30 per cent of the urban residents were below the income level of P650 per capita in 1971. The incidence of rural poverty, however, is not presented though poverty must be analyzed in relative terms. Moreover though they use the poverty thresholds of Abrera, the authors ignore Abrera's finding on the extremely higher incidence of rural poverty compared to urban areas.⁴

After a rundown on the patterns of urban growth, the authors abruptly shift to housing which comprises one of their "sector strate-

³ Comparison of the World Bank *Report's* rounded estimates of the quantile distribution of family incomes and Gini ratios (Table 3.3, p. 51) with those of the ILO *Sharing in Development*, (Table 3, p. 10) reveals the complementarity of the World Bank *Report* to the ILO's *Report* as they appear to have used common data.

⁴ For a comparative presentation see M.A. Abrera "Philippines Poverty Thresholds," in M. Mangahas (ed.) *Measuring Philippine Development* (Philippines: Development Academy of the Philippines, 1976).

gies." Like most studies on housing, the *Report* assesses the "large and growing housing shortage in the urban areas" (p. 54) without taking into account supply and demand at various housing prices.

Housing shortage is attributed to "low level of household incomes, high and rising costs of land and construction, a shortage of credit, and relatively inactive public sector involvement in construction and financing" (p. 54). In effect, their so-called housing shortage is caused by the lack of effective *private* demand and the inadequacy of *public* supply.

Expenditures on house construction are reported to average about 2.5 per cent of GNP during 1968-73. Almost all houses have been constructed and financed by the private sector. However, the *Report* states that only 14 per cent of urban families can afford housing supplied in the private sector. With the assumption of a "low-priced" house at P28,000 (\$4,217), the *Report* estimates that, under moderate term loans, the annual housing costs involve almost 80 percent of an "average" family's total income. With this the authors conclude rightly that "If the situation is difficult for a person with an average income, it is hopeless for the poor" (p. 74).

To remedy the housing shortage, the *Report* mainly proposes lower-priced houses ranging from \$1,070 to \$1,675 and loans between \$470 to \$600 a unit to upgrade existing houses. Specifically, the authors propose that the National Housing Authority (NHA), a non-financing institution, grant the necessary loans. It may be difficult, however, to visualize the poor being able to afford such reduced government housing outlay which they may not afford if the reduced loans were to be provided through private finance. It is as if the proposed loans are able to have both ends meet "without putting undue strain on the national budget" (p. 76), and yet there "would be a considerable increase in public expenditures in housing from less than P5 million at present to about P300 million by 1980 in 1974 constant prices" (p. 76). In this section, the *Report* should have analyzed the various ways of constructing houses such as the feasibility of having the poor build their own houses with their own resources and some material and supervisory assistance from the government.

Compared to the lengthy sections on housing, the sections on water supply, sewerage and drainage (including flood control) contain brief reports of current problems and major programs (some are

World Bank financed). Although the World Bank is expected to have comparative expertise on these projects, the discussions, however, are mere descriptions of physical problems including a number of comparative analysis. For instance, the *Report* states that "The present infrastructure for water supply, sewerage, and drainage is inadequate throughout the Philippines (Table 3.8)" (p. 59). But a glance on its Table 3.8 shows that the Philippines has a greater urban population enjoying the benefits of sewage disposal (82 per cent) as compared with India (.80 per cent), Thailand (65 per cent), and Korea (61 per cent). Also in Table 3.8, the Philippines has the second largest percentage (65 per cent) of total urban population served with water supply as compared with Korea (88 per cent), Thailand (60 per cent) and India (56 per cent). Perhaps, the *Report* tries to implicitly argue that mere intercountry comparison of sewage disposal, etc. is an inadequate tool to convince intelligent policy makers of the adequacy or inadequacy of social facilities. Do not urban planners usually say that cities have different needs as much as cities seldom have exact environmental conditions?

To solve these infrastructure problems, the *Report* presents various projects and remedial solutions or gives general prescriptions. On water supply, for instance, the authors assert that "the government has embarked on an ambitious water supply program to remedy its past neglect" (p. 77). On sewerage and drainage, the *Report* suggests that "draining the poblacion in each city may be the beginning of a solution to the problem of waste water disposal" (p. 79). With regard to flood control, the *Report* states that "The government program would include construction of the Mangahan Floodway 1. Other major flood control work is also planned or proposed for the Central Luzon, Mindanao, and Bicol regions" (p. 80). Though the *Report* does not present even a rough social cost-benefit analysis on the proposed water, sewerage and drainage, flood control projects, this lack of economic appraisal is understandable because a lot of benefits and costs, particularly indirect ones, are hardly quantifiable. From the viewpoint of national valuations these projects have huge social, political, demographic, and economic implications.

The last sectoral strategy deals with urban transport. Compared with water supply, sewage and drainage sector, the *Report* devotes a longer discussion on the transport sector. Traffic congestion is reported to be chronic in MMA. With only 10 per cent of total population, MMA has over 40 per cent of the total registered motor vehicles as of 1975. Also, it is noted that in the same year, about 69

per cent of the motor vehicles in MMA were cars and jeeps, with trucks accounting for 26 per cent, buses, 1.0 per cent, and jeepneys, 4.6 per cent. Buses and jeepneys were estimated to transport a one-directional hourly flow of 15,000-20,000 persons on the main roads during peak hours vis-a-vis 1,500-2,000 persons moved by cars and jeeps.

Given the MMA traffic congestion problems, the *Report* propose to increase the capacity of existing transport facilities including roads and to alter investment decisions and programs. The authors go further to support "new residential — industrial centers outside of concentrated area" (p. 86) and to advocate "a host of fiscal and regulatory policy measures and implementing mechanisms" (p. 86). Nowhere in the transport section, however, did the authors present any economic appraisals of their specific proposals. Perhaps, this lack of economic appraisal seems again to imply that noneconomic factors have also some overriding place in urban development.

Lastly, the *Report* contains a section on decentralization plus a six-page note on the system of local government in the Philippines. The section on decentralization does present a good introduction of the program being proposed. Without mentioning the economic implications, however, the *Report* calls for "the decentralization of urban development away from MMA to a number of other urban centers" (p. 68). Moreover, authors seek "the development of small and medium-size cities and the creation of urban growth center" (p. 69) and they also specifically ask for the growth of big urban areas. Like their previous proposals, however, this proposal seems to be based on factors that are beyond economics. I suspect, however, that they must have some professional knowledge not presented in the volume.

The section on distribution of urban services starts with the proposition that "The need to improve the distribution of services within cities is particularly urgent for Metropolitan Manila" (p. 71). Thus, given the existing pull of MMA, the *Report* seems to aim a balanced growth of cities through policies aimed at making MMA as attractive as other regions in terms of social urban services. Lastly, the authors advocate an intensive effort "to improve the living conditions of low-income households in Metropolitan Manila" (p. 71), and also acknowledge that "squatters and slum dwellers consider their present lives better than their former situations" (p. 53).

To sum up, the chapters on Urban Development are good intro

ductory materials to intelligent laymen and public decision makers. The chapters on Urban Development as part of the *Report*, which was undertaken under heavy time constraint from April 1975 to June 1976, have popularized findings from technical researches of the World Bank staff and other individuals or research units. On the whole, they enormously enlarge the knowledge of wide audience who may not have the specialization and time to go over voluminous studies on Philippine urban development. And, for the readers of this journal a copy of the good looking volume should be a useful reference to complement the equally readable ILO *Sharing in Development in the Philippines*. I hope, however, that the World Bank shares to independent researchers their raw data particularly on their projects so that they may invite scholars "to aid and encourage research and interchange of knowledge" (H. Chenery's foreword in *Report*, p. v).