



Terwilliger Center for
Innovation in Shelter

REPORT ON
**IMPACT OF
COVID-19**
on the Low-Income
Housing Market Systems
in the Philippines

Impact of COVID-19 on the Low-Income Housing Market Systems in the Philippines

Prepared for



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ACRONYMS

ADB	Asian Development Bank	ISF	Informal Settler Families
AKPF	Abot Kaya Pabahay Fund	KII	Key Informant Interview
BBB	Build Build Build	LGU	Local Government Units
BFF	Bridge Finance Facility	MECQ	Modified Enhanced Community Quarantine
BSP	Bangko Sentral ng Pilipinas	MFI	Micro Finance Institutions
CARES	COVID-19 Assistance to Restart Enterprises program	MGCQ	Modified General Community Quarantines
CMP	Community Mortgage Program	MSME	Micro, Small & Medium Enterprises
CSO	Civil Society Organizations	NAP	National Action Plan
DHSUD	Department of Human Settlements and Urban Development	NCR	National Capital Region
DOH	Department of Health	NGO	Non-Government Organization
DOLE	Department of Labor and Employment	NHA	National Housing Authority
DPWH	Department of Public Works and Highways	NHMFC	National Home Mortgage Financing Corporation
DSWD	Department of Social Welfare and Development	OFW	Overseas Filipino Workers
DTI	Department of Trade and Industry	PDP	Philippine Development Plan
ECQ	Enhanced Community Quarantine	PPP	Public Private Partnership
FSP	Financial Service Provider	SAP	Socialized Amelioration Program
GCQ	General Community Quarantine	SBWS	Small Business Wage Subsidy
GDP	Gross Domestic Product	SHDLP	Social Housing Development Loan Program
GKCDFI	Gawad Kalinga Community Development Foundation Inc	SME	Small and Medium Sized Enterprises
HDMF	Home Development Mutual Fund	SSS	Social Security System
HH	Household	TESDA	Technical Education and Skills Development Authority
HLURB	Housing and Land Use Regulatory Board	UHLP	Unified Home Lending Program
HUDCC	Housing and Urban Development Coordinating Council	VAT	Value Added Tax
IDI	In-depth Interview	WHO	World Health Organization



EXECUTIVE SUMMARY

Rapid urbanization has brought challenges such as a deficit of affordable and secure housing among the low-income households of the Philippines. Given a housing backlog of 6.7 million from 2001 to 2015, and a projected housing demand of 5.6 million from 2016 to 2030, the Philippines is projected to have a housing need of 12.3 million by 2030. However, COVID-19 is deepening the crisis further. In light of this issue, Terwilliger Center for Innovation in Shelter undertook the rapid COVID-19 market impact assessment to analyze the impact of COVID-19 on the housing market systems of the low-income population in the Philippines and to identify the challenges and opportunities for the housing market industry from the crisis to support the low income households survive and thrive. The study was undertaken in two major islands of the Philippines (Luzon and Mindanao) with different housing market actors from June 29, 2020 to July 28 2020. The findings presented in this report reflect the insights from 42 KIIs and 84 IDIs.

The low-income housing market system in the Philippines is complex; demand and supply, support services and rules are governed by a

wide range of public and private sector actors. However, the demand, supply and support services of the Philippines housing sector have been affected because of COVID-19. 64% of the household's work / job were closed during the lockdown, resulting in a substantial decrease in household income. Due to the lockdown, 79% households' home repair/building plans have been affected. Majority of the households (55%) who were doing repairs of their houses fully stopped the construction work and 18% of the surveyed households do not have any plan to restart it within 1 year. Different housing market actor in the housing materials supply systems such as the construction material manufacturers and retailers had to operate on a small scale during the lockdown, causing a revenue drop of 50-60% for manufacturers and 87% for retailers. Suspension and cancellation of construction projects during the lockdown is causing displacement and unemployment of construction workers. Small and medium sized contractors have laid off workers and larger contractors have slashed salaries. Cost of construction and risk has increased because of rules on testing, on site housing of the workers,



safety gears, safety protocols etc. Contractors are working on delivering backlogs; the backlog along with delays in materials supply and finance is creating a vicious cycle of negative growth in the housing market systems of the Philippines.

Social housing finance is obstructed as the offices are closed and it is taking longer than usual time to sanction loans. Moreover, reallocation of funds to COVID-19 response and rehab is affecting implementation of existing government policies, including the resettlement program. The priority needs of the poor community have been relocated to food and health security instead of housing needs during the COVID-19 crisis. The surveyed retailers and manufacturers of construction materials are experiencing increased credit burden and need working capital to survive in the market. Due to movement restrictions across the borders due to COVID-19, import of the raw materials has also been disrupted and increased the price. Decrease in transactions and delay in repayments and loan releases had resulted in reduced or delayed proceeds for rolling capital reported by the surveyed FSPs. Though the Philippines government's economic team rolls out stimulus package and cash/in-kind support in response to COVID-19 pandemic, absence of clear guidelines from the national government is forcing the local government units to improvise

and devise their own targeting scheme which is creating confusion and accusations of patronage among their constituents. Moreover, due to additional paperwork requirements (barangay clearance and medical certificate from the LGUs) causing delay in restarting their operations for the construction companies. Due to lack of access to market information, the artisans were not informed of the on-going online training facilities, virtual workshops and online construction courses offered by different labor skill providers (vocational schools, training centers etc.) during the COVID-19 crisis.

In light of the above challenges in the housing market systems due to COVID-19, we analyzed the economic and social impact of COVID-19 on the housing market systems and the effectiveness of the institutional supports that have been planned and provided so far to the low-income housing market actors to lessen the COVID-19 crisis through a sectoral heat map. The sectoral heat map is expected to help policy makers, development partners, private sector, NGOs and researchers to better understand the status of the low-income housing market system of the Philippines. This in turn can be used to define the focus for interventions to support a speedy recovery of the housing market of the Philippines.



Findings from Habitat for Humanity and CRC emphasize the need for targeted interventions for different stakeholders in the housing market system. Strong coordination and collaboration between public and non-profit actors can revitalize the housing sector, if immediate action is taken to boost demand and supply of the housing market system. In this regard, we have proposed the following interventions and what needs to be done by Habitat for Humanity in collaboration with different housing market actors to recover the low income housing market from the COVID-19 crisis and to make it resilient in the long run.

On the demand side it calls protection and promotion of savings practices and lower the financing cost for housing:

- Boost the supply side through tax subsidies, import subsidies and working capital financing.
- For support systems, lower the cost of digitization to expedite the online capacity building services for construction workers.
- Increase government spending on social housing through tenants allowance and greater investment financing.



Chapter 1

Introduction

CHAPTER 1: INTRODUCTION

1.1 Background

The Philippines' housing market has grown at an exceptional rate in the past years, following the path of the country's strong economic growth, starting from 2010. Over the past few years, the Philippines have become one of the hotspots for foreign property buyers in Southeast Asia. Many foreign corporations move to the region, setting up offices and operations in places like Cebu and Davao, where labor costs are low. There has been a continuous rise of Chinese investors which is driving the demand for property and pushing prices upwards. The property prices have increased by 5.7% on average nationally in 2017 in the Philippines. There was also a considerable difference in price increases in the National Capital Region and areas outside of the NCR. In NCR, residential property prices increased by 8.8%, but the price increase was merely 3% in the rest of the country.¹ Though

¹ <https://www.asiapropertyhq.com/philippines-real-estate-market/>

² <https://www.asiapropertyhq.com/philippines-real-estate-market/>

the Philippines economy was the slowest in years during the second quarter of 2019, the housing/real estate market remained strong. According to market statistics, previous trends, reports by leading real estate agencies like Colliers and JLL, it was predicted that the Philippines will remain an attractive spot for real estate investments in 2020 because of the continued rise in demand, growing market at a sustainable pace and increased investments in emerging cities outside of Metro Manila.²

However, the beginning of 2020 has been marked by a series of unexpected events that continue to affect the global economy. Global markets are becoming increasingly unstable as the world is dealing with an unprecedented pandemic that is hitting both developed and developing nations equally hard. The coronavirus outbreak took place in early March, leading to an economic slowdown, staggering job losses and uncertainty for millions of people across countries around the world. Before the pandemic, Philippine GDP had been projected to rise to P21.5 trillion in 2020. However, the Philippine economy is projected to contract 1.9 per cent this year due to the economic fallout triggered by disasters and COVID-19.³ Rabobank has identified several reasons for the contraction. This includes direct and long-term

³ <https://business.inquirer.net/299472/world-bank-ph-gdp-to-shrink-1-9-in-2020/>



impact on tourism (25% of the GDP is dependent on tourism; Source: WTTC, Rabo Research Calculations), a sharp decrease in remittances from talented and hardworking overseas workers (8% of the GDP) on which a large majority of Filipino families depend, and

The contraction of the economy is expected to have a direct impact on the real estate and the housing sector of the Philippines. Since state-mandated lockdown has been implemented, demand in the housing market sector has begun to show signs of slowing in many countries like the Philippines. The low-income population may refrain from doing essential repairs, incremental building or new construction. The construction material suppliers and financing companies are expected to reduce the scale of their operations and focus on the financially equipped individuals who might take the opportunity to invest in the housing market as the prices for materials and lands decrease. Thus, housing initiatives might shift away from a focus on supporting low-income populations leaving them exposed and vulnerable to weather conditions, health hazards and the ongoing pandemic. This will also mean that the construction workers, who mostly belong to the low-income population, and depend on the

the longest and strictest lockdown measures taken in the ASEAN region affecting jobs and businesses and temporarily forcing the main engine of growth, the Philippines' domestically driven economy, to the sidelines.

housing market to thrive, will be deeply affected. As of May, the Terwilliger Center has conducted a COVID-19 rapid housing market assessment in key cities of the Visayas region. However, the Terwilliger Center now wants to cover the other regions in the Philippines to understand the impact of COVID-19 on the housing market systems for the low-income population. The conditions explained above might have a direct and negative impact on the interventions of the Terwilliger Center for Innovation in Shelter. In light of the issues listed above, Terwilliger Center has commissioned Innovision Consulting Private Limited to conduct a rapid COVID-19 market impact assessment in two major islands of the Philippines (Luzon and Mindanao) that aimed to understand the economic impact of COVID-19 on low-income households and its trickle-down impact on the housing market systems. This study mainly aimed at defining the challenges brought about by the pandemic looking through various lenses and analyzing several market actors on different levels of the housing market.

The outcomes of this report will inform future programming of the Terwilliger Center and be shared with relevant stakeholders such as the

private sector actors, relevant government entities, national shelter clusters and other shelter organizations.

1.2 Objectives of the Study

The broad objective of the study was to analyze the impact of COVID-19 on the housing market systems of the low-income population in the Philippines. By analyzing current dynamics of the market and the impact the pandemic has caused, the study identified current challenges and opportunities for the housing market industry. The study is intended to provide shelter actors listed above with much needed information on how market-based interventions can help inform programmatic decisions and actions required to support vulnerable Filipino households in the immediate recovery phase of the pandemic to ensure that they have access to affordable, adequate and safe shelter also in the anticipation of second and third waves of Covid-19.

The specific objectives of the study were:

1. To draw a clearer picture of how the unprecedented circumstances caused by COVID-19 have affected the housing market of the Philippines.
2. To identify the challenges and obstacles the different housing market

system actors are facing, at a national/macro level due to the crisis.

3. To identify housing market system actors' current capacity (their savings, assets, loans, household income portfolio) and coping mechanisms/strategies (reduction in expenses, borrowing, liquidation of savings etc.).
4. To analyze the economic and social impact of COVID-19 on the housing market system and the effectiveness of the institutional supports that have been planned and provided so far to the low-income housing market actors to lessen the COVID-19 crisis through a sectoral heat map.
5. To provide recommendations for housing market system actors on how to deal with the crisis to prevent collapse of the housing market and build resilience towards future disasters.

1.3 Scope

The findings of the study were derived largely from qualitative and quantitative surveys. Some of the insights were also derived from recently available secondary sources. The study does not provide a statistically quantitative analysis. However, it provides quantitative and qualitative insights which can be put together to draw a scenario of the current situation of the low-income housing market systems in the Philippines. The primary quantitative data presented in this report may indicate the general trends but due to a low sample size, the data are not representative of the low-income population segments.

A photograph of two men sitting on a porch in a rural setting. The man on the left is wearing a light-colored bucket hat and a yellow shirt. The man on the right is wearing a dark baseball cap with 'Dunbar' written on it, a teal jacket, and a white t-shirt. They are sitting on a porch with a wooden railing. In the background, there is a blue building and some people. A dog is visible in the foreground between the two men.

Chapter 2

Methodology

CHAPTER 2: METHODOLOGY

The study involved a mixed-method approach. Both quantitative and qualitative data were collected and triangulated. In-depth interviews

2.1 In-depth Interviews

The in-depth interviews were conducted with three different segment groups – (i) low-income households, (ii) low-income construction workers, and (iii) construction material suppliers. In an effort to make the analysis as comprehensive as possible, the study included samples from different geographies throughout the Philippines. Given the fact that the Terwilliger Center had already completed a smaller study in the Visayas, this study selected Davao del Sur from Mindanao and Metro Manila from Luzon as primary areas of focus.

As strict lockdown measures were still in place during the time of data collection, the majority of the interviews were conducted over the

(IDIs) and key informant interviews (KIIs) were conducted with different housing market actors.

phone. Local partners were used as informants in securing a minimum number of respondents using the snowball sampling method.

The sampled respondents (households and artisans) for this study were clustered according to income levels. Cluster 1 consists of poor households, with daily income of Philippine Pesos (₱) 0- ₱317; Cluster 2 includes low-income households with daily income of ₱318-₱635, and; Cluster 3 consists of lower middle-income households with daily income of ₱636-₱1,269. Innovision purposely selected the samples from each strata to ensure that there the study collected sufficient responses from each strata

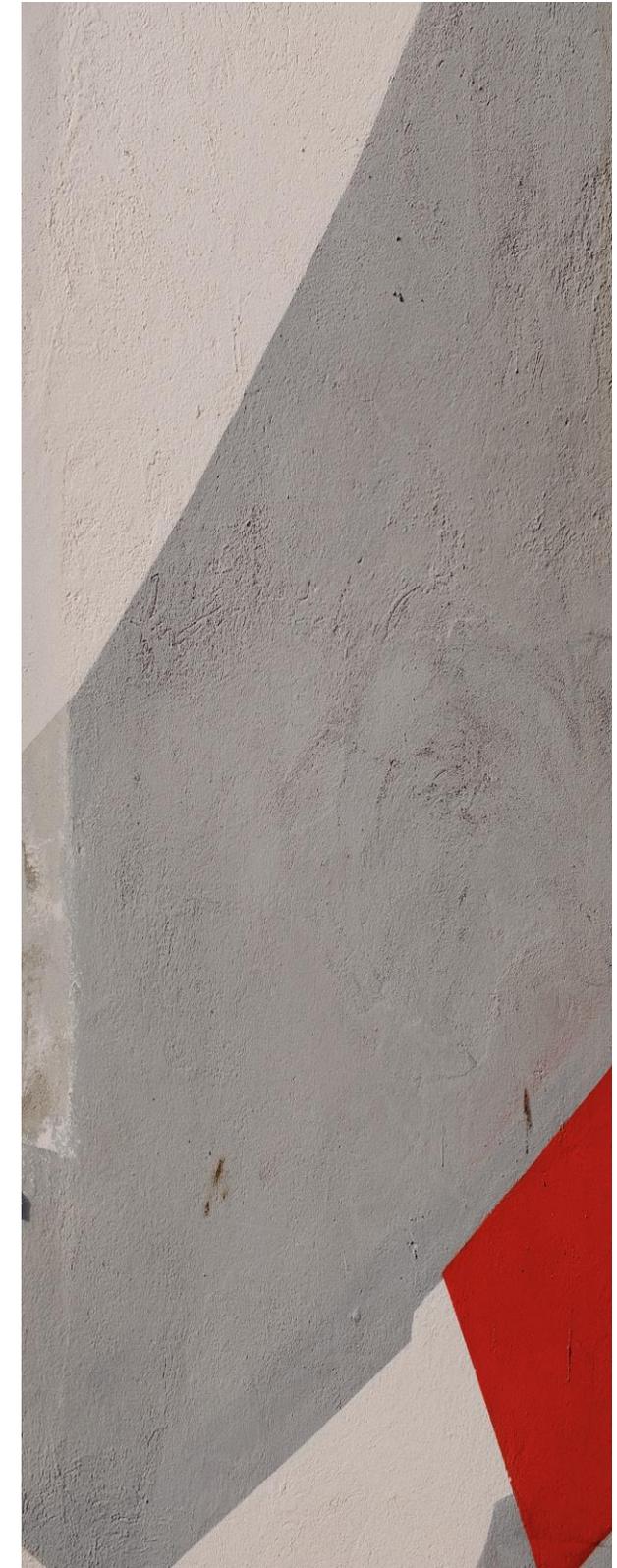


Table 1: Sample distribution for the IDIs

Province	Sample Type	Cluster	Achieved number of samples	Total
Luzon	Household respondents	Cluster 1: Poor households	15	33
		Cluster 2: Low-income households	10	
		Cluster 3: Lower middle-income households	8	
	Construction Workers	Cluster 1: Poor households	-	4
		Cluster 2: Low-income households	-	
		Cluster 3: Lower middle-income	4	
Construction material sellers			6	
Mindanao	Household respondents	Cluster 1: Poor households	13	37
		Cluster 2: Low-income households	16	
		Cluster 3: Lower middle-income households	8	
	Construction Workers	Cluster 1: Poor households	-	7
		Cluster 2: Low-income households	4	
		Cluster 3: Lower middle-income households	3	
Construction material sellers			1	
Grand Total				88

2.2 Key Informant Interviews

For the qualitative component of the study, KIIs were conducted with labor skills providers (associations, construction companies, vocation schools, architect/design services), Financial service providers (co-ops, banks, MFIs, remittance centers, credit lenders), Government agencies, Construction companies, international NGOs and civil society organizations, COVID-related public-private partnerships, start-up

companies and innovative enterprises within the shelter industry. These segments were chosen so the study will reflect a holistic view of the housing market, which includes the government and the private sector. For the qualitative survey, a purposive sampling method was used.

Table 2: Sample distribution for the KIIs

Target respondents	Number
Labor skills providers (Association, construction companies, vocation schools, architect/design services)	8
Financial service providers (coops, banks, MFIs, remittance centers, credit lenders)	6
Government agencies	4
Construction material manufacturers	6
International NGOs and Civil Society Organizations	7
COVID-related Private-Public Partnerships	3
Start-ups and Innovative Enterprises in the Shelter space	4
Total	38

2.3 Data Analysis

Detailed interview notes were produced after each interview. Several discussion sessions were held among the team to draw on key messages at the beginning of the data analysis. All data was then analysed systematically by themes. The study findings were then plotted against key indicators set in the analytical framework for further analysis.

2.4 Limitations of the Study

Due to the COVID-19 pandemic, collecting data for the study proved challenging. Most of the business operations and work of the respondents were closed down due to the strict quarantine measures in Luzon and Mindanao. To address this, Innovision had to conduct phone interviews with the respondents. As a result, the proposed samples for the quantitative study from the study locations were not reached and, thus, can only indicate trends and are not representative of the population as a whole. Samples for the qualitative study, however, can be considered representative. The data was collected from June 29, 2020 to July 28, 2020. Overall, given the unprecedented circumstances, respondents found it difficult to speak on future plans and possible impact of the pandemic on their lives and businesses, with most of them stating that they had very little reference to base their responses on.



Chapter 3

COVID-19 in the Philippines

CHAPTER 3: COVID-19 IN THE PHILIPPINES

As of July 26, 2020, the Philippines had 80,448 total confirmed cases, 1,932 of whom have died. (Source: Department of Health, Republic of Philippines)



Since the Philippines reported its first positive COVID-19 case on January 30, a multi-sectoral response to COVID-19 has been put in place by the Philippine government through the Interagency Task Force on Emerging Infectious Diseases (IATF-EID) chaired by the Department of Health (DOH). Through the National Action Plan (NAP) on COVID-19, the government aims to curtail the spread of the deadly virus and mitigate its socioeconomic impacts.

Following the recommendations from the IATF-EID, the Philippines implemented various actions including the imposition of community quarantine in Metro Manila which expanded to

Luzon as well as other parts of the country; expansion of its testing capacity from one national reference laboratory with the Research Institute of Tropical Medicine to 23 licensed testing labs across the country; ensuring the surge capacity of its health care system, which includes financing of services and management of cases needing isolation, quarantine and hospitalization; and the provision of social amelioration to low-income families to address the social and economic impact to the community.

(100 days of COVID-19 in the Philippines: How WHO supported the Philippine response, 2020).



3.1 Imposition of quarantine measures to combat the spread of COVID-19 in the Philippines

In response to the growing cases of COVID-19 in the country, the Philippine government has declared a State of Public Health emergency throughout the entire Philippines through Proclamation No. 922. On March 12, the Philippine government announced Code Red Sublevel 2 in response to COVID-19. This imposed restrictions and regulations including social distancing requirements across Metro Manila from March 15 to April 14. The community quarantine of Metro Manila covered 16 cities and one municipality. During the second day of the implementation of the Metro Manila community quarantine, on March 16, the Philippine government under President Rodrigo Duterte declared a Luzon-wide Enhanced Community Quarantine until April 14, that restricted the movement of the population except for necessity, work, and health circumstances in order to combat the effect of the continuing and increasing spread of COVID-19.

ECQ Extensions

- **April:** On April 7, 2020, upon the recommendation of the Inter-Agency Task Force on Emerging Infectious Diseases and health experts, including from the World Health Organization, the government of Philippines had decided to lengthen the implementation of the ECQ up to the end of April 2020.
- **May:** When the lockdown began, the Philippines had 187 coronavirus cases, with 18 deaths. Fast forward to April 23, the

⁴ <https://www.rappler.com/nation/258496-metro-manila-calabarzon-bulacan-to-remain-on-lockdown>

number of cases had grown to 6,981⁴. The IATF-EID recommended that guidelines be issued by the different government agencies to provide policy directions for the public and stakeholders in complying with government regulations following the modification of ECQ⁵. Based upon the recommendation, the government had extended the ECQ up to May 15, 2020 only for Metro Manila, Calabarzon, Central Luzon (except Aurora), and other areas in Luzon that were deemed high-risk for COVID-19⁶. However, on May 12, the government of the Philippines had announced another 15-day extension of the quarantine regulations up to May 31. The government had declared that only Metro Manila and Laguna in Luzon, (and Cebu City in the Visayas) would be under modified ECQ or MECQ because these places were determined as high-risk for COVID-19 while areas that were moderate risk would be under GCQ.

- **June to update COVID-19 situation:** Beginning June 1, Metro Manila withdrew MECQ and transitioned to GCQ as previously announced by the government of the Philippines on May 28. Other areas in Luzon namely Cagayan Valley, Central Luzon, Calabarzon, Albay and Pangasinan were also declared to be under GCQ starting June 1 while the rest of the country are placed under modified GCQ or MGCQ also starting on June 1. However, Cebu and Talisay City have returned to ECQ because the Philippine government noted an increase of new cases in those areas; widespread community transmission; case doubling time of less than seven (7) days; and a significant increase in critical care utilization as compared to critical care capacity.

⁵ <https://www.dole.gov.ph/news/dti-and-dole-interim-guidelines-on-workplace-prevention-and-control-of-covid-19/>

⁶ https://en.wikipedia.org/wiki/Enhanced_community_quarantine_in_Luzon

The Philippine government has announced the following classifications for areas in the country as a continued measure against the spread of COVID-19 on June 15:

Table 3: Quarantine measures during COVID-19 in the Philippines

Level of Quarantine	Areas	Time frame	Rules and Restrictions
Enhanced Community Quarantine (ECQ)	Cebu City	June 16- June 30	<ul style="list-style-type: none"> - Stringent limitations on movement and transportation of people - Strict regulation of operating industries - Provision of food and essential services, and heightened presence of uniformed personnel
Modified Enhanced Community Quarantine (MECQ)	Talisay City, a city under the province of Cebu	June 30	<ul style="list-style-type: none"> - Residents can only step out to access essential goods and services - Work in permitted offices or establishments - Public gatherings that are “unauthorized, non-work essential or are entertainment related are prohibited - Public transport remains suspended. However, “point-to-point transport services provided by the government shall be allowed to operate
General Community Quarantine (GCQ)	Luzon – NCR (Metro Manila), Cagayan, Isabela, Nueva Vizcaya, Quirino, Santiago City in Region II; Aurora, Bataan, Bulacan, Tarlac, Olongapo City in Region III; Cavite, Laguna, Batangas, Rizal, Quezon in Region IV-A	June 16 – June 30	<ul style="list-style-type: none"> - Limiting movement and transportation - Regulation of operating industries, and presence of uniformed personnel to enforce community quarantine protocols
	Visayas -- Bohol, Cebu, Negros Oriental, Siquijor, Mandaue City, Lau-Lapu City in Region VII		
	Mindanao -- Davao City and Zamboanga City		
Modified General Community Quarantine (MGCQ)	Rest of the country	June 30	<ul style="list-style-type: none"> - All residents will be allowed to leave their homes as long as they observe minimum health standards referred by Department of Health (DOH) and sector-relevant guidelines issued by the government agencies

Source:

<https://www.osac.gov/Country/Philippines/Content/Detail/Report/016cf45b-d5a0-4fd2-be6b-18f1a6e0711d>

<https://www.theworldlawgroup.com/news/new-mecq-guidelines-issued-by-the-iatf-ipophl-re-opens-on-may-25>

Transition to 'new normal' in GCQ areas

The areas under General Community Quarantine (GCQ) have a low to moderate number of COVID-19 cases. In the GCQ areas, some quarantine rules have been relaxed, several non-essential businesses have been allowed to reopen, and the “new normal” has been in place in all other areas in the country that are not under ECQ. The movement of the people in GCQ areas has remained limited to accessing essential goods and services and going to work in offices. More businesses and industries are also allowed to operate in areas under GCQ. Priority and essential construction projects may resume in accordance with Department of Public Works and Highways guidelines⁷.

Malls and shopping centers have been allowed to reopen with limited operations and capacity. Unlike the strict mass transportation restrictions in ECQ areas, public transportation has been allowed to reopen at a reduced capacity in GCQ areas. However, the nonessential entry and exit of people to and from the ECQ zone is prohibited⁸. Local Government Units , i.e. cities and municipalities in the National Capital Region, may still have curfews in effect to limit exposure to the COVID-19 virus. Some provinces have implemented their own community quarantines.

⁷ <https://www.rappler.com/nation/258496-metro-manila-calabarzon-bulacan-to-remain-on-lockdown>

⁸ <https://www.cnnphilippines.com/news/2020/4/30/Philippines-ECQ-GCQ-lockdown-quarantine-guidelines-COVID-19.html>



Chapter 4

**Housing Crisis in the
Philippines before
COVID-19**



CHAPTER 4: HOUSING CRISIS IN THE PHILIPPINES BEFORE COVID-19

With more than 45% of its population living in cities, the Philippines is one of the fastest urbanizing countries in the East Asia and Pacific region. In 2019, 47.15% of the Philippines' total population lived in urban areas and cities (Unlocking the Philippines' urbanization potential, 2017). The Philippine housing industry has enormous potential for growth, as demand for living spaces continues to increase due to rapid urbanization. However, rapid urbanization has also brought challenges such as a deficit of affordable and secure housing among the low-income households of the Philippines.

The Philippines is projected to have a housing need of 12.3 million by 2030 – given a backlog of 6.7 million from 2001 to 2015, and a projected housing demand of 5.6 million from 2016 to 2030. In 2009, more than 40 percent of total urban households in the Philippines were considered sub-standard. The country also has a high prevalence of homelessness and slum dwelling, where approximately 4.5 million of the population is homeless and about 17 million live

in slums—growing by 3.5 percent annually. More than 40% of urban families in the Philippines have to live in makeshift dwellings in informal settlements. These poor people living in slums are particularly vulnerable to risks related to natural disasters, as they are often located in hazardous areas without sufficient protection. This creates a growing demand for quality housing (Better Business, Better World: Philippines, 2019).

The government has taken note of the challenges and has made affordable housing a key priority. AmBisyon Natin 2040 places housing and urban development as one of its priority sectors. The Philippine Development Plan (PDP) 2017-2022 targets to deliver direct housing assistance to over 1.5 million households and 7 million new affordable homes for 2023-2030. Through several industry-led initiatives, the sector hopes to sustain its robust growth and eliminate the housing backlog by the year 2030. (Better Business, Better World: Philippines, 2019)

4.1 Government and Private Sector Response to the Housing Backlog

Of the 6.7 million housing backlog in the Philippines, 39% belong to the unserved segment, 34% to the socialized housing segment, 14% to the economic segment and 13% to the other segment. To eliminate the housing deficit by 2030, housing production should at least average 670,000 units annually, of which 80,400 units should serve the unserved segment. Meanwhile, only 1.5 million poor households have been targeted to be served by the Department of Human Settlements and Urban Development (DHSUD) by 2022. (CRC, 2020)

Government allocation for housing has substantially declined since 2016, accounting for about 0.02% of the total 2019 fiscal budget, which is down from the 1.2% registered in 2016. Moreover, the policy direction of the government related to housing does not directly address the unserved segment nor the backlog. It relies either on direct housing production through the National Housing Authority (NHA) and some LGU-based projects to cater to

specific beneficiaries and in-house financing programs such as Social Housing Finance Corporation (SHFC), Community Mortgage Program (CMP) and Home Development Mutual Fund (HDMF), among others, or through balanced housing schemes and fiscal incentives extended to private developers. On the other hand, developers usually allocate relatively fewer of their production capacities to socialized and economic housing where the deficits are substantial. In fact, production decisions tend to show a bias against these segments over time. (CRC, 2020)

Also, the government has not increased its commitment to any major housing projects except to continue its usual focus on relocating informal settler families (ISFs) affected by the 'Build-Build-Build' (BBB) infrastructure projects, very low-income households and favored sectors. The developers' construction capacities and resources are stretched thinly across other housing projects. In the last two years, many projects have experienced delays due to the lack of the needed manpower skills. Under such predicaments, overall, housing production capacity will remain way below levels needed to eliminate the backlog by 2030 and will be far behind in time to catch up with and reduce the housing deficit (CRC, 2020).

4.2 Housing Demand and Supply Outlook

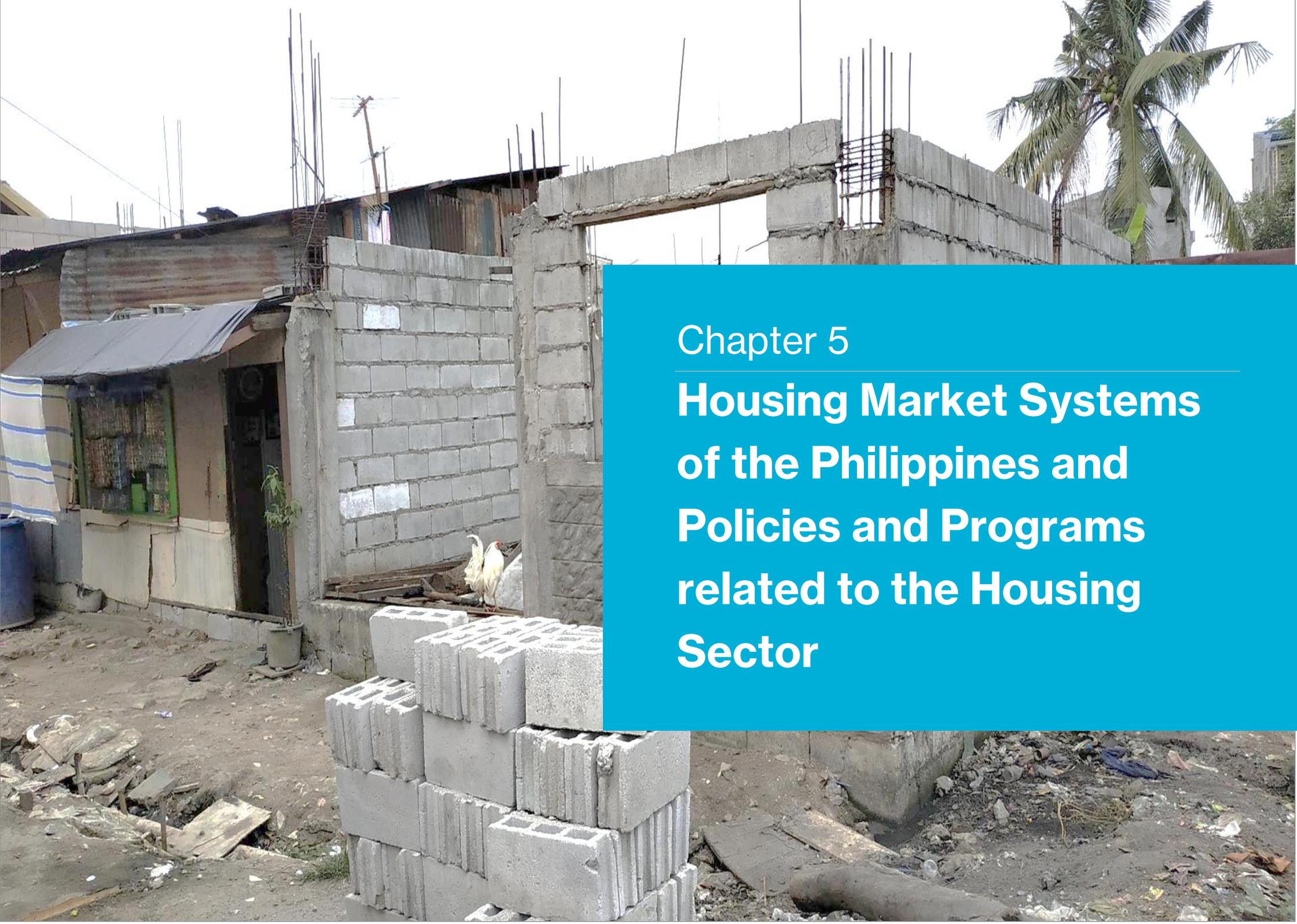
Based on projections from 2001 to 2018, the housing backlog persists in the socialized, economic, and low-cost segments. The supply of housing units for these segments has fallen short of meeting the estimated and growing demand for housing by about 5,714,706 units. However, in terms of projected demand from 2019 to 2022, about 3,428,261 additional housing units will be needed based on the projections for segments outside the unserved sector. Factoring in the backlog from 2001 to 2018 and the additional projected demand including the unserved segment from 2019 to 2022, the total housing needs is expected to reach 15,076,255 units by 2022. (CRC, 2020)

Table 4: Housing Backlog Per Segment (in Units) from 2001-2018 and Projected Housing Needs (in Units) from 2019 to 2022

Segments	Backlog (2001-2018)	Housing needs (2022)
Unserved	5,623,943	5,933,289
Socialized	-4,808,424	5,117,770
Economic	-303,934	2,110,427
Low-cost	-602,347	1,914,769
Mid-cost	377,434	-
High-end	204,044	-
Shortage	-5,714,706	-
Total Housing needs		15,076,255

Source: CRC, 2020

This housing backlog is the result of the annual build-up in housing deficits when production falls short of demand. In 2018, over 5.6 million households already belong to the unserved segment and without any substantial intervention it is expected to reach 6 million by 2022. Socialized housing in total housing production has declined from 14.19% to 8.94% in 2018. Likewise, the economic segment is on a downtrend since 2014 from a share of 41.90% to 34.02% in 2018. With these production portfolios, addressing the gaping backlog in these segments would take a quarter of a century. (CRC, 2020)



Chapter 5

Housing Market Systems of the Philippines and Policies and Programs related to the Housing Sector

CHAPTER 5: HOUSING MARKET SYSTEMS OF THE PHILIPPINES AND POLICIES AND PROGRAMS RELATED TO THE HOUSING SECTOR

In general, the housing sector of the Philippines is divided into five segments, namely: socialized (₱480,000.00 and below), (Price Ceiling for Socialized Subdivision Project) economic (above ₱1.25 million to ₱1.70 million), (Economic Housing Loan and Price Ceiling Adjustment), low cost (₱ 1.25 million to ₱3 million), mid cost (above ₱3 million to ₱4 million) and high-end (above ₱4 million) (CRC, 2020). Housing construction involves different sectors such as but not limited to cement, iron and steel, copper electrical wires, paints, ceramics, etc. that are of significant contribution to the country's economy. Given the existing and continuous demand for housing, housing developers have been in dynamic competition with each other by giving the most economical housing units for end-users.

The low-income housing market system is complex; demand and supply, support services and rules are governed by a wide range of public and private sector actors.

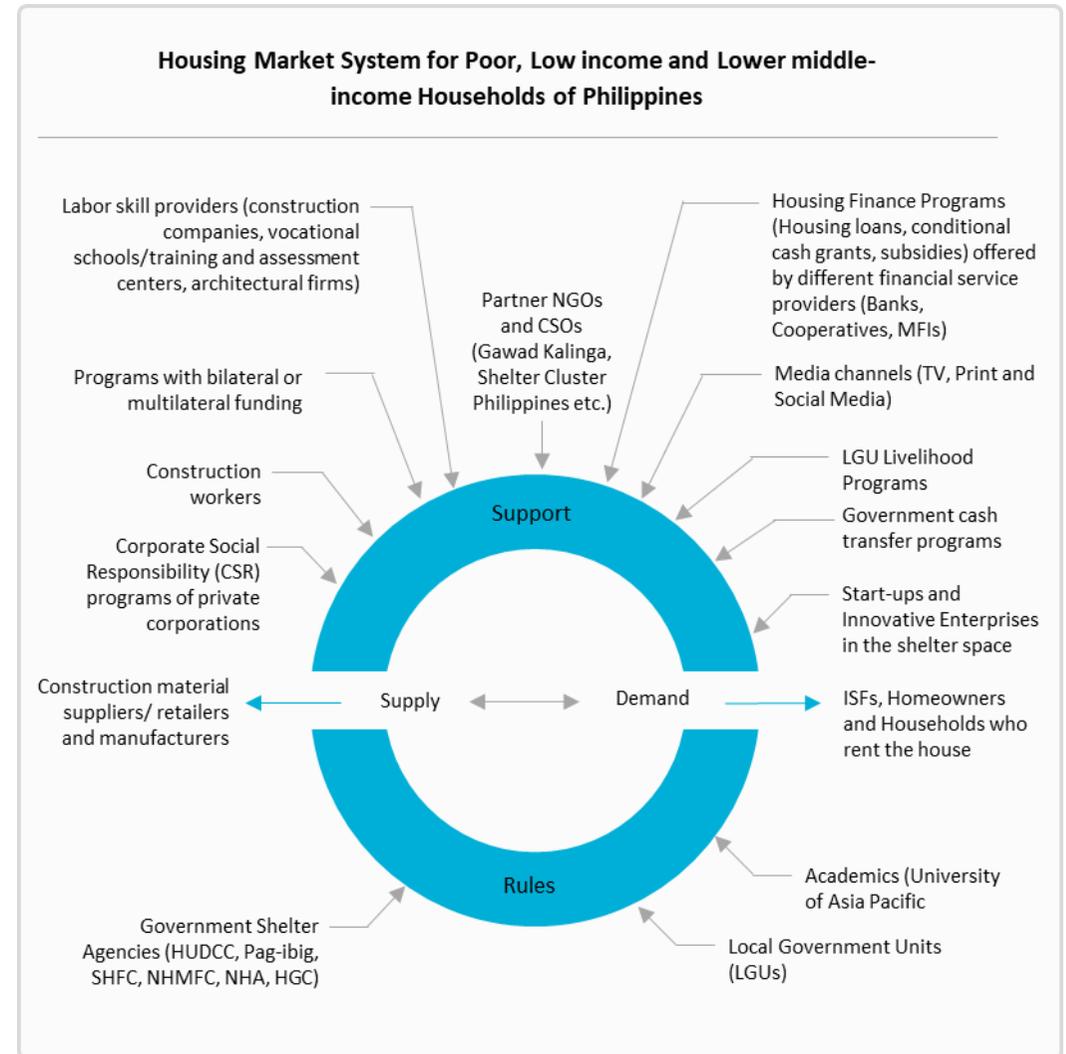
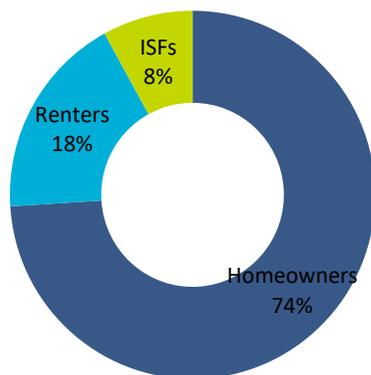


Figure 1: Low-income Housing Market System of the Philippines

Demand Side: In a housing market system, many actors can be the end users, depending on the type of interventions planned. On the demand side of the housing market system, the end users in this study are considered to be the households (low, lower-middle, rich). Depending on the type of ownership, the households are further divided into three segments: homeowners, rental households, and informal settlers.

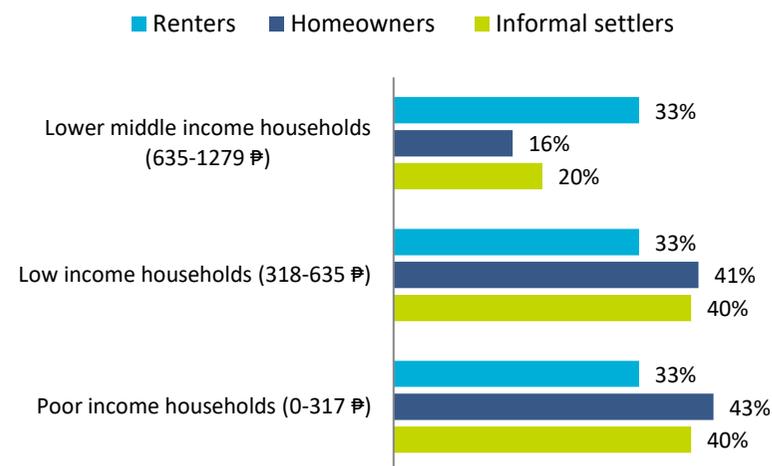
In this study, 49 homeowners, 5 informal settlers and 12 rented households (total of 66 households) were served to understand how their housing needs have been affected due to COVID-19 and identify the coping mechanisms they are undertaking to combat the challenges. In addition to these 66 households, 4 more interviews with the informal settlers and rented households were conducted to develop case stories. Of the surveyed households, 41% were from poor income households with individual incomes between ₱0-₱317 (**Figure 3**).

Figure 2: Type of home ownership of the sampled households



The surveyed households had been staying for an average of 11.8 years in their respective houses.

Figure 3: Individual per day income of the sampled respondents (in ₱)



Income profile of the low-income households: The surveyed households are engaged in various types of income generating activities (**Figure 4**). Of the surveyed low-income households, 80% have additional earning members in their family who contribute to the household income.

Among them, 77% households have only one earning member who contributes to the household income. In most of the cases, the other earning members of the surveyed respondents (79%) are their spouses (**Figure 5**).

Construction work is the major source of income of the other household members reported by the respondents (**Figure 6**). The surveyed low-income households usually earn an average amount of ₱20,675 per month (Combining all the income sources).

Figure 4: Source of income of the low-income households

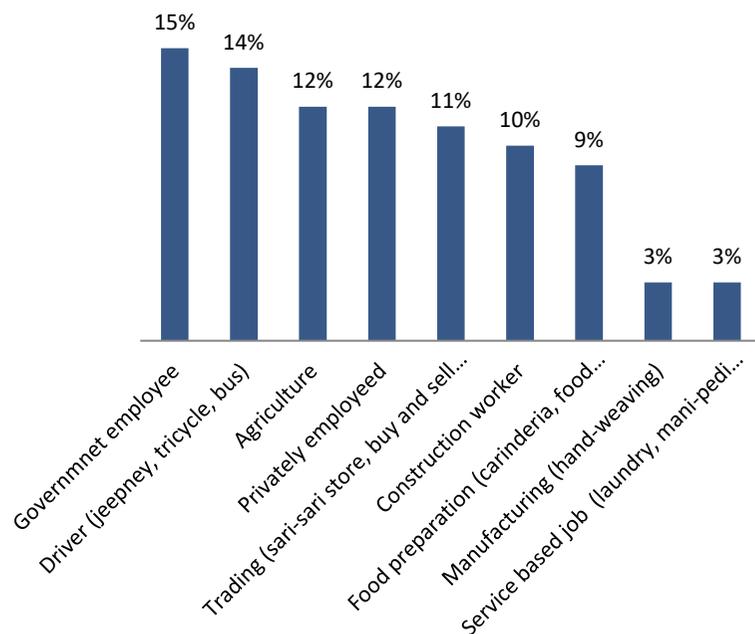


Figure 5: Other earning members of the households

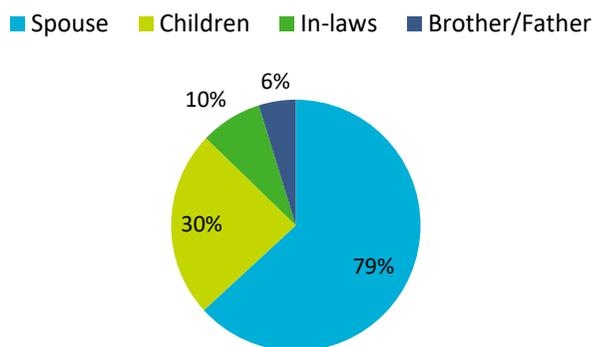
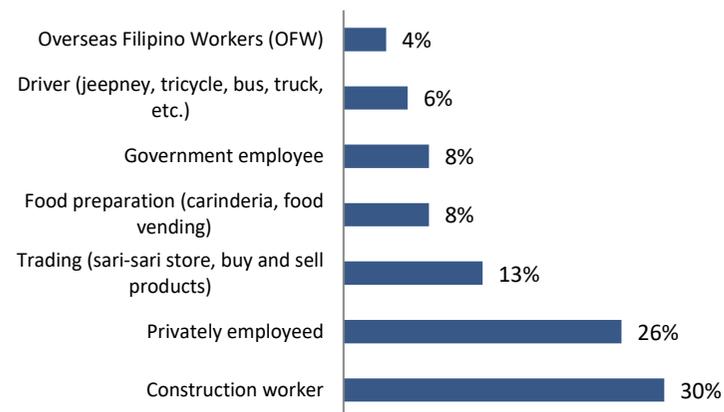


Figure 6: Source of income of other earning member in the HH



Foreign remittances: There are 17% of the surveyed households who have family members living and working overseas. Of these, 55% reported that they receive money from their overseas family members. Foreign remittances are evident mostly in the surveyed lower middle (31%) and poor-income (15%) classes. Additionally, 33% of the households receive remittances at least once a month from their families while 50% receive a few times a year.

Coping Capacity of the low-income households (Savings, Loans and Assets): The practice of savings was identified among the low-income households as 41% of the surveyed households reported that they have savings. The low-income households reported to have annual savings of ₱12,333 on average. However, 48% of the households keep their monthly savings at home. Only one of the surveyed respondents in informal settlements stated to use cooperatives to manage savings. Compared to the homeowners (20%), half of the rented households (50%) save money in banks (**Figure 7**).

Additionally, 37% of the low-income households save money on a weekly basis of an average amount of ₱432 (**Figure 8**). Among them, 45% of the homeowners reported to save weekly which is comparatively higher than the informal settlers (0%) and rented households (17%). Savings practice is quite low among the informal settlers. Among the surveyed informal settlers, only one of them reported to save money semi-annually (**Figure 8**). House building or repair is the major purpose of savings for low-income households, as 30% of the households reported that they save money to repair/build/expand their houses in the future (**Figure 9**).

Figure 7: Type of Savings of the Households

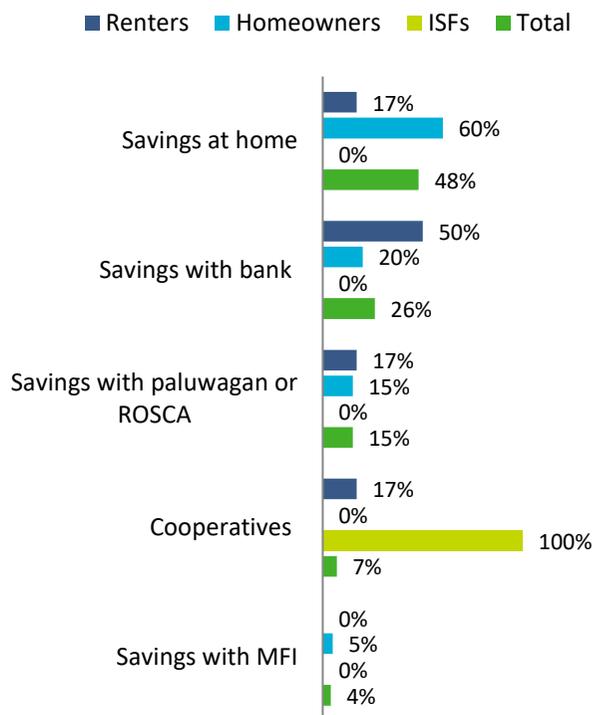


Figure 8: Savings Pattern of the Households

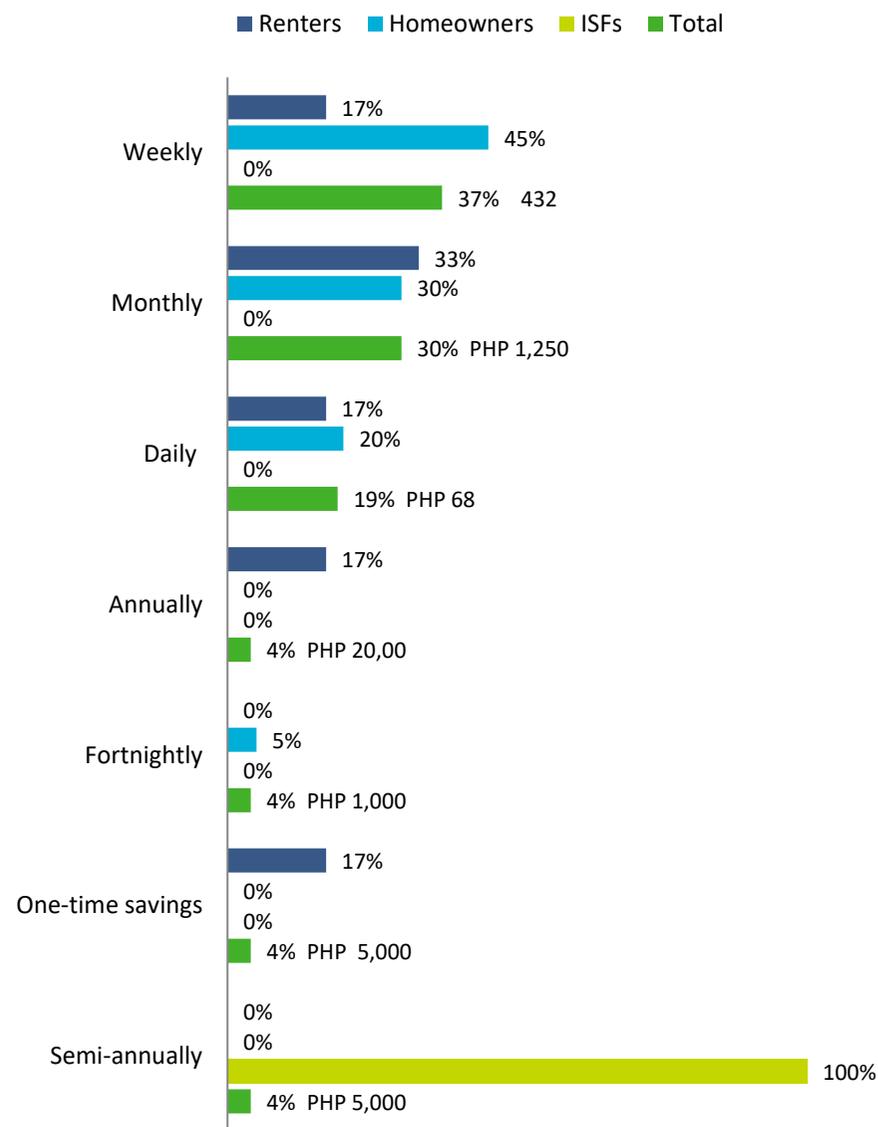
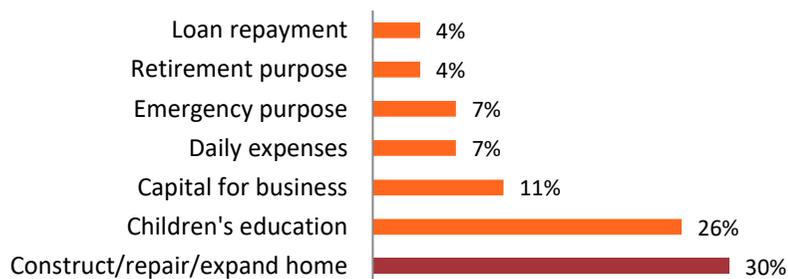
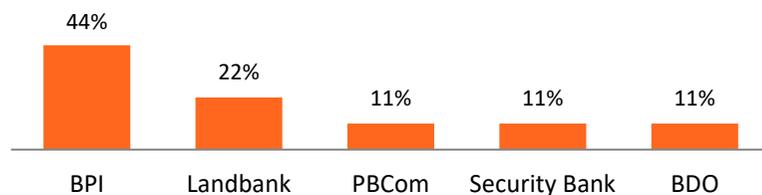


Figure 9: Purpose of savings



Only 14% of the low-income households reported to have access to commercial bank accounts that have an online app. These households have bank accounts with different types of commercial banks in the Philippines (Figure 10). However, only 44% of the low-income households use the online banking platforms for multiple purposes such as receiving and sending money (100%), paying for bills and purchases (75%), and buying prepaid mobile loads (25%).

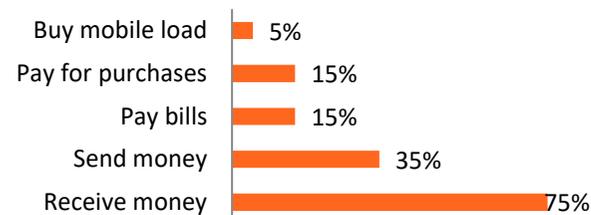
Figure 10: Accounts in commercial banks with online banking facility



The majority (61%) of the low-income households do not have any mobile money accounts. Those who have mobile money accounts got to know about it from their friends/neighbors (50%) and from the internet (40%). The households reported to have mobile money accounts with GCash (50%), Smart Padala (20%), Palawan express

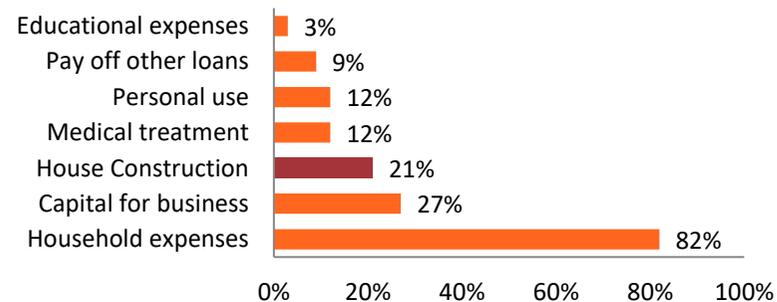
(10%) and PayMaya (10%). Most of the households use the mobile money account to receive money (Figure 11).

Figure 11: Purpose of using mobile money accounts



Of the surveyed households, 52% reported to have outstanding loans (combining both informal and formal loans). They have an average of ₱ 22,274 outstanding loan. The average outstanding loan amount is higher among the renters (₱ 37,714) than the ISFs (₱ 14,000) and homeowners (₱ 18,804). Additionally, 21% of the households reported to take out a loan for their house construction (Figure 12). **The study also reveals that 80% of the households do not have any fixed assets.**

Figure 12: Purpose of loan



Housing situation of the low-income households: Among the surveyed households, 71% reported that their houses frequently need repairs (**Figure 13**). However, the frequency of house repair is comparatively higher among homeowners than the ISFs and rented households (**Figure 14**). There are 40% of the respondents who reported that they need floor repairs. This is followed by roofing at 36% (**Figure 15**).

Figure 13: Frequency of house repair

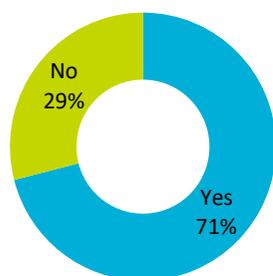


Figure 14: Ownership wise response to frequent repair needs

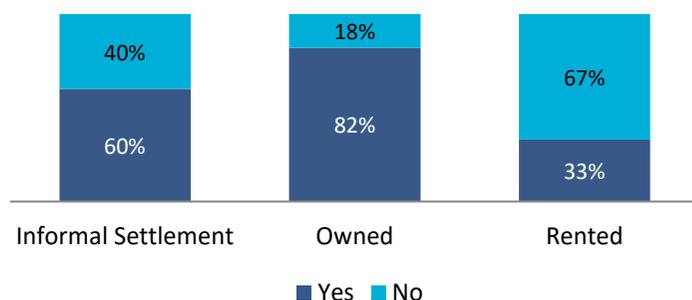
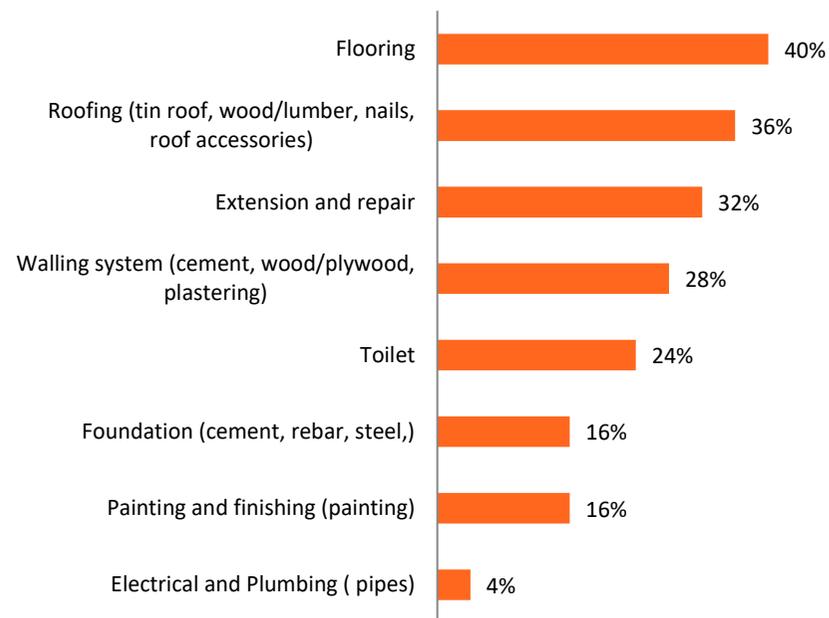


Figure 15: House partitions that require repair



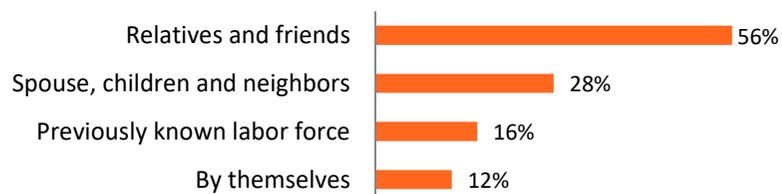
The surveyed households usually rely on their relatives/friends to source laborers for housing construction. When sourcing labor for housing construction work, informal settlers (100%) mostly depend on referrals from their neighbors.

Moreover, 16% of the surveyed households reported that they rely on the labor force previously used by the family for doing their housing construction (**Figure 16**).

The majority of the households (80%) cited that they sourced construction materials from the hardware stores located within the neighborhood.



Figure 16: Source of labor for construction before COVID-19



A total of 27% of the surveyed households let the employed construction laborers decide on materials and labor required for the repairs (Figure 18).

Figure 17: Source of financing for repairing/construction of house

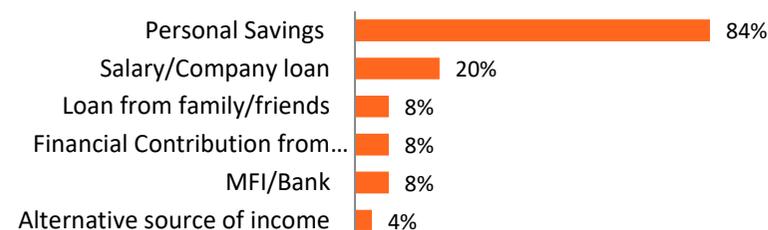


Figure 18: Decision made on choosing materials/labors/fund source

The households also reported to have an annual estimated budget of ₱44,881 for their home repair/construction. Savings (84%) is the primary financing source for home improvements followed by monthly salaries (20%) and loans from family and friends (8%) (Figure 17). Of the total surveyed households, 57% decide for themselves on the materials, labor, financing needed for the house improvements.

Among them, informal settlers (100%) and households with rental agreements (67%) mostly decide for themselves on materials/labor/financing necessary for house repairs.

Supply side: The supply side of the housing market consists of construction material manufacturers and retailers/suppliers. In the Philippines, construction materials are fairly common, especially since construction and engineering projects occur on a daily basis, whether it be in the province, in the heart of the metro, in a commercial hub, or in a residential area. In this study, Innovision conducted KIIIs with 6 manufacturers and 7 retailers of construction materials.

Manufacturers

Among the surveyed manufacturers, most of them are manufacturers of wooden materials and concrete products. They usually import the construction materials from Canada, North America, Europe, Sweden, Ukraine, Chile, Uruguay, Indonesia, Malaysia, and China. They cater to all levels of housing (low, mid, high-end). They also sell both B2B and B2C segments.

Clientele: The clients they serve are predominantly settlement developers and large contractors.

Marketing: The manufacturers market their products via different online platforms. Some of them sponsor activities and conventions for architects, developers and contractors. Most of the manufacturers market their products via word of mouth and referrals from satisfied customers. Moreover, manufacturers have business development officers who liaise with clients and sales representatives engaging in various distribution channels, such as commercials through TV and other advertisements, to disseminate their product information to their clients and customers.

Payments accepted: Typically, small customers use cash as payment for goods. Constructors pay in checks and big contractors make payments according to the negotiated terms with the manufacturing company. The terms of payment usually depend on the credit history of the clients/customers.

Financing: Bank financing, credit lines, and capital from investors are the prime sources of financing for the surveyed manufacturers' business operations.

Additional services provided: The manufacturers also provide delivery services to their clients and customers based on certain conditions.

Retailers

The surveyed retailers were involved in different construction material selling businesses, selling materials such as polyvinyl chloride (PVC) pipes, lumber, electrical and electronic materials, and fiberglass, among others. Of the 7 retailers, 6 of them operated within an urban area. The retailers have a wide range of customers from low to high income households all over the country. The retailers reported to have an average of 20 customers per day coming to their shops.

Payment accepted: Most of the retailers prefer cash and check for transactions with their customers and suppliers.

Additional services provided: They also provide delivery services to their customers based on conditions (customers must pay for it or have to purchase a certain amount to get free delivery).

Restocking: Most of the retailers buy materials from their previously known suppliers and stock them on a weekly basis.

Marketing: The suppliers usually inform the retailers about new products in the market. The retailers provide product brochures to customers to inform them about new product offerings. Some of them also inform their customers during transactions.

Financing: Personal savings (N=4) and bank loans (N=3) are the main source of business capital of the retailers.

Coping capacity of the retailers: All the surveyed retailers have savings of an average amount of ₱23.21 million. All of them have savings with commercial banks that have online banking platforms. 4 reported using mobile money accounts for receiving/sending money and for pay bills/purchases. 5 reported having an outstanding loan of

an average of ₱ 49.6 million. All of the surveyed retailers have fixed assets (land).

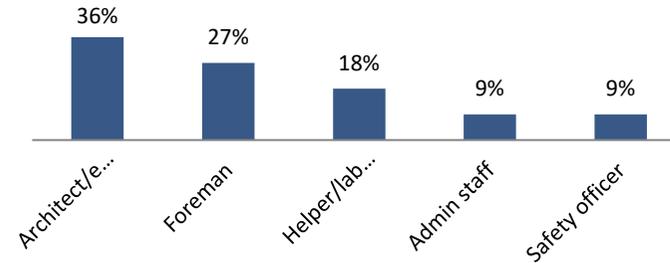
Support Services: There are various industry-led initiatives undertaken by different support services of the housing market including skilled labor providers (construction companies, vocational schools, research and training centers), contractors, partner Non-Government Organizations (NGOs)/Civil Society Organizations (CSOs), community development organizations, construction workers, broadcasting and social media, start-ups in the shelter space, and financial service providers that provide housing finance programs as response to the housing demand, among others.

- **Skilled labor providers:** Skilled labor providers/associations organize training and assessment for construction-related work like carpentry, welding, masonry and electrical installation maintenance.
- **Construction workers:** Construction is a key sector of the Philippine economy that employs nearly 4.15 million people and accounts for nearly 10% of the workforce employed by the country. GDP from the construction industry in the Philippines increased to ₱625 million in the first quarter of 2020 from ₱302.78 billion in the fourth quarter of 2019 (Philippines GDP From Construction, n.d.). In this construction industry, construction laborers/artisans play critical roles in executing the project.

The study surveyed 11 artisans who reported that they perform different roles in various types of construction projects (**Figure 19**). Of the total respondents, 90% of their workplaces are located within the city, 63% work in local private construction firms while 27% work in different government construction projects. There are 72% of the

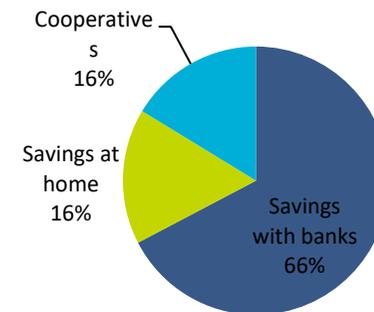
surveyed artisans who reported to usually get short-term contracts from private and government entities for a new project.

Figure 19: Roles of the surveyed artisans in the construction projects



Coping capacity of the artisans: There are 54% of the construction workers who reported to have savings. Among them, 66% have savings with banks. Majority of the construction workers (66%) have bank accounts with a commercial bank that has an online app and mobile money accounts. There are also 66% of the construction workers who reported to have outstanding loans of an average amount of ₱14,01,166.

Figure 20: Type of savings of the construction workers



Income of the artisans: Of the total respondents, 45% used to get payments for construction works on a weekly basis. The artisans usually earn an average of ₱7,022 per payday for their work.

Skill development needs of the artisans: There are 90% of the artisans who reported to have received training on improving their skills from different labor skills provider's organizations. However, they are in need of different types of training than the ones made available to them to improve their working skills.

Figure 21: Different training needs of the artisans



- **Financial Service Providers (FSPs):** In the Philippines, there are different FSPs offering housing consumer loans and saving schemes for end-users; some FSPs fund the contractors of high rise and mid-rise condominiums (both households and

business) through corporate loans. Moreover, some FSPs also provide social services to the poor communities such as mortuary assistance, calamity loan and assistance for community development for immediate communities (good neighborhood practice).

- **Partner NGOs/CSOs:** There are different NGOs/CSOs in the housing market of the Philippines who organize activities/projects for the low-income housing and construction sectors. The NGOs/CSOs work in both disaster risk reduction and response as well as with development programs. For the construction sector, a common method used by NGOs/CSOs is to find potential workers in the community, train them and pay them for working in different development projects (cash-for-work or CFW). Some also provide advocacy services to the communities so they can't assert their human rights and gain access to government programs. These agencies work closely with low-income communities and local government units (LGUs) to ensure housing security among low-income households.

Rules: In order to improve the regulatory environment for housing, there are different national housing authorities/associations and housing-related policies and programs in the Philippines.

5.1 Housing Policy and Programs

Since the 1990s, efforts to fill the housing backlog have been a policy issue and objective. The backlog was the result of the accumulation of housing deficits caused by production failing to catch up with demand. The national government of the Philippines has existing housing

programs, but current interventions have fallen short of demand. Closing this housing gap remains a big challenge as the number of ISFs is increasing in urban areas. Existing national government housing finance programs are responding to the housing demand; however, the

government's housing finance programs must be adaptive to the emerging conditions of low-income households and challenges brought about by the changing times particularly the onset of displacement as a result of involuntary resettlement and the unpredictable number of disasters affecting the communities. Thus, there is a need to formulate clear-cut policy guidelines to adopt and incorporate the principle of disaster-resiliency in housing plans and programs.

Since the early 2000s, the general strategy to address the housing backlog was two-pronged:

- (1) To continue government-assisted housing programs that specifically cater to certain sectors such as informal settlers in urban centers, low-income households, or select sectors such as the police and armed forces and public-school teachers;
- (2) To provide fiscal incentives to socialized and economic housing developers and impose regulatory requirements on other housing developers to allocate a portion of their budgets to socialized housing and other projects.

The first part is provided through government budget allocations, subsidies, or special incentives. One of these is the budget allocated to the **National Housing Authority (NHA)**, the government agency responsible for public housing in the Philippines primarily tasked to relocate, resettle, or upgrade low-income communities affected by the infrastructure projects, those located on disaster risk zones and direct housing production, land acquisition, infrastructure development, and even maintenance of its housing projects for specific sectors such as the armed forces. NHA's constant limited budget allocation and seemingly large scope of responsibility can hardly make a dent in the growing housing backlog.

The second part aims to encourage private sector participation in the housing program through direct fiscal incentives in the form of income tax holidays and VAT-exemption and imposition of balanced housing requirements on developers catering to middle to upper-class housing. Another mode pushing for a private-sector led housing program is the balanced housing or compliance social housing requirement imposed on developers under RA7279 and expanded under Republic Act 10884.

Community Mortgage Program (CMP), which is one of the few successful but limited impact programs. The CMP is a mortgage financing program which aims to assist the legally organized associations of residents in depressed areas for improving the living conditions of homeless and underprivileged Filipinos by providing them affordable financing with which they can secure tenure on the land they occupy. However, because of perceived community organization conflicts and issues, CMP failed to attract either private sector funding or substantial fiscal budget allocation to its supporting agencies such as the Social Housing Finance Corporation (SHFC) to give it the push it needed to address the backlog.

In order to rationalize and coordinate the different housing programs and agencies including housing finance as well as the supporting housing development public services, the **Department of Human Settlements and Urban Development (DHSUD)** combines the functions of the Housing and Urban Development Coordinating Council (HUDCC) and Housing and Land Use Regulatory Board (HLURB) under one department. As such, this department now acts as oversight, coordinator, initiator and facilitator of all government policies, plans and programs for the housing sector. Other government agencies which offer housing-related services are tasked to collaborate with DHSUD for policy and program coordination. These agencies are the NHA, National Home Mortgage Financing Corporation (NHMFC), Social

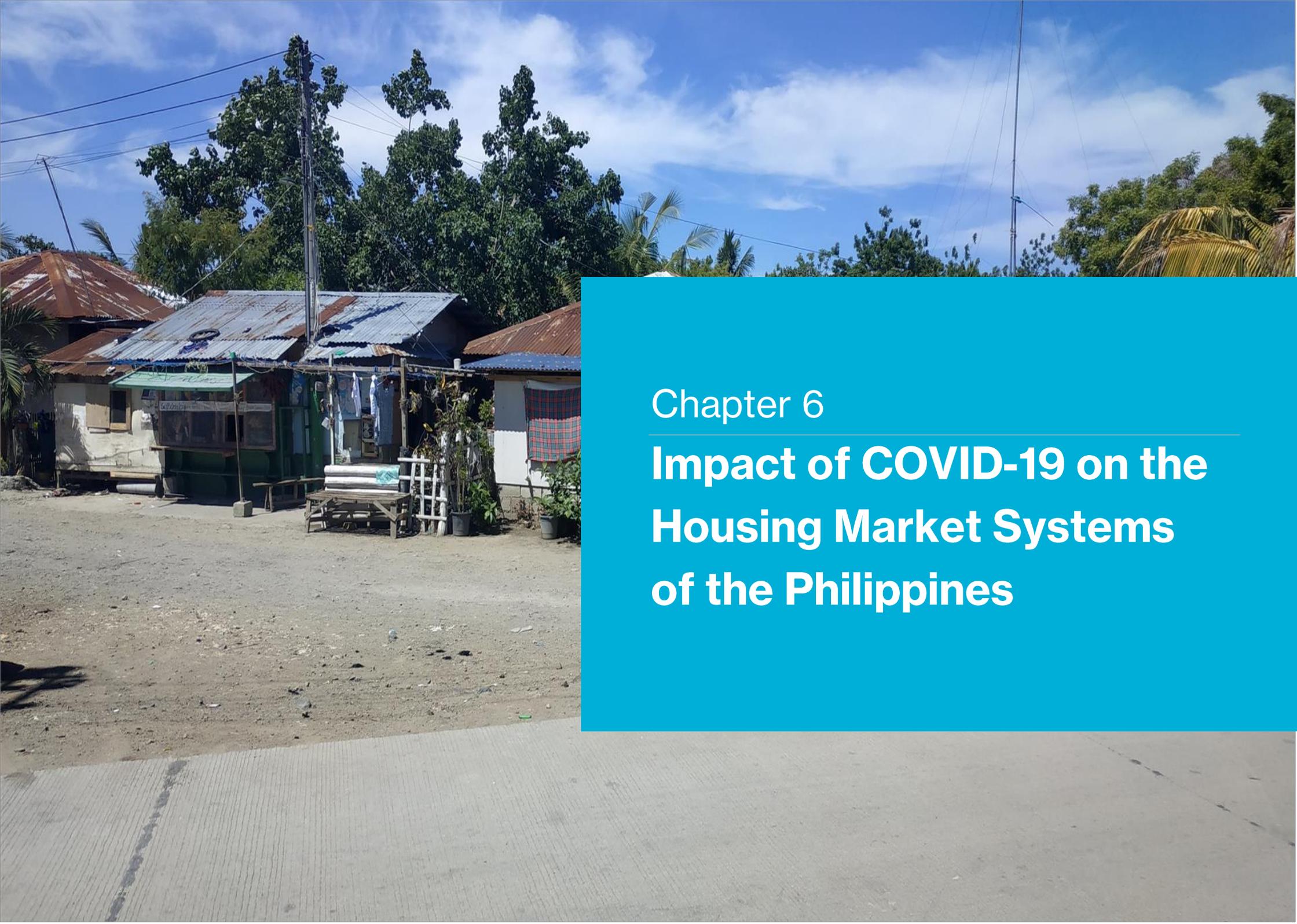
Housing Finance Corporation (SHFC), and Home Development Mutual Fund (HDMF or Pag-IBIG Fund).

- **National Home Mortgage Financing Corporation (NHMFC):**
The NHMFC has a mandate of increasing the availability of affordable housing loans through the development and operation of a secondary market for home mortgages.

Under NHMFC is the **Social Housing Development Loan Program (SHDLP)**, an in-house program that aims to complement the Unified Home Lending Program (UHLP) through financial assistance to private developers, non-government organizations, landowners, and local government units for undertaking social housing projects. The subsidy under the SHDLP accrues directly to the developer who gains access to developmental loans at interest rates below the prevailing market rate.

- **Social Housing Finance Corporation (SHFC):** The SHFC is the lead government agency mandated to undertake social housing programs that provide to the formal and informal sectors of the low-income group. SHFC is in charge of developing and administering social housing program schemes, particularly the CMP and Abot Kaya Pabahay Fund (AKPF), which are both development financing and amortization programs.
- **Home Development Mutual Fund (HDMF or Pag-IBIG Fund):**
This is a government-owned and controlled corporation under the DHSUD which is responsible for the administration of a national savings program and affordable shelter financing

NHMFC, HDMF and SHFC represent the house financing arms of the government for lower-income households belonging to the socialized and economic housing segments. On the other hand, the government relies on private commercial banks to finance the banking needs of both developers and buyers in middle to upper income-segments of housing. (Securing The Future of Philippine Industries, n.d.)



Chapter 6

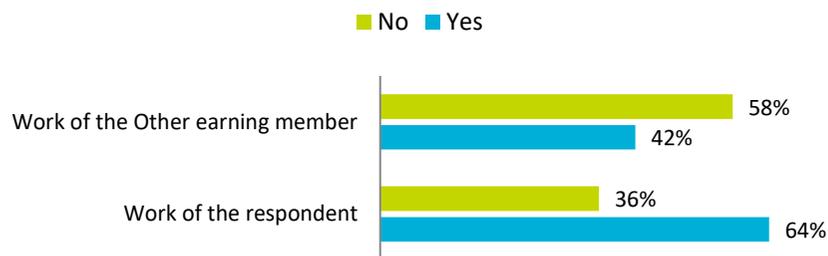
Impact of COVID-19 on the Housing Market Systems of the Philippines

CHAPTER 6: IMPACT OF COVID-19 ON THE HOUSING MARKET SYSTEMS OF THE PHILIPPINES

6.1 Impact of COVID-19 on the Demand Side of the Housing Market

Households' job/work have been shut down due to lockdown: The surveyed households were engaged in various types of income-generating activities. Of the surveyed households, 15% of them are government employees, while others are privately employed (12%) and engaged in agricultural work (12%). However, during the lockdown, 64% of the households reported that their workplaces/jobs have been closed down. Moreover, 80% of the surveyed low-income households reported to have other earning members in their family who contribute to their household income. But due to the lockdown, work of the other earning members of those households was also shut down (42%).

Figure 22: Closure of work during lockdown



Significant drop in household income: The shutdown of work was found to be the major reason behind the households' income losses. Around 24% of the surveyed households have lost their source of income during the lockdown. Before the lockdown, the low-income households used to earn an average amount of ₱20,675 per month. However, a significant drop has been seen in the households' income during the lockdown. The monthly income of the households has reduced by 55% and the average monthly loss incurred is around ₱11,285 during the lockdown.

Figure 23: Change in HH income during COVID-19

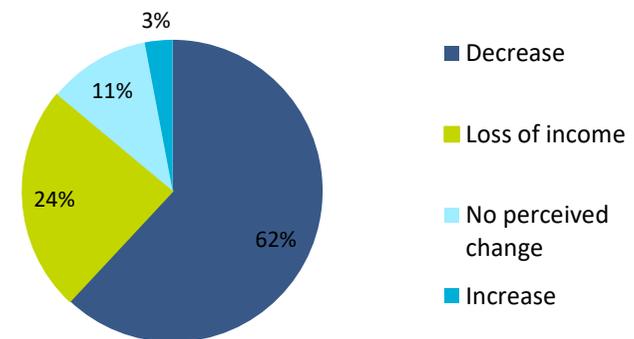
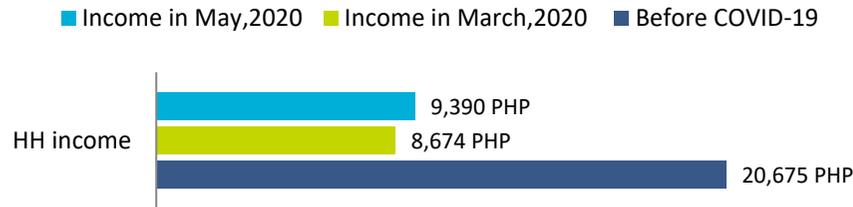


Figure 24: Income of HHs (in ₱)



Remittance has been badly affected during lockdown: Of the households surveyed, 17% have family members living overseas. Of this number, 55% reported that they receive money from their family members living abroad. However, COVID-19 has affected the remittance of 83% of these households. Impact includes decrease in remittance amount (40%) and totally stoppage of remittance (40%).

Shortage of savings due to COVID-19 reducing the house repairing demand: Findings from the quantitative survey reveal that 84% of the low-income households primarily finance home reconstruction from savings. However, due to a significant drop in the households' income during the lockdown, the majority of them reduced their overall household expenditures (64%) while others (24%) have to have to withdraw from their savings for regular household expenditure during the lockdown (**Figure 25**). Moreover, 68% of the low-income households have not been able to save during the lockdown (**Figure 26**). This is affecting the demand for house construction and repairs among low-income households and subsequently the livelihoods of construction laborers, retailers, and manufacturers.

Figure 25: Actions taken by the households after the ECQ announcement

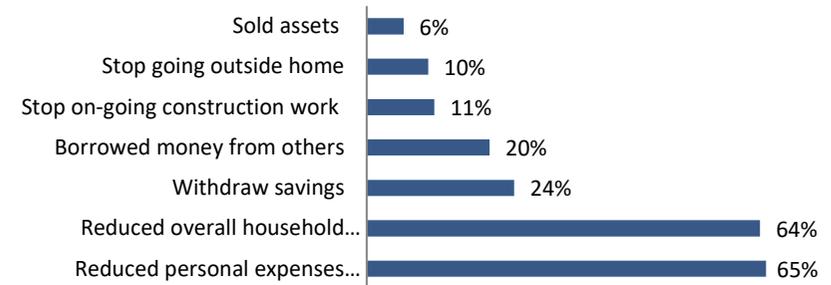
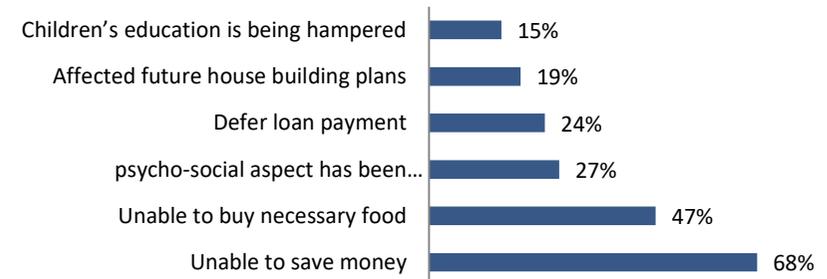


Figure 26: Changes in living situation of the HHs because of COVID-19



Households forced to stop the on-going construction work during the lockdown: Before COVID-19, 38% of the households were doing repairs/renovations on their houses. Among those who were repairing their houses, most of them (45%) were homeowners (**Figure 27**). In terms of repairs, 40% of the respondents reported doing floor repairs while 36% were making repairs on their roofing (**Figure 28**). However,

due to the lockdown, the majority of households (55%) who were doing repairs on their houses have now fully stopped the construction work **(Figure 29)**. All of the surveyed informal settlers (100%) and rented households (100%) stated that they were forced to stop the construction work of their houses due to lack of money to buy materials during the lockdown **(Figure 30)**.

Figure 27: House repairs by Households before COVID-19

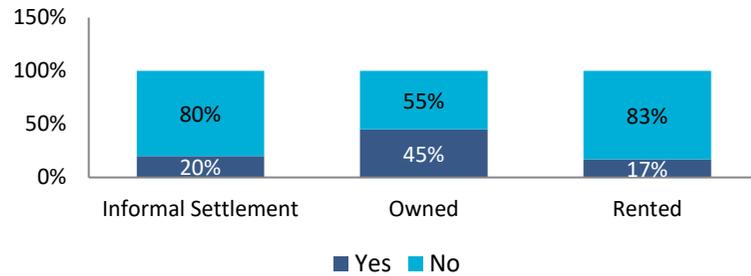


Figure 28: Part of the house respondents were repairing before the lockdown

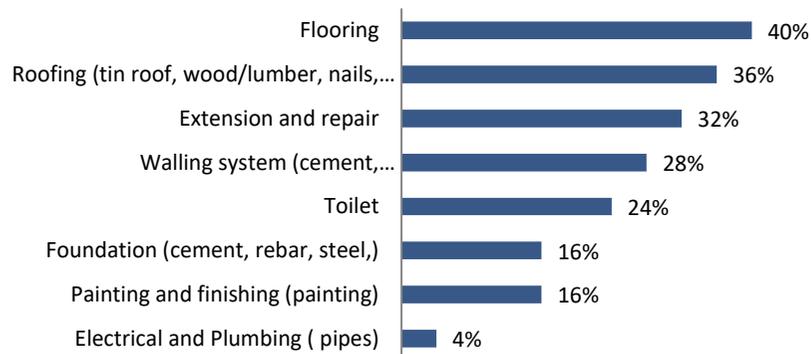


Figure 29: Status of house regarding renovation/repairing/ construction work during lockdown

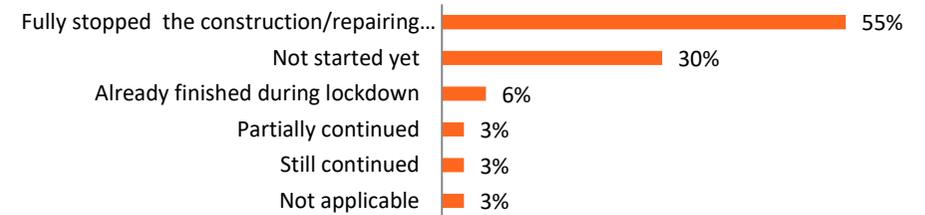
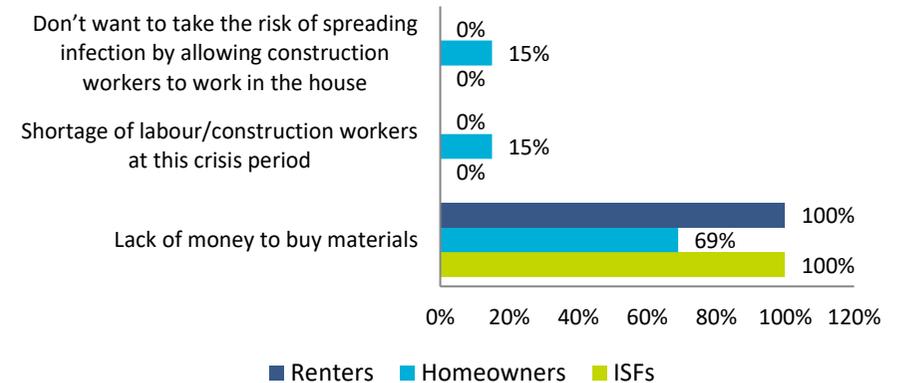
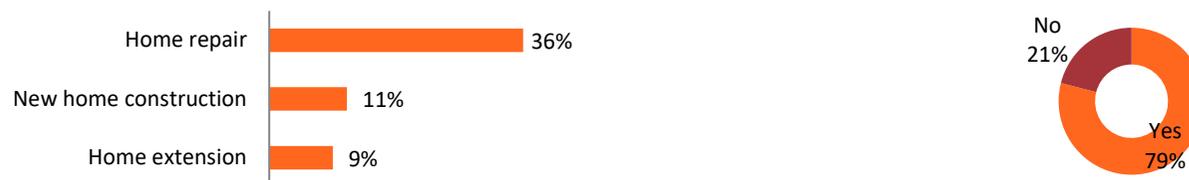


Figure 30: Reason for stopping the construction work during the lockdown



COVID-19 affects the households' home building/repairing plans: Before COVID-19, the surveyed households had plans for home repairs (36%) and new home construction (11%). However, due to the lockdown, 79% of the households have their home repair/building plans being affected.

Figure 31: Home repairs planned by the respondents before COVID-19 and whether it's affected by COVID-19 or not



'COVID-19 affects the informal settlement dweller's home building plans: the case of Emily'

Emily Tatel resides in Quezon City of Metro Manila with her family of five. Her job is in the service sector (laundry, mani-pedi home service) and her husband is engaged in a trading business (sari-sari store). Emily and her husband earn a total monthly income of ₱8,500 altogether. However, due to the lockdown, Emily's work has been closed down since March and it has become quite difficult for her to manage the regular expenses of her family. Her husband's trading business continues but on a much smaller scale, thus, the family is able to meet their most basic needs. Emily's monthly household expenses have been reduced from ₱8,500 to ₱4,500.

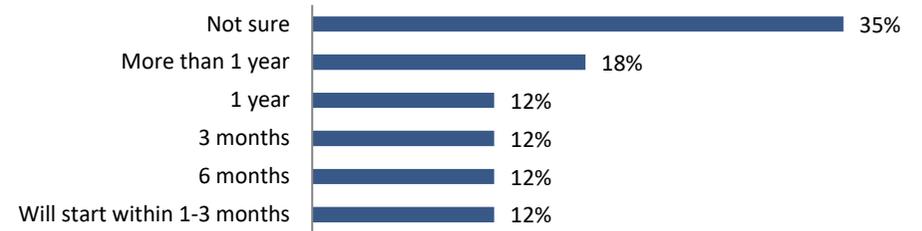
As Emily and her family reside in an informal settlement at Quezon City since the last 21 years, her house usually requires frequent repairs. In the last five years, Emily had to repair her house two times. Currently, her house also needs repairs for the roof and walling system, which may cost ₱600 to complete. However, Emily is unable to do the repair of her house due to the overall loss of income her family has suffered.

Moreover, because of her decrease in income, Emily has to drop her plans to construct a new home for her family. She had taken a loan from an MFI to construct a new home for which she has an outstanding loan of ₱3,000. Unfortunately, Emily had to defer her loan payment and rely on her family's savings during this lockdown to manage the household expenses. Now, Emily can't think of when she will be able to build her own home.

Lockdown is causing delays to restart the construction work: The households, who had stopped the construction work on their houses during COVID-19, would require more than a year before considering to restart construction.

There are 35% who reported that they are unsure of when they will be able to restart their construction work.

Figure 32: Required time to restart the construction work



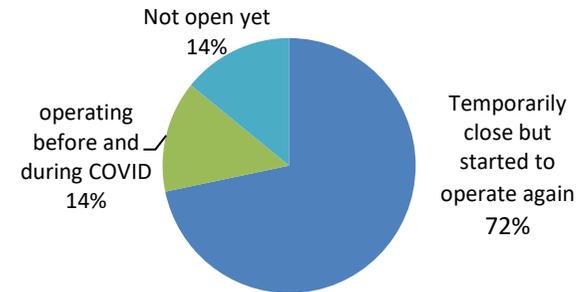
6.2 Impact of COVID-19 on the Supply Side of the Housing Market

Market Actor: Retailer of Construction Materials

Operated on a small scale: Among the seven surveyed retailers, only one (retailer of light gauge framing materials) operated during the lockdown in San Juan City of Metro Manila.

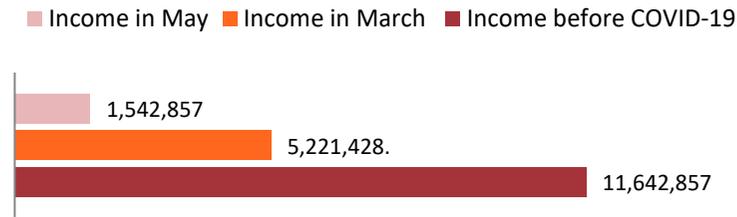
One of the sampled retailers of electrical and electronics materials reported that he had still not started to operate. The other five retailers trading in woods, fiberglass, and PVC pipes have restarted their operations on a smaller scale since mid-June.

Figure 33: Status of business operations of the retailers during the lockdown



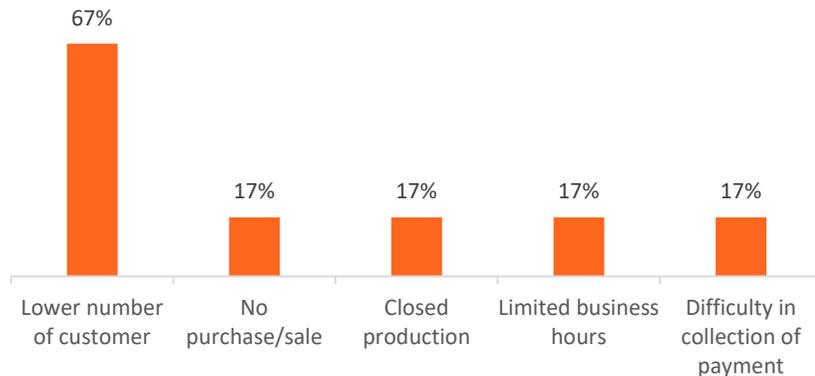
Reduction in income: Of the seven interviewed retailers, five reported that their income has decreased during the lockdown. The retailers' income has reduced by 87% on average during the pandemic.

Figure 34: Income of the retailer before and during lockdown (in ₱)



Losses in business: Of the seven interviewed retailers, six of them reported that they were experiencing losses in their businesses since the start of the lockdown. Retailers of fiberglass, PVC pipes, wood and lumber had experienced a reduction in revenue due to the lower number of customers. Since the start of the lockdown, the retailers (N=6) have an average accumulated loss of ₱ 21,000,000 so far.

Figure 35: Reasons for losses



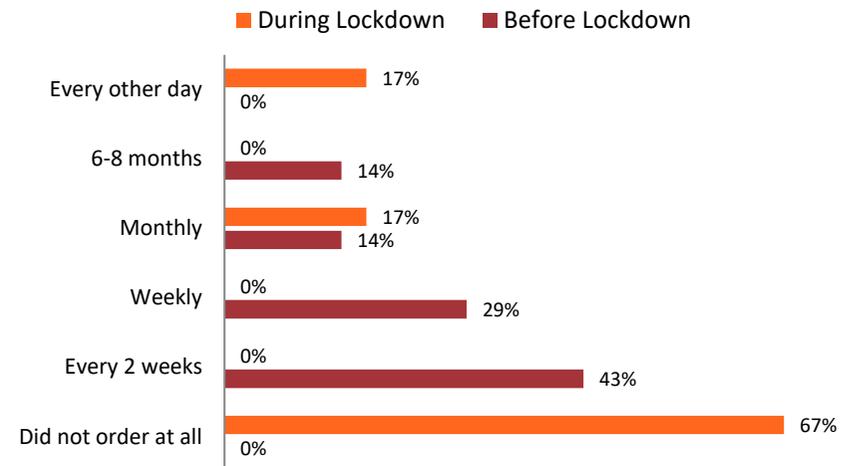
Laid off employees and slashed salaries: As the business operations of the interviewed retailers were mostly discontinued during the lockdown, they have to lay off their employees and slash their salaries due to the lack of revenue. Before the lockdown, these seven retailers

used to have on an average 69 full-time employees. Of the seven surveyed retailers (wooden materials, PVC pipes, fiberglass), four reported that they have laid off an average of 20 workers (around 21% of the employees have been laid off) during the lockdown. Two of the retailers reported their inability to pay the monthly salary of their employees in the last two months.

Delay in getting materials: Of the seven retailers interviewed, four reported delays in arrival of orders of materials due to logistics and delivery issues during the lockdown. The retailers experienced an average delay of 23 days in getting materials from the suppliers.

Reduced request for stocks from suppliers: Before the lockdown, three of the surveyed retailers used to stock materials from the suppliers in every two weeks. However, since the start of the lockdown, 67% of the interviewed retailers reported that they stopped ordering for stocks from their suppliers.

Figure 36: Pattern of ordering stocks before and during lockdown



Increased price of imported materials: One of the interviewed retailers of wooden materials reported that he had experienced approximately a 6% increase in the price of wood. Another retailer reported that he had experienced a 15% increase in price of cement during the lockdown.

Market Actor: Construction Material Manufacturers

Discontinuation of business operations: Since the last 4 months from March to June, the business operations of the surveyed manufacturers of wooden materials and concrete products were temporarily stopped. Only a few manufacturers (N=2) of wooden materials had continued their operations by supporting emergency quarantine facilities providers during the lockdown.

“We opened our stores for two weeks during the lockdown to serve the pending orders and new orders from the hospitals to make COVID-19 tents for the patients. However, this was not enough to sustain operations and we had to shut down temporarily.”

--- A manufacturer of wooden materials (doors, panels, decking, etc.) from Davao City

“We were part of an emergency quarantine facilities provider during this COVID-19 pandemic. We have built 75 emergency quarantine facilities during the lockdown led by Architect William Ti who made the design for quarantine tents. In each tent attached to the hospitals there was an average of 15-18 beds made of wood framings and plastic covers. It took 15 days for us to construct each quarantine facility or seven days depending on the number of laborers.”

--- Matimco, a manufacturer of wooden materials

Cancellation and postponement of orders: The demand induced by COVID-19 was not significant for the vast housing market systems to keep operations at a pre-COVID-19 level. Cancellation and postponement of orders during the lockdown are now severely impacting the business of construction material manufacturers for the worse. Findings from the qualitative survey conducted with the manufacturers of concrete products show that most of their orders had been postponed or were put on hold until further notice.

KII with **‘I and A Concrete Products’** revealed that one of their clients also cancelled their remaining orders during the lockdown. Manufacturers of wooden and painting materials are now serving the orders that were pending before the lockdown.

Reduction in income/business revenue: All of the surveyed manufacturers reported that due to the suspension and cancellation of orders during the lockdown, their business revenue has been reduced. One of the manufacturers of wooden materials (doors, panels and decking) reported that he had experienced a 60% decrease in his business’ revenue during the lockdown.

Lower number of customers: Almost all of the surveyed respondents claimed that their number of customers had been reduced after restarting their business operations.

Decreased demand for wooden materials: Two of the surveyed manufacturers of wooden materials reported that demand for wooden materials had decreased during the lockdown. There were no customers e.g. buying neither doors nor wooden furniture during the lockdown.

6.3 Impact of COVID-19 on the Support System of the Housing Market

Market Actor: Labor Skill Providers (construction companies/vocational schools/training and assessment centers)

Forced to cease operations: All the surveyed construction companies (5) reported that they were forced to cease their operations temporarily due to strict quarantine rules imposed by the government. During the ECQ period, the construction companies adhered to the government policies. They were not progressing at construction sites and some of their workers had to go back to their place of origin to not get stuck at quarantine. All of the surveyed skilled labor providers also revealed that most of their projects were discontinued during the lockdown. Ataller Architectural Firm reported that some of their projects could continue with the design phase but were unable to start construction.

Inability to pay the monthly salary of the employees and contractors: During the lockdown, all of the surveyed small and medium sized contractors have laid off workers and larger contractors have slashed salaries. SS Solano Management and Engineering reported their inability to pay the monthly salaries of their admin staff and contractual workers and were forced to terminate contracts during the crisis.

Delay in getting materials from suppliers: Contractors are currently working on delivering backlogs; the backlog along with delays in materials supply and finance is creating a downward spiral of negative impact on the housing market systems of the Philippines. According to PC Tan Architects and Associates, their suppliers had changed their policies such as requiring post-dated or dated checks or cash before

delivery of construction materials during the lockdown. Some of the contractors also reported their inability to purchase materials during the crisis due to lack of capital. All the surveyed construction companies (5) reported that most of their suppliers were also closed during the lockdown.

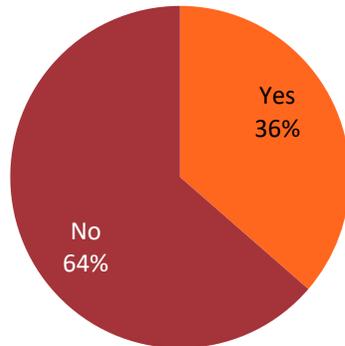
Market Actor: Construction workers/artisans

The main obstacle for construction projects, during the widespread restrictions on movement due to extensive lockdowns, is the need for workers to be physically present at the site. The surveyed companies usually operate on a 'no work no pay' basis for their builders. Given the contagious nature of the virus, major projects are forced to be put on hold (either by their owners or by law) until the pandemic subsides or a vaccine has been found, and it has created a major impact on the employment of the workforce engaged in this sector. The construction workers/laborers are now struggling for their livelihoods during this pandemic. Workers are risking their and their family's health to help them survive under the current circumstances while some are forced to report for work despite feeling unwell. The workers hesitate to report that they feel unwell because of the risk of being quarantined and isolated for an extended period of time, which disables them from providing for their families.

Decline in the number of construction projects: Findings from the quantitative survey show that there is a significant drop in the number of construction projects for artisans per month due to the lockdown. There are 45% of the artisans who reported that they didn't have any on-going projects during the lockdown. According to the artisans (11 respondents) they used to have an average of six to seven projects per month before the crisis. However, this has decreased by approximately 66% (2 projects on an average) during the lockdown.

No new contracts/projects during the lockdown: The artisans' livelihoods are at risk despite some of them being involved in COVID-19 related construction. Prior to COVID-19, the unemployment rate of the artisans was only at 2% in the first quarter of 2020 which resulted in a shortage of artisans. However, due to the COVID-19 crisis, the unemployment rate currently sits at 17% in April and May 2020 as reported by the University of Asia and the Pacific. Findings from the quantitative survey also reveal that only four out of 11 artisans got new construction work orders for housing projects since the start of the COVID-19 crisis. Of the four artisans, two got long-term contracts with private firms, one got a short-term contract and another got a new project from a neighbor's referral.

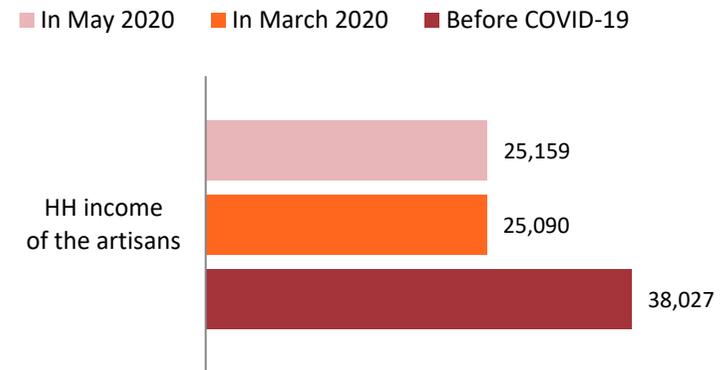
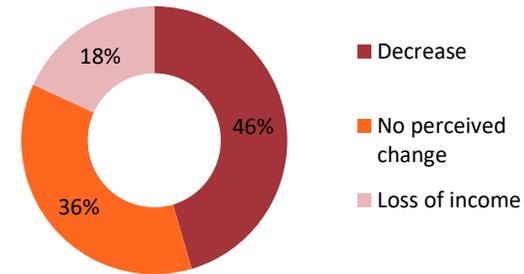
Figure 37: New work order during COVID-19 crisis



Significant decrease in artisans' income: Due to the COVID-19 crisis, most of the construction workers were displaced and unemployed. This has resulted in a significant drop in income of the construction workers as 45% of the surveyed artisans reported that their income

decreased during the lockdown. Before COVID-19 (in February), the average household income of the artisans was at ₱38,027 per month which decreased to ₱25,159 per month starting in May 2020.

Figure 38: Average HH income pattern of the artisans during COVID-19





Case: Eric is counting his days to get back to work

Eric Camarillo is a construction laborer from Davao City, Mindanao. He has been working in the construction industry for the last three years. In the last 15 weeks, Eric's community has been under strict lockdown due to the COVID-19 pandemic. During the lockdown, Eric and his family have totally lost their source of income. Their monthly household income was ₱22,800 before the lockdown. They currently do not have any income. With the cash in hand, Eric can only cover the basic needs of his family for another seven days (From the day of the interview-3rd July, 2020).

Before the lockdown, Eric used to work in a local private construction firm where he managed to earn ₱2,700 per day. However, during the lockdown, Eric did not get any new work orders or news from his employer about getting back to work within the most foreseeable future. He is hopeful, though, that his work will restart by October. Otherwise, he will not be able to survive. He had already deferred his loan payment and took another loan from his employer to cover the basic needs of his family with which he and his family can survive for another 30 days. Though Eric already decreased most of his household expenses (before the lockdown, food expenses were around ₱4,000 per month, now it's ₱2,000 per month), he is not sure whether he would have to cut his basic household expenses even further (food, medicine, etc.) in the next couple of days if he cannot manage to find work. Coming from a low-income household, Eric is the primary breadwinner in his family of six. Now without any work he is counting his days to get back to his work.

Increased demand for housing repair/improvement and COVID 19 responsive infrastructure projects (COVID 19 testing tents, isolation center, office space expansion and segregation): Six of the 11

artisans reported that they had ongoing construction projects during the COVID-19 crisis. Among them, three were engaged in housing projects (expansion/repair), one was engaged in an infrastructure project related to a COVID-19 laboratory, isolation facility and hospital facility and two were engaged in office building renovation projects.

Market Actor: Financial Service Providers (FSPs)

Reduced work hours and modified operations: As mandated by the government most of the surveyed FSPs reported that they had to go to work at skeletal force during the lockdown.

“For collection and disbursements, we have created categories aligned with the quarantine status of the location and created solutions for every category. For clients under the ECQ area e.g. - we send payment through GCash accounts and no “cash in hand” disbursement is allowed but for GCQ areas we do disbursements in the community while following health safety standards (only five people can gather, etc.).”

---KMBI, MFI loans, Quezon City

Increased requests for savings withdrawals and decreased amount of savings deposits: KII with KMBI (MFI loans) revealed that, during the lockdown there was an increase in requests for savings withdrawals by their customers/clients. However, savings withdrawals were not all allowed during hard lockdown and even during GCQ periods because there were liquidity issues. As there was a surge of requests for savings withdrawal, the FSPs had to forecast the allowable withdrawals so that they could manage liquidity. In light of the issue, KMBI reported that they have a standing policy that savings is not withdraw able

unless the customers have completely paid out their loan. KII with Asian United Bank reveals that there were hardly any savings deposits during the lockdown because clients now went into "survival mode" spending whatever income they had on covering basic needs and had nothing remaining to deposit in their savings accounts, consequently leading to a decrease in liquidity for the MFIs.

Decrease in request for housing loans and prolonged loan

processes: Social housing finance is obstructed as the offices remain closed and work with limited capacity, consequently leading to a longer processing time to sanction loans (3-5 days vs. 1 day processing). Findings from the KII with Commercial Bank reveal that there was a decrease in requests for housing loans due to loss of income and thus ability to repay loans and interests during the lockdown.

Restrictions in releasing new loans: The surveyed FSPs (n=6) reported that they had restricted new loan applications and releases from their clients/customers during the lockdown. They had only allowed releasing of new loans depending on their relationship with the client and the client had to notify the bank 3 - 5 days before they needed the loan. SEDPI MFI changed their policy on maintaining balance upon loan release.

Disruptions in the finance market: The COVID-19 impact is manifested in the disruptions in the housing finance market systems. The capital releasing process has become quite difficult during the lockdown (reported by all the surveyed FSPs). Moreover, there were strict restrictions in approval of new bank accounts. As a result, there were fewer new accounts reported by the FSPs. Banks/financial institutions didn't release any funds during the crisis. In addition, all of the surveyed FSPs claimed that they had to modify all their targets and budget for this year due to the pandemic.

“Our targets for the year were removed, and as such, the budget was also removed as we were asked by the government to help clients recover from the pandemic rather than getting new clients.”

--Senior Manager, Housing loans, Asian United Bank

In a recent webinar organized by the Makati Business Club and the National Resilience Council, it was revealed by the BDO Unibank President and CEO that, they had noticed a surge in loans immediately after the government placed Luzon under enhanced community quarantine in mid-March, 2020 which lasted until April. Moreover, they also observed a "slowdown" in credit applications as most of the businesses pause their operations to figure out how they will reopen with the coronavirus a remaining threat. (Companies hold off plans to reassess business operations under 'new normal', 2020)

Market Actor: NGOs/CSOs

Suspension of projects: Most of the ongoing projects of the CSOs are on hold as they work directly in the field with the communities. Due to strict movement restrictions imposed by the government, LinkBuild's field operation of Bridge Finance Facility (BFF) program had to be put on hold as the project's main task was to collect loans from the community.

Additional cost on project budgets: CSOs reported that the COVID-19 pandemic has created a major impact on their budget. Keeping in mind the risk of transmission of the virus, the CSOs are now more concerned about ensuring the safety of their staff and their beneficiaries. All of the CSOs claimed that they are now allocating separate budgets for safety protocols in every project which causes an additional cost on their budgets. Moreover, they now have to consult with their donors to consider allocating separate budgets for the safety protocols of the employees and staff.

6.4 Impact of COVID-19 on the Government Policies and Programs for the Housing Market

Decreased demand for construction work: In order to curtail the spread of the COVID-19, the government of Philippines has decreased its demand for construction work (e.g. DPWH reduced by 30% in terms of demand). KII with the National Housing Authority (NHA) reveals that 10% of the housing projects are expected to be affected by RA 9484-procurement law. Moreover, NHA's production has reduced from 160 to 144 projects. Given this reduction, there was a decrease from 56K housing units to 51K. Due to suspension of orders, there is a 12% decrease in house completion projects from 425 to 360 projects.

Housing units have also decreased 99K units to 68K units at 32% decrease.

Existing policies and resettlement programs have been affected:

Government has also allocated funds to support the low-income households and MSMEs during this COVID-19 crisis. However, reallocation of funds to COVID-19 response and rehab is affecting implementation of existing policies, including the resettlement program.



Chapter 7

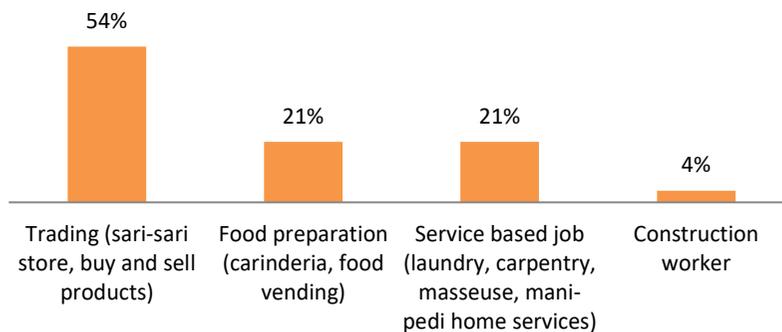
Market Response

CHAPTER 7: MARKET RESPONSE OF THE HOUSING MARKET ACTORS TO COPE UP WITH THE CRISIS

7.1 Market Response to COVID-19 from the Demand Side of the Housing Market

Alternative income during lockdown provided a temporary lifeline to some: During the lockdown, 42% of the surveyed low-income households had an alternative source of income from which they earned on average of ₱436 per day. The interviewed households were engaged in different types of alternative income generating activities to survive during the crisis.

Figure 39: Alternative income source during lockdown



Households would use savings for their required home construction/repair: 70% of the surveyed households currently need repairs/improvements to their home. They reported repair needs mostly for roofing (76%), followed by extension and repairing (75%), walling system (48%) and flooring (46%) (**Figure 41**). Around 59% of the households reported that they have plans to restart the construction work during COVID-19 restrictions. However, availability of construction materials and laborers (80%) and adequate money for expense of construction (70%) should be in place to restart the construction work again. (**Figure 42**). Majority of the households (83%) have said they would use savings to restart the construction work of their houses (**Figure 43**).

Figure 40: Households current repair requirements

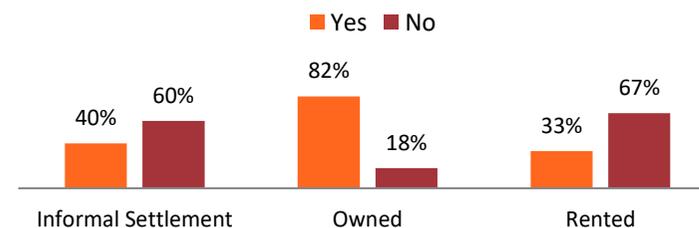


Figure 41: Current repair needs of the respondents who responded with yes

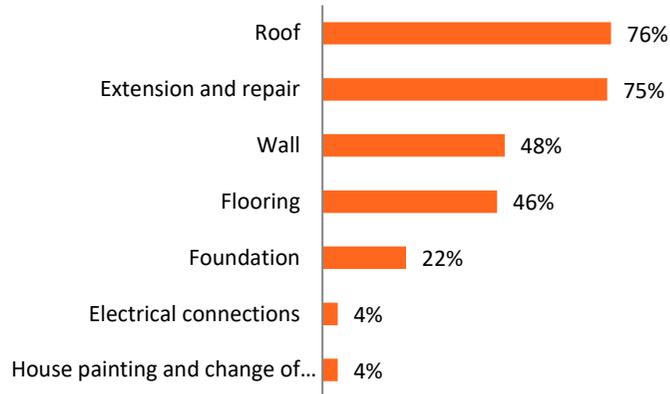


Figure 43: Source of finance to restart the construction work of houses

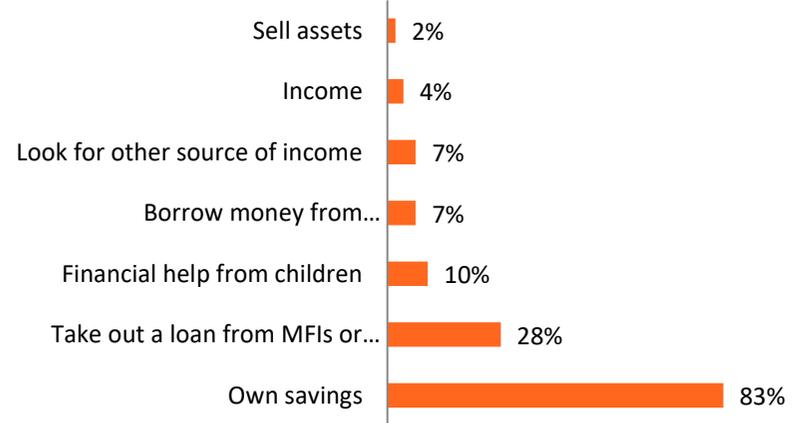


Figure 42: Conditions to restart the construction work during COVID-19

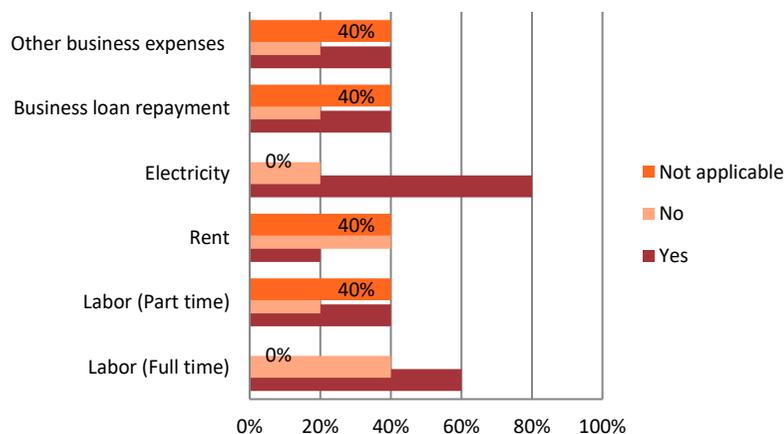


7.2 Market Response to COVID-19 from the Supply Side of the Housing Market

Market Actor: Retailer of Construction Materials

Reduced business expenditure: Before the COVID-19 pandemic, the retailers (N=7) required an average of 36, 1 million working capital per month to run their business which has reduced to 33, 9 million (almost 6%) per month during the lockdown. The following figure shows that in many cases, the retailers had reduced the expenses for labor (60%) and electricity (80%) during the lockdown.

Figure 44: Reduced business expenditure during COVID-19



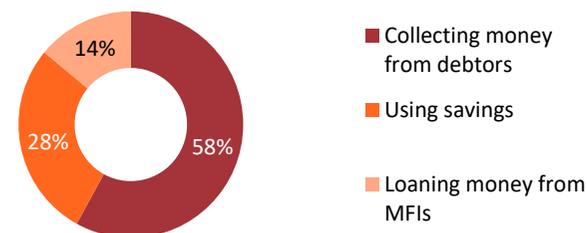
Adopting digital platforms: Surveyed retailers (N=4) have adopted digital platforms (social media, internet etc.) to sell and market their products which have allowed them to continue their operations even during lockdown.

Offering home delivery to customers: All of the surveyed retailers who have restarted their operations during the MGCQ/GCQ period, have offered home delivery services to their clients/customers with specific conditions during the lockdown. For instance, retailers of pvc pipes, fiberglass and woods are currently doing home delivery to their customers with specific conditions such as: customers must have to purchase and pay for a certain amount of product to receive delivery service. However, only resourceful households can avail this delivery service with specific conditions.

Adopting workplace safety protocols: Those who have restarted their business operations reported that they are ensuring workplace safety for their customers and staff. In most of the cases the retailers report (N=5) that they are providing protective measures (PPE such as gloves, masks, face shield, disinfectant spray) for the laborers during working in the shop or delivering products/materials to the customers.

Coping mechanisms: Among the seven surveyed retailers most are trying to recover receivables (N=4); some are using savings (N=2) and one of them reported taking credit from an MFI to cope with the COVID-19 situation.

Figure 45: Coping mechanisms of the retailers during COVID-19



Market Actor: Construction Material Manufacturers

Following DOH mandated workplace safety protocols: With the easing of community quarantine, employers are encouraged to follow the Department Memorandum No. 2020-0220 on interim guidelines on “Return to Work”. Since mid-June, the surveyed manufacturers have slowly started their business operations. After restarting their business activities, all of the surveyed manufacturers have started following Department of Labor and Employment (DOLE) workplace safety protocols. They are maintaining hygiene, social distancing, providing PPEs, face masks, footbath, and sanitizers to their employees, restructuring office set-up, stringent rotational lunch breaks, condensed work week etc. Moreover, the manufacturers are also ensuring rapid COVID-19 testing of their employees every week. Safety officers have also been appointed to check on the facilities by the large manufacturers at the production plants. However, keeping in line with the social distancing protocol is hard when dealing with a lot of people in the production area. Given the production line processes, a lot of workers have to be engaged in passing and mixing materials, and maintaining social distance in such cases can prove to be difficult.

Using online platforms for business operations: Findings from the KIIs with the manufacturers revealed that they have started using online platforms for their business operations (online client meeting, online payments etc.)

7.3 Market Response to COVID-19 from the Support System of the Housing Market

Market Actor: Labor Skill Providers (construction companies/vocational schools/training and assessment centers)

Reassessing business operations: Private firms and construction companies have scaled down business activities as they step back to reassess their operations under the “New Normal”. Under the interim guidelines of the DPWH on “Return to Work” all of the construction companies and small and medium contractors have started their operations. All of the surveyed contractors, construction companies reported that before restarting their operations, they had ensured DOH mandated safety protocols (PPEs, face masks, office setup, COVID-19 testing etc.) for all their staff and employees.

Preparing for blended training opportunities: Most of the vocational schools/training centers have started blended training (online and face-to-face) facilities during the lockdown to train contractors/developers, artisans and architects. Eficio Training and Assessment Center, Inc. reported their active coordination with TESDA and positioning itself to be new normal ready.

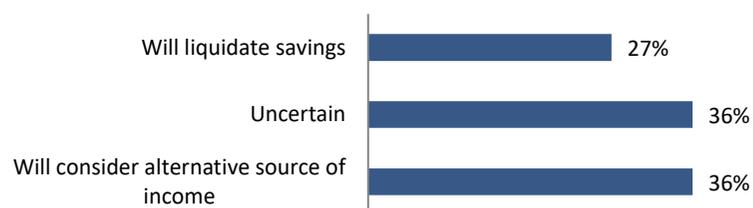
Barangay clearance before restarting operation: Medical certificate and barangay clearance from barangay officials certifying that the holder is not currently infected with or have been exposed to COVID-19 is mandatory before restarting operations reported by SS Solano Management & Engineering Services.

Market Actor: Construction workers/artisans

Open to diversification of alternative sources of income: Of the 11 artisans, four of them reported that they will look for alternative sources of income if they are not offered new contracts in the next

couple of months. Three respondents reported that they will liquidate their savings and four reported that they were still uncertain about their survival in the construction sector. The artisans who reported to look for other income sources would like to consider trading (sari-sari store, buy and sale products) and agriculture as alternative sources of income during the COVID-19 crisis.

Figure 46: Coping mechanisms of the artisans during COVID-19



Maintaining safety protocols at the construction site: The artisans who reported to have on-going construction projects (N=6) during COVID-19, all maintain safety and take protective measures (use gloves, masks, and face shields) before going to work. Moreover, all of the surveyed artisans (N=11) reported to receive training/orientation on new Safety Guidelines in Construction in response to COVID19.

Market Actor: Financial Service Providers (FSPs)

Extension to loan payment/loan terms: All of the surveyed FSPs (N=6) reported that they had extended the loan payment terms by 2 - 3 months for all their clients and customers under the **Bayanihan Act** during the lockdown. KILLS with the construction manufacturers, retailers and skilled contractors also revealed that they are now enjoying loan moratorium for extended periods from the banks. 62% of the surveyed households also reported that their loan facility also offered loan

moratorium during the lockdown. Moreover, debt relief was also extended to clients/customers during the COVID-19 crisis. However, not all clients (especially large corporations) of the FSPs availed the moratorium program because it would extend their loans.

The “Bayanihan to Heal as One Act” also known as the Bayanihan Act provided a grace period and extended payment schemes as required by the government (Central Bank or BSP). Under this act, loans that are due in June were not required to be paid up and can be extended without additional interest on what is due. Moreover, BSP reduced reserve requirements for banks and also reduced the interest rates on overnight lending from the BSP.

--- Layne Yap-Arpon, Vice President, Division Head, China Banking Corporation

The AdDE Credit Cooperative has calibrated its services to savings, withdrawals, and calamity loans which is helpful to its members during COVID. It gave a moratorium for the financial obligations of its members for three months meaning no interest payments collected and in effect and also extended their schedule of payments. This resulted in no revenue for three months but this was compensated by loans made by members upon resumption of its operations.

---Elvi C. Tamayo, Chair of the Board, AdDE Credit Cooperative

Enforcement of online and alternative payment process: All of the surveyed FSPs reported that they have enforced online payment processes to continue their operations even during the lockdown. They think digital platforms for transaction should be encouraged to lessen person-to-person interaction which is crucial during this pandemic. Respondents have reported that most of their clients have shifted to online payment processes and also reported using alternative payment ways such as GCash accounts for receiving loan payments during the pandemic. The AdDE Credit Cooperative reported that they had partnered with Model Cooperative Network (MCN) for online loan applications and releases.

Restructuring and refinancing of loans: Some of the FSPs reported that they are considering restructuring and refinancing their loan facilities for their clients/customers to cope up with the crisis. A NGO named KMBI reported that they are assessing scopes for loans restructuring and refinancing.

Strengthening bank secrecy law: All the FSPs reported that cautiousness in loan services and changes in the bank secrecy law is important after the crisis because everyone will be in a recovery mode.

Market Actor: Start-ups

Most of the companies included in the KIIs reported that they had programs/projects designed to provide low-income households with products and services. During the pandemic, none of the start-ups answered that they created separate programs that were COVID-specific. Some, however, shared that in a work-from-home scenario, they tried to continue their programs as necessary.

For example, Green Antz cited that instead of delivering their plastic trash collection to their collection centers, these were delivered to the communities and to their respective homes so that segregation could instead be done at home. In addition, none of the start-ups had to lay off their employees, who typically came from low income households especially those working directly with communities. However, all the start-ups shared that they will continue providing their products and services even after the pandemic.

Market Actor: NGOs/CSOs

Allocating separate project budgets in ensuring safety protocols: CSOs are now putting more focus on ensuring safety protocols (safety tool kit, PPEs, face masks, disinfect spray etc.) of their staff in the field operations. Partners of the national Shelter Cluster have started introducing separate budgets for adhering to safety protocols for every project they are implementing.

Undertaking COVID-19 mitigation strategy: Some of the CSO's have undertaken COVID-19 mitigation strategies for their operations for instance LinkBuild Inc. As movement from one city to another has become a problem now-a-days, LinkBuild Inc. have engaged the local partners of that particular project area to facilitate access to the beneficiaries. Moreover, the Shelter Cluster Philippines reported that they have prepared their own "Shelter Cluster Guidelines" to guide shelter cluster partners in how to protect their staff and beneficiaries during this pandemic. To adjust to the "new normal", they have undertaken different safety measures (providing safety kits to the staff- gloves, PPE etc.) while operating in the field and delivering services to the beneficiaries.

Providing logistics assistance to the low-income communities: Findings from our KII with Gawad Kalinga Community Development Foundation Inc (GKCDFI) revealed that, their operations are now concentrated on providing logistics assistance to the low-income households (poor, low-income and ISFs) for addressing their immediate needs with regards to facilitating access to health and food related services during the pandemic. They are doing it in partnerships with the private sector (business sector and academics) and the public sector through TESDA. GKCDFI is also providing testing facilities and trying to help those who have been affected by COVID-19. They are

continuously monitoring if the people are strictly maintaining quarantine rules and different ways to stop the spread of infection etc. and providing subsidies/support to the communities who have been tested COVID-19 positive. Moreover, to make the communities aware of health and safety issues during the pandemic, GKCDFI has organized 'virtual volunteering on mass education on health and safety protocol measures'. They also have undertaken an "Info drive" project to protect the spread of COVID-19 virus in the community/ relief operation.

Proving relief goods and cash assistance: The CSOs are collaborating with government agencies and LGUs to provide cash assistance and relief programs to their target beneficiaries (ISFs, low-income and poor community). Different NGOs are trying to address hunger by providing food assistance to those who are sick in the informal settlements during this pandemic. Philippines Red Cross revealed that as a response to COVID-19 response they have distributed ₱3,500 cash assistance for families, gave food packs good for 14 days to COVID-19 positive families, provided cash for work and multiple cash grants to their beneficiaries. They also gave PPEs to tertiary hospitals. Moreover, the Shelter Cluster's different partner organizations and humanitarian agencies have also provided emergency relief items (such as non-food items, household construction/repair materials- fences) to the affected poor households. Delivery mechanisms of these relief items to the beneficiaries were strictly monitored by Shelter Cluster through ensuring all the safety protocols.

Providing online construction services and technical assistance in repairing houses: Findings from the qualitative assessment reveal that the CSO's had continued some of their operations through online platforms. For instance, operations of the Bridge Finance Facility (BFF) program of LinkBuild Inc. were continued through online platforms.

During the pandemic, members of the Shelter Cluster Philippines have facilitated training on improving natural ventilation in homes as well as provided technical assistance on how to solve other household construction issues online platforms (social media, over phone, sms, YouTube etc.). The local CSOs partnered with different community service organizations in targeted areas to deliver these services. In addition, keeping in mind the concept of social distancing, they also distributed construction materials to the poor households by maintaining safety protocols of their staff and beneficiaries.

Case: Bridge Finance Facility (BFF) for the ISF community

LinkBuild Inc. has implemented a pilot project in Metro Manila named Bridge Finance Facility (BFF) to provide immediate funds for organized ISF communities wanting to apply for a land-purchase loan with the Social Housing Finance Corporation (SHFC), through its Community Mortgage Program (CMP). During the pandemic, they are trying to continue the operation through an online platform, i.e. messenger call/Google meet to communicate with the beneficiaries.

Conducting COVID-19 Impact assessment and research: Aside from finishing the ongoing projects, some of the CSOs such as **University of the Asia and the Pacific** and **Base Bahay Foundation** have put their efforts in conducting research and COVID-19 impact assessments to understand the impact of COVID-19 on the livelihood of their target beneficiaries so that they can undertake possible interventions to support the communities.

Case: Loss of income of the ISF communities forced them to request for loan restructuring

Recently, LinkBuild Inc. has conducted a survey with the Villa Rosa Phase 3 Homeowners' Association in Valenzuela City on their beneficiaries to acquire

feedback from the members of the community on the Bridge Finance Facility (BFF) project. The total respondent of the survey was 35 poor households. The survey findings show that, most of the poor households have lost their source of income during the lockdown. For instance, before the lockdown 2.9% of the

respondents were without a source of income which has increased to 28.6% after the lockdown. Due to the loss of income of these beneficiaries, there arises a request from the community to restructure the loan facility during the pandemic.

Government Response to COVID-19 to Recover the Housing Market

The low-income housing market systems of the Philippines are complex. The demand and supply, support services and rules of the housing system are governed by a wide range of public and private sector actors. However, COVID-19 has further increased the complexity of the housing market by creating new elements within the housing market system. For instance, the COVID-19 necessitates a housing system to integrate with the health system to adapt to the 'new normal'.

In order to ensure a COVID-19 responsive housing market system, the Philippine government has undertaken several approaches such as:

- With the easing of community quarantine, employers are encouraged to follow the Department Memorandum No. 2020-0220 on **Interim Guidelines on “Return to Work”**.
- **Construction Safety Guidelines** have been **issued by the DPWH** in relation to the preventive efforts against COVID-19 pandemic and training/orientation facilities for the workers on these new guidelines.
- According to the Department of Health (DOH), symptomatic construction workers have to undergo **testing for COVID-19** as part of return-to-work protocol and these tests must be carried out by accredited medical personnel.

- The department mandates the **screening and monitoring of employees to promptly address those showing symptoms**. If required, the worker should be brought to a DOH COVID-19 treatment facility without his identity being revealed publicly.
- As required by DOH, **only workers aged 21 to 59 are allowed to work in construction sites** and must not have preexisting health conditions.
- **Clustered and staggered work schedules** to limit the number of people onsite. Employers are required to **provide PPEs, face masks, vitamins, medicine, quarantine facilities, oxygen tanks, disinfection facilities onsite in compliance with pertinent DOH and IATF guidelines**.
- **Assigning a safety officer** to ensure the implementation of social distancing measures at the construction site.
- **Medical insurance coverage** must also be facilitated **for the workers**.
- **Issue quarantine passes** for concessionaires, contractors, subcontractors and suppliers by the head of the concerned implementing office.
- The DOH also encourages employers to look after the other aspects of their employees' health such as employers must set up programs to **provide and strengthen physical and mental resilience among their employees and workers**.

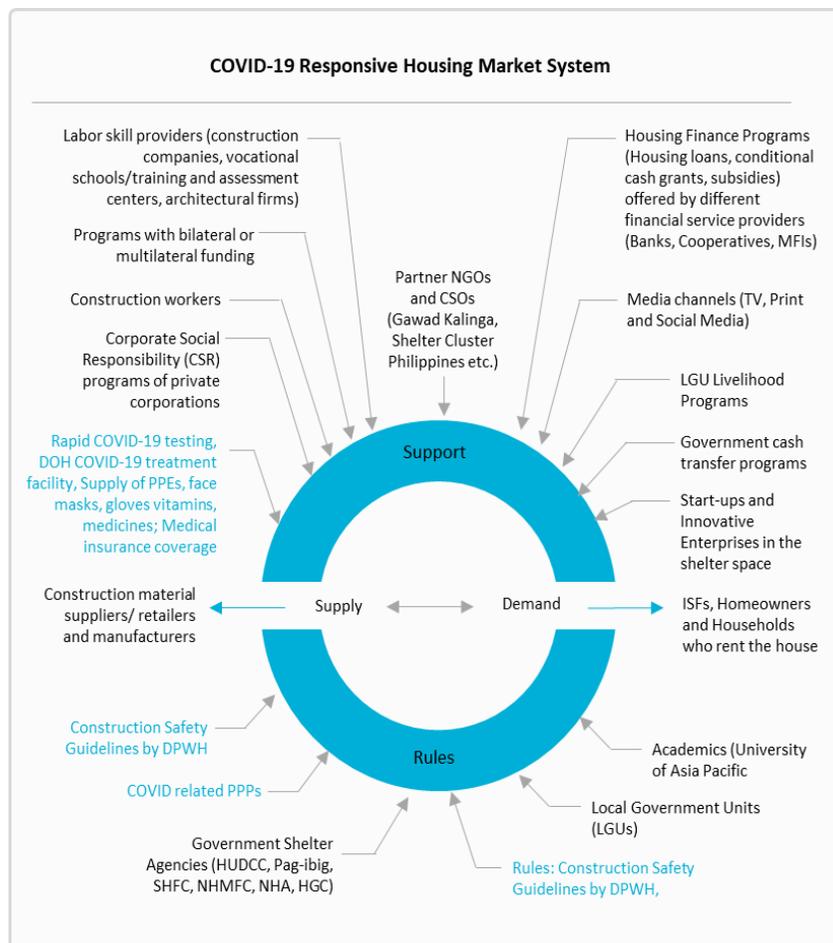


Figure 47: COVID-19 Responsive Housing Market System

To combat the challenges of COVID-19 on the housing market system and to ensure its speedy recovery, integration of the health sector with the housing market system is obligatory. All the related actors (private firms, construction companies, manufacturers, homeowners, ISFs etc.) of the housing market system should potentially respond to the requirements of the health sector to overcome the crisis. Moreover, the housing market system should ensure that its related actors such as housing associations, agencies, private sector, CSOs, construction companies, workers and low-income households are well informed about the guidelines mandated by the DOH for continuing recovery of the housing market from the COVID-19 crisis. Besides integrating the housing market with the health system, the government has also undertaken effective measures to ensure fast recovery of the housing market and its related actors. For instance:

Stimulus package: As of May 2020, the Philippines government's economic team rolls out ₱27.1 B package in response to COVID-19 pandemic to provide economic relief to people and sectors affected by the virus-induced slowdown in economic activity. Specifically, to support different housing market actors, ₱3 B has been allocated for TESDA's scholarship programs and free online courses to support affected and temporarily displaced workers through upskilling and reskilling. ₱2,0B has been allocated for the Department of Labor and Employment (DOLE) for social protection programs for affected workers, to be used for wage subsidy/financial support. Moreover, ₱1,2B has been allocated for the Social Security System (SSS) to cover unemployment benefits for dislocated workers. (Gov't economic team rolls out P27.1 B package vs COVID-19 pandemic, 2020)

The House of Representatives also approved a ₱1.3-trillion stimulus package designed to help the economy recover from the coronavirus pandemic in the next 4 years. This fund would be sourced from off-

budget accounts or government agencies' income from operations. This stimulus package has offered various forms of assistance to micro, small, and medium enterprises (MSMEs) and other key sectors affected by the COVID-19 crisis, while at the same time rebuilding consumer confidence. The ₱1.3 trillion would be used to fund wage subsidies and cash-for-work programs for displaced workers, zero-interest loans for companies, and loan guarantees for banks. It is expected to generate some 1.5 million jobs between 2020 to 2023 through infrastructure projects and financial assistance for small businesses. ₱650 billion would be spaced over 3 years starting 2021 until 2023 to enhance the government's Build, Build, Build infrastructure program. (House approves P1.3-trillion economic stimulus package vs pandemic, 2020)

The Organization of socialized and economic housing developers of the Philippines has also partnered with Pag-IBIG to ensure continuous production of more socialized and low-cost homes to address the housing needs and also to serve as a stimulus to the housing industry.

Loan moratorium programs: The **Bayanihan to Heal as One Act**, also known as the **Bayanihan Act** was enacted in March 2020 to combat the COVID 19 pandemic in the Philippines. Under this Bayanihan Act, banks are required to grant a 30-day grace period for the payment of loans that fell due during the lockdown without the imposition of additional interest, penalty charges, late fees, and other additional charges. Klls with different housing market actors (manufacturers, retailers, construction companies, labor skill providers etc.) reveal that they are now enjoying loan moratorium for extended period (30-days grace period) from the banks. Moreover, Settlements Management Department of the government are also offering loan moratorium for three months on repayment during the pandemic for their beneficiaries.

COVID-19 Assistance to Restart Enterprises (CARES) program:

According to Department of Trade and Industry, qualified micro and small enterprises including retailers (operating for at least 1 year prior to March 16 and with an asset size not exceeding ₱15 million) in areas under GCQ which were adversely affected by quarantine measures can now apply for loans (at 0.5% interest rate in a month with a grace period of 6 months) under the government's ₱1-billion assistance program. This will be done through DTI's attached agency Small Business Corp., which started accepting applications for the COVID-19 Assistance to Restart Enterprises program on May 18. (DTI unveils P 1-B CARES loan program for micro, small firms, 2020).

Downgraded from ECQ to GCQ and MGCQ allowed essential and priority public and private construction projects to restart again:

Under the guidelines issued by the Department of Public Works and Highways, priority construction and infrastructure projects related to emergency work, rehabilitation work, disaster risk reduction works, housing communication etc. of private and public sectors are now allowed in areas under ECQ. Moreover, infrastructure projects under the government's "Build, Build, Build" program can now resume in areas under general community quarantine, which is counting as a crucial strategy for economic recovery.

Cash/In-kind support: Socialized Amelioration Program has been envisioned jointly by DSWD, LGUs, DOLE and Social Security System (SSS) for the most vulnerable sector (poor households) for two months of the lockdown reported by the Inter-Agency Task Force on Emerging Infectious Diseases (IATF). The Asian Development Bank and the Philippines signed an agreement for USD200-million additional financing for the government's efforts to provide unconditional emergency cash assistance under the Pantawid Pamilyang Pilipino Program (4Ps) to poor and vulnerable households that have been

adversely affected by the quarantine measures imposed to contain the coronavirus disease 2019 pandemic (PH, ADB sign \$200-M loan pact for cash assistance project, 2020). Moreover, the Social Security System program, food assistance from LGUs and one-time cash payout assistance from DSWD has been given to the poor households and vulnerable workforce during the lockdown.

Capacity building programs through digital platforms: During the COVID-19 crisis, different labor skill providers (vocational schools, training centers etc.) are arranging digital learning sessions/training. For instance, TESDA is mandated by the government to capacitate those displaced (especially the ISFs, poor and low-income households) due to COVID-19.

Combined effort of the Shelter Agencies: All shelter agencies are working closely to ensure the correct way of moving forward and planning their programs and processes to mitigate the impact of COVID on the poor households/ISFs.

VAT exceptions and easing of reserve requirements: The government has also recently removed incentives like VAT exceptions for socialized housing projects. Moreover, the government has granted easing of reserve requirements for banks so that they can remain liquid during the pandemic.



Chapter 8

Challenges and Obstacles

CHAPTER 8: CHALLENGES AND OBSTACLES FACED BY DIFFERENT HOUSING MARKET ACTORS DUE TO COVID-19

8.1 Challenges in the Demand Side of the Housing Market

Decline in savings: Around 84% of our respondents reported that they finance their housing needs from their savings. All the respondents from the ISF category reported using savings. Around 77% of the respondents who own their house reported using savings. Of the respondents, 68% have reported a reduced ability to save. Higher percentages of informal settlers have reported an inability to save (80%) if compared to those who rent their house (42%). Moreover, 17% of the respondents have started to use their savings to survive during the crisis. This may dampen the housing demand of the low-income households further.

Relocation of the priority needs of the poor communities: KII with Gawad Kalinga Community Development Foundation, Inc. revealed that

the priority needs of the poor community have been relocated to food and health security instead of housing needs during the COVID-19 crisis.

Lack of remittances from OFWs are affecting the buyer's demand: Manufacturer of wooden materials reported that as the housing sector is heavily dependent on remittances sent by OFWs, this might create a challenge in the market as remittances from overseas Filipino workers, who drive the demand for affordable and mid-income housing units that are priced between ₱1,7 million (US\$34,000) and ₱5,9 million pesos, are expected to drop by as much as US\$6 billion this year as thousands of OFWs are likely to lose their jobs amid the deep global recession..

8.2 Challenges in the Supply Side of the Housing Market

Market Actor: Retailer of Construction Materials

Increasing credit burden: During the lockdown, most of the retailers and manufacturers of wooden materials and concrete products had

sold their construction materials on credit to their customers. Three of the surveyed retailers reported selling their materials on credit to their customers during this pandemic. Till now, those three retailers have given materials on credit worth of ₱38, 8 million on average to their

customers. Though two of them have managed to afterwards be paid in full, one of the retailers is still waiting for payment for his products.

“Till now I have given worth of ₱100,000,000 of materials to my customers during the pandemic and if my customer’s don’t give my money back, I will not allow them to buy the products on credit for the next time”

---Kevin Tosoro (29), retailer of lumber, wood flooring from Makati City, Luzon.

Inability to repay business loans: Though five of the surveyed retailers had business loans, four of them reported their incapability to pay business loans during the lockdown due to reduction in income. The retailers reported that on average they were 2, 7 months overdue on their loan payments during the crisis. Also, they are expecting an extension to the loan payment, income tax and credit lines from the financial institutions as a support from the government to recover their business losses.

In need of working capital to survive in the market: During the lockdown, the income of the retailers has decreased by 87%. Now, the retailers are in need of financial support to survive in the market. When the retailers were asked how much financial support they would require after the lockdown they said, on an average of ₱41 million were needed for each of the retailers to keep their businesses running.

Lack of interaction with the government agencies: Due to lack of interaction with the government agencies, all of the surveyed retailers reported that they did not receive adequate support from the

government for their business recovery during the crisis. However, three of the retailers reported getting one-time cash support from the government.

Lack of access to market information: None of the surveyed retailers reported having heard of new products/ services in the market that are improving the way of building houses (new walling product, financing services) during this lockdown.

Market Actor: Construction Material Manufacturers

Getting requests for extension on payment of debts from customers/clients: Findings reveal that, only a limited number of customers/clients of the manufacturers of wooden materials and concrete products are still able to pay their obligations. Moreover, most of their clients and customers have requested to extend their payment terms as they had lost their income source.

Most of the clients were not able to pay our debts during this pandemic. For those who are our valued customers, we allowed them to extend the payment terms for them and gave them time to settle their payments. Unfortunately, some of our clients were strapped for cash that’s why we couldn’t collect payment from them. Transactions from March have still not been paid and we are expecting to be paid within September.

---Matimco COO; President of Phil Wood

Increasing risk of additional layoff of employees/workers: During the lockdown, small and medium sized corporations have laid off workers and larger ones have slashed salaries of their employees. However, among the surveyed manufacturers of wooden materials and concrete products no one had laid off their employees/workers during the lockdown. The surveyed manufacturers also revealed that it would be a great challenge for them to ensure the monthly salary of the employees/workers in the upcoming months if there is no new work order from the market. Reduction of income and lack of new work orders will force the manufacturers to lay off their employees and workers in the near future.

Though the revenue of the surveyed manufacturers had decreased by 50-60% during lockdown, they had paid 50% of their workers' monthly salaries. Moreover, they had asked their staff to use their unused leave credits and afterwards also released prorated 13th month pay. However, most of the surveyed manufacturers were not sure of how long they can support their staff and employees if there is no new work order within the next 3 months.

Increased business expenditure: The manufacturers have started following the safety guideline mandated by the government and DOH for their employees and workers at their workplaces which have increased their maintenance and operating expenses. The surveyed manufacturers reported that their business expenses have incurred due to maintaining the obligations such as overhead cost (rental and payroll and cash advancement for employees) during this pandemic. Besides, rapid COVID-19 testing of their employees/workers also added an additional cost burden to the MSMEs.

"It costs around ₱ 2,000 per employee- including medical certificates; 3 PPE per person which includes face mask, face shield, everyday consumption of disinfectant spray and tissue paper."

---Manufacturer of Davies Paints from Metro Manila

Increased cost of imported materials: Additionally, import of different construction materials has been obstructed because of quarantine rules for customs clearance. A lot of construction materials are imported from different countries across the world into the Philippines. For instance, wood is mostly imported from the continent of Africa. Most of the raw materials are imported from China, Germany and Italy then processed and developed in the Philippines.

Though paint thinners are produced locally in the Philippines, the major component for paint comes from European countries, the US, Japan, Korea and China. However, due to movement restrictions across the borders due to COVID-19, import of these materials has been disrupted. Also, imported materials have to be quarantined for 14 days in the customs especially if it comes from countries that have a high exposure to COVID-19 which has increased logistics expenses. This fact has also increased the price of the imported materials.

Inability to start operations with full workforce: Though the government of Philippines has allowed resuming business operations under the GCQ areas, few cities are still under ECQ and MECQ where strict movement restrictions are prevalent. The surveyed manufacturers reported that, around 10 - 15% of their human resources have still not been able to return to work due to transport restrictions. Moreover, as mandated by DOH, if any worker/employee tests positive

for COVID-19, then the whole office/shop has to be closed down immediately. This is why the manufacturers had still not been able to operate in full force.

“We have resumed our operations during the MGCQ period from 1st July. However, only 37 personnel came back to work.”

---I and A Concrete Products

Barriers in using online platforms: Though the surveyed manufacturers tried to continue their business operations through online platforms during the lockdown, ensuring access to internet connectivity for all their staff was always a big challenge for them.

Large corporations excluded from loan moratorium programs: Findings from the KIIs with the large manufacturers such as Matimco, Davies Paints revealed that they were not included in the loan moratorium programs offered by different financial service providers. They had to pay their loans and interest rates on time during this pandemic.

8.3 Challenges in the Support System of the Housing Market

Market Actor: Labor Skill Providers (construction companies/vocational schools/training and assessment centers)

Delay in restarting operations/project deliveries: The surveyed construction companies reported that due to additional paperwork requirements causing delay in restarting their operations. For instance, meeting additional requirements such as barangay clearance and medical certificate from the LGUs for all the workforce before restarting operations is causing delay. Moreover, limited workforce at the construction sites is also causing delay in project delivery for the construction companies. SS Solano Management and Engineering reported that some of their workers were not allowed into the site as they live in ECQ/MECQ areas and did not manage to get a medical certificate.

“Most of the on-going construction projects had to stop because of the lockdown and owners of the construction companies are not willing to spend for health and safety measures on-site for the workers. However, before starting the construction work again, approval from the LGUs is mandatory. The construction companies have to check quarantine facilities and safety protocol measures/rules in place in the construction site and go through a checklist prepared by the LGUs. Meeting these additional requirements and getting approval from the LGUs is causing the delay to restart the construction work. Moreover, clients do not want to comply with some of these so they have stopped construction work altogether.”

---Ryan Andrew Erum, General Manager, Formalum Industries

Business capital is required to recover losses: During this pandemic most of the business operations were stopped or put on hold. Kil with PC Tan Architects and Associates revealed that more than 50% of their operations had been reduced. As a result, revenue/income of the large and small construction companies and contractors had been decreased. A contractor from SS Solano Management and Engineering reported that he had to sell his assets (land) to run his business during the crisis. Due to difficulty in accessing funds, Eficio Training and Assessment Center, Inc. reported that they have been applying for loans to continue their operations during the COVID-19 crisis. All of the surveyed contractors claimed that they would require business capital in near future to recover their losses.

“Businesses cannot feed their people forever. Some competitors are already shutting down because small businesses find it difficult to survive during this pandemic. All we have to do now is to survive. We are not sure about the market and don't see much opportunity after the COVID-19 for the construction industry but hoping that it will be business as usual because will start building houses again people in the near future. But now, to survive in the market we need capital support.”

*---Ang Panday Lumber & Construction Supplies,
Matina, Davao city*

Increasing cost of operation: Cost of construction and risk has increased because of rules on testing, on site housing of the workers, safety gears, safety protocols etc. reported by five of the surveyed construction companies. Kils also reveal that contractors' logistical

expenses have increased due to providing transportation for their workers and staff on a regular basis to avoid exposure of the virus. That is why; they had decided to create barracks (temporary housing facilities made of prefabricated materials) which will be used as quarantine facilities for their workers and staff so they can stay inside the compound during the weekday and then drop home on weekends. Moreover, consent from barangay officials and ensuring medical certificates for all the workers and employees before restarting construction work is causing additional cost burden for the contractors.

“Increased cost of construction because of ensuring safety protocols for all the staff and workers has affected our productivity. We have more or less reduced to 60-70% in terms of productivity due to the need to decrease labor per workspace since we are giving our best to comply with the government policies on safety protocols and COVID-19 prevention related procedures.”

--- Matina Pang, Talomo, Davao City

Work from home scheme is not applicable for all: Though the construction companies have designed work from home schemes for their workers and staff, it is not applicable for all the workers especially for those needed on construction sites.

Trend of using online platforms can affect client base: During the lockdown, most of the large corporations and MSMEs have started using online platforms for marketing their products/services. However, S and E Building Solutions reported that using an online platform is

quite difficult because there is a high chance of being ignored by their clients.

Market Actor: Construction workers/artisans

No direct program for construction artisans and retailers: Though the government and different NGOs/CSOs provided cash/in-kind support to the low-income households, there were no direct programs that were intended to support specifically for construction artisans and retailers.

Workplace safety is a major concern now: During interviews with artisans they stated that their major concern is going back to work. Five of them reported that workplace safety is their immediate concern of going back to work. Findings from quantitative surveys also reveal that the artisans have access to all types of safety protocols such as face masks and PPEs. However, most of them (N=5) managed to obtain these PPE products by themselves. The artisans were also reported that they were concerned about a crisis of laborers in the market after the COVID-19 situation.

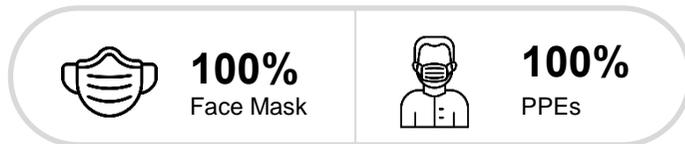
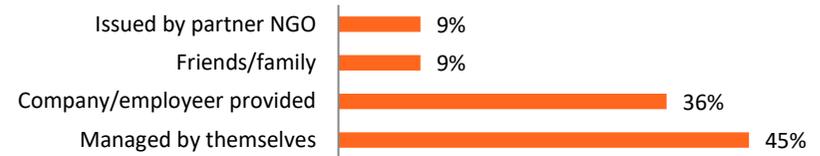
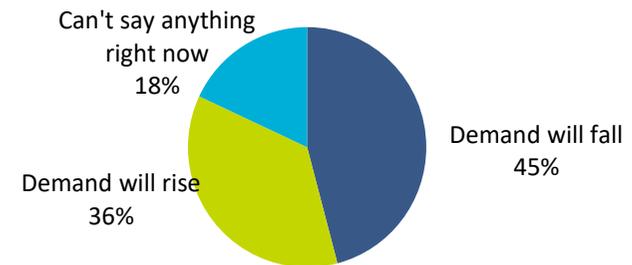


Figure 48: Source of Safety Protocols for Artisans



Demand for construction work will fall: Majority of the artisans (N=5) think that demand for construction work after the lockdown will fall.

Figure 49: Future of construction industry



Lack of access to market information: Though the artisans reported to have access to internet connectivity and smartphones, they were not informed of the on-going online training facilities, virtual workshops and online construction courses offered by different training associations/vocational schools during the COVID-19 crisis. However, most of the artisans (N=8) reported to be interested in attending this digital learning platform to develop their working skills during the crisis.

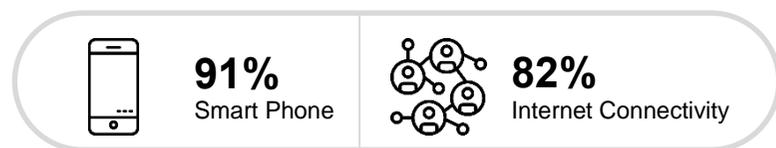
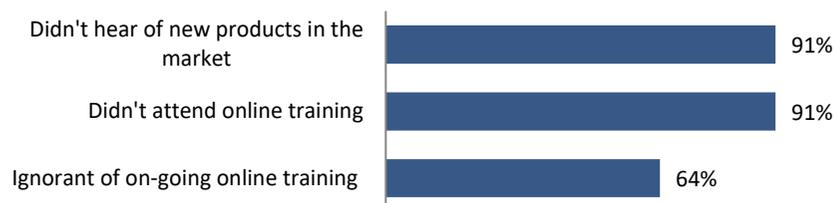


Figure 50: Status of artisan's access to digital platforms during COVID-19 crisis



Market Actor: Financial Service Providers (FSPs)

Decrease in demand for loans: KII with Commercial Bank-Universal bank shows that, due to delay in resuming construction projects, there is a decrease in demand for loans in the market.

“Most of the contractors and builders have stopped their operations. Their labor went home. Though their operations have resumed now, they need to comply with construction requirements which delayed the resumption of projects. Some projects are pending based on the requirements. As a result there is no arising demand for loans.”

--Commercial Bank - universal bank (Corporate, SME loans other products like auto and housing)

Capital insufficiency: Decrease in transactions and delay in repayments and loan releases had resulted in reduced or delayed proceeds for rolling capital reported by the FSPs. One of the surveyed FSP named KMBI reported that they had to face funding challenges due to lack of collection and disbursement during the COVID-19 crisis.

Difficulty in using digital platforms: The surveyed FSPs reported that they had to face difficulties with online payments as their clients were not used to paying their loans online. Moreover, not all customers are well aware and familiar with the digital platforms.

Market Actor: NGOs/CSOs

Additional cost on project funding: The country has started to partially ease restrictions due to the economic strain. With the easing of community quarantine, employers are encouraged to follow the interim guidelines of the DPWH on “Return to Work”. In this regard, different government organizations and NGOs/CSOs reported that they are reassessing their business operations to adapt to the ‘new normal’. However, in ensuring the safety protocols for the employees all of the CSOs reported that they currently need to allocate separate budgets in every project.

Delay in implementing project activities: Due to the strict quarantine rules, the CSOs had to partially close all their operations. Some of them reported that they had requested their donors/funding agencies to extend the project deadlines. Moreover, most of the CSOs operations are dependent on community gatherings and field activities through which they face-to-face communicate with their beneficiaries. However, they had to slow down/partially stop all their field operations during the pandemic. Their staff and volunteers hesitate to go to the

field operations. This has impacted their service delivery mechanisms as they had to face challenges in communicating with their beneficiaries. Though they tried to continue their operations through online platforms, lack of access of the poor beneficiaries to smart phones/internet has caused disruption in their operations.

In addition, getting clearance from the LGUs before restarting operations, complications in sending reliefs and necessary construction materials to households due to logistics and delivery difficulties (checkpoints, crossing border difficulties) are some of the issues reported by the CSOs that causes delay in their project operations

8.4 Challenges in the policies and programs of the Housing Market

Market actor: Government agencies, LGU's, Academics, PPPs

LGUs have policy priorities that they have to respond to first than shelter: Findings suggest that LGUs are currently engaged in providing cash/relief assistance to the affected households. This is why LGUs policy priorities have been changed to respond to emergency needs rather than shelter programs.

Housing loan processing through Pag-IBIG has slowed down during

COVID: Pag-IBIG started the year strong when home loan releases reached ₱5, 5 billion in January and ₱6, 5 billion in February. However, due to COVID, it started to dip when it disbursed ₱3, 8 billion in March and only ₱882 million in April. (Pag-IBIG Fund sets P10B construction fund to build more homes, boost economy, 2020)

Lack of clear policy guidelines to disburse emergency subsidies:

The fallout of COVID-19 in the Philippines has been worsened by glaring gaps in the country's social protection system. The government of the Philippines has enacted the Bayanihan act to help finance efforts against the epidemic. The law also provides for a monthly emergency subsidy of ₱5,000 to ₱8,000 per Filipino household, to be given to 18m households nationwide in April and May. However, there is no readily available infrastructure to deliver cash aids to these households. The absence of clear guidelines from the national government is forcing the local government units to improvise and devise their own targeting scheme which is creating confusion and accusations of patronage among their constituents. Apart from the monthly emergency subsidy, the Bayanihan law did not detail a budget for economic relief for other sectors, notably MSMEs. (The Economic Fallout of COVID-19 in the Philippines, 2020)



Chapter 9

Conclusion & Recommendations

CHAPTER 9: CONCLUSION & RECOMMENDATIONS

Through a sectoral heat map, we analyzed the economic and social impact of COVID-19 on the housing market system and the effectiveness of the institutional supports that have been planned and provided so far to the low-income housing market actors to lessen the COVID-19 crisis. The sectoral heat map is expected to help policy makers, development partners, private sector, NGOs and researchers to better understand the status of the low-income housing market system of the Philippines. This in turn can be used to define the focus for interventions to support a speedy recovery of the housing market of the Philippines.

Heat map: The heat map is composed of X axis and Y axis. The X axis plots the economic and social impact on a sector and the Y axis plots the supports that have been pledged to the sector or have been disbursed or being disbursed. Both impact and institutional support are measured against five indicators on a scale of 1-5 where 1 is low and 5 is high. The cumulative scores for X axis and Y axis are plotted to derive the position of the sector on the heat map. The economic and social impact and the institutional support for the specific sector are assessed against five indicators.

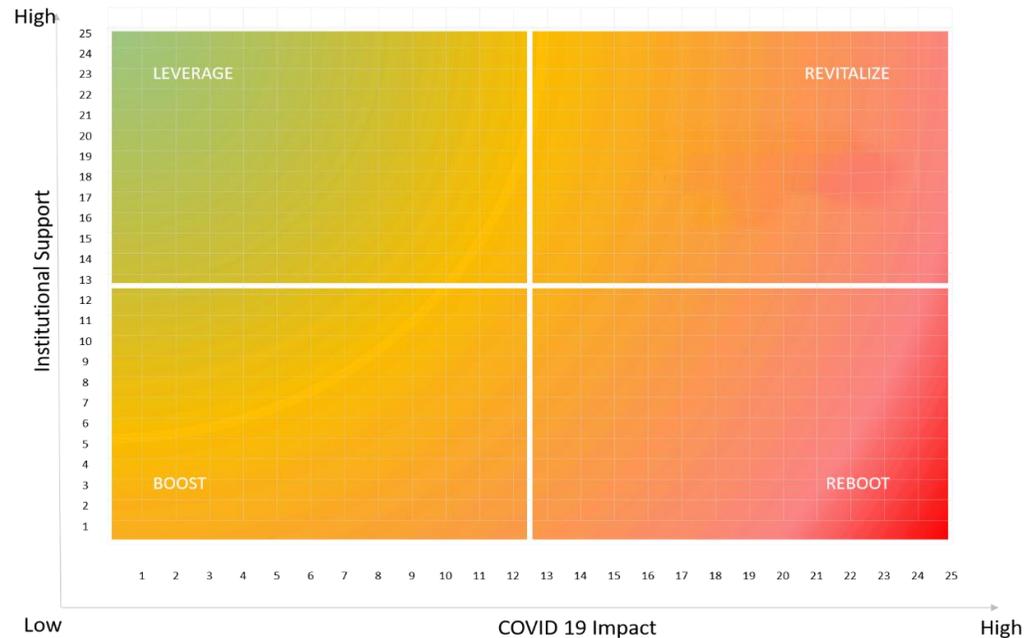
Indicators to assess economic and social impact (X Axis)	Indicators to assess institutional support (Y Axis)
Employment: The relative job loss in the sector and its impact on low-income population	Government support: Coverage of the declared stimulus packages on the sector; the ministerial supports that have been pledged and provided
Demand: The impact on demand (local, regional, national and international) for the product and its nature (Short term vs long term)	Pledge from development partners: The degree to which the sector is covered under the funding or pledge from the development partners
Production: The impact on production; the degree to which production has declined and whether the decline is long term or short term	Coverage under ongoing/ current development programs: The degree to which the sector is covered under ongoing development programs and its effect on mitigating COVID impact
Backward linkage: The disruption in raw materials supply and its nature (short term vs long term)	Engagement of trade bodies and advocacy groups: Degree to which the trade bodies in the sector and relevant advocacy groups are supporting its members
Forward linkage: The disruption in market access (local, regional, national and international) and its nature (Short term vs long term)	Inclusivity of support: The degree to which the support from government, development partners and trade bodies cover different size and type of enterprises and the low-income population in the sector

Based on ranking exercise; the sectors are divided into four zones:

- **Leverage:** These are sectors that are observing growth despite the crisis; we need to focus on policies and support systems that can leverage the market prospect in these sectors for the economic recovery.
- **Boost:** These sectors have received short term impact and have started to fight back; we need to ensure that the policy measures and the support system drive these sectors towards the green zone so that they can be leveraged for economic recovery.

- **Revitalize:** The impact on these sectors have been strong. However, their impacts have been recognized by the government and the development partners. There are gaps between impacts and supports received which needs to be mitigated to revitalize the sector.
- **Reboot:** These sectors have observed strong impact but the institutional support has been minimal. Some of these sectors will enter the boost zone with time even without institutional support while some might enter revitalize zone with immediate policy support, the boost zone in the mid-term with the withdrawal of the shut down

Figure 51: COVID-19 Heat map, Innovision



Impact of COVID-19 on the Housing Market System

Indicator	Insights	Rank (1 is low and 5 is high)
Employment	<ul style="list-style-type: none"> - Small and medium sized contractors have laid off workers; larger contractors have slashed salaries. -Displacement and unemployment of construction workers. In the construction sector, 689,974 jobs lost in 2020 (DOF, MSME survey) 	3
Financial and Support System	<ul style="list-style-type: none"> -Social housing finance is obstructed as the offices are closed and it is taking longer than usual time to sanction loans. - FSPs are providing short term and long-term loans to the MSMEs with a moratorium period of 30 days. -Construction Safety Guidelines have been issued by the DPWH in relation to the preventive efforts against COVID-19 pandemic and training/orientation facilities for the workers on these new guidelines. -Cost of construction and risk has increased because of rules on testing, on site housing of the workers, safety gears, safety protocols etc. -LGUs have policy priorities that they have to respond to emergency cash/relief assistance to the affected households first during COVID-19 rather than shelter -No innovative mechanisms to adapt to the new normal in the transportation and logistics services for material supply -Different labor skill providers are organizing digital learning platforms for artisans; however this may not be effective without ensuring market access and internet connectivity of the beneficiaries. 	4
Backward Chain	<ul style="list-style-type: none"> -Import of raw materials from China and other countries has faced challenges. - Wood import is obstructed because of quarantine rules for customs clearance; there is also reported increase in price of wood (6%) and cement (15%). - Delays in arrival for orders of materials due to logistics and delivery issues during the lockdown (on an average of 29 days of delay reported by the surveyed retailers) 	4
Forward Chain	<ul style="list-style-type: none"> -14,075 construction firms were closed during ECQ. Average losses of 74.6% of sales for construction firms open during ECQ (DOF, MSME Survey) -50% of the construction projects have been canceled or postponed. 	4

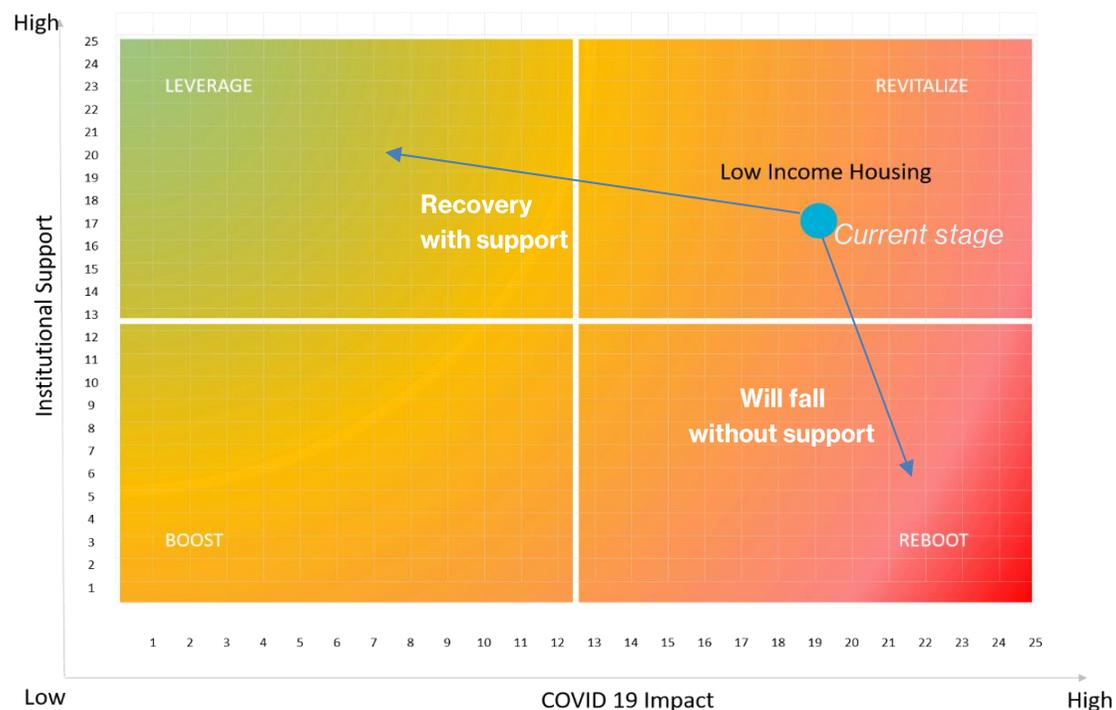
	<ul style="list-style-type: none"> -MSMEs in the housing materials supply systems are badly affected; 72% of the retailers of construction materials had temporarily closed their operations. -Drop of revenue of manufacturers by 50-60% and retailers by 87%. -Keeping construction sites and operations closed for a longer period of time is detrimental to construction companies, manufacturers, retailers and the market. -This pressure has led the construction companies and manufacturers/retailers to back in operation again. However, they would require business capital to recover their losses. -Ensuring safety protocols, medical certificates, barangay clearance to restart operations are creating additional cost burdens for the housing market actors. -Inability to start operations with a full workforce as few cities are still under ECQ and MECQ. -Delivery of housing projects delayed. Housing price is expected to drop by 15% to 20% by the end of the year. (Bloomberg, 2020) 	
Demand	<ul style="list-style-type: none"> - House building plans of 79% households have been affected. 52% of the low-income households fully stopped the construction work; 18% don't have any plan to restart it within 1 year. - 84% of the low-income households primarily finance homes or home reconstruction from savings. However, due to decrease/loss of income 68% of the low-income households are not being able to save. This may dampen the demand further. - Demand for housing loans has decreased. Housing loan processing has slowed down to 84%. (Asia United Bank) - Priority needs of the poor community has been relocated to food and health assurance instead of housing needs (Gawad Kalinga Community Development Foundation, Inc.) - Lowered demand in OFW who purchase houses due to repatriation - Forecasted shift in demand from urban to peri-urban and rural areas 	4
Score		19

Institutional Support for the Housing Market System

Indicator	Insights	Rank
Government stimulus	-₱3 billion for TESDA's scholarship programs and free online courses to support affected and temporarily displaced workers through upskilling and reskilling. ₱2,0B for DOLE for social protection programs for affected workers, ₱1,2B for Social Security System (SSS) to cover unemployment benefits for dislocated workers.	3

	<ul style="list-style-type: none"> -Loan moratorium facility under Bayanihan Act -Cash/in-kind support to low-income households under Social Amelioration Program (SAP) implemented jointly by DSWD, LGUs, DOLE and SSS. - Removed VAT exceptions for economic housing project 	
Trade body support	-COVID-19 Assistance to Restart Enterprises (CARES) program for micro and small enterprises including retailers through Department of Trade and Industry's attached agency Small Business Corp	3
On-going/current development projects/programs	<ul style="list-style-type: none"> - ₱51-billion small business wage subsidy (SBWS) program benefitted close to 3,4 million employees of MSMEs that were shuttered or struggled to pay salaries. (P2.2 trillion in losses: Cost of COVID-19 impact on PH economy, 2020) - Loan moratorium for three months on social housing loans (one family can loan up to ₱250,000) - Social Housing Financing Programs offered by Settlements Management Department for the ISFs 	4
Pledges from development partners	<ul style="list-style-type: none"> - GKCDFI's logistics assistance to the low-income households, testing facility, virtual volunteering on mass education on health and safety protocol measures, Info-drive -USD200-million additional financing to provide unconditional emergency cash assistance under the 4Ps to poor and vulnerable households by ADB and the government - LinkBuild's Bridge Finance Facility (BFF) for the ISF community 	4
Inclusivity	<ul style="list-style-type: none"> -Though cash/in-kind support is provided to low-income, as well as middle income, households. However, there are not direct programs that are intended specifically for construction artisans and retailers. -Large corporations were not included in the loan moratorium programs. 	3

Figure 52: COVID-19 Heat map, Low-income housing in Philippines



9.1 Recommendations for Strategic Interventions

Without strategic support, the low-income housing sector can get to a depression which would require a reboot. The Philippines Development Plan (2017-2022) and AmBisyon Natin 2040 targets might not be achieved without proper strategic interventions. This is a moment that demands coordinated, decisive and innovative action from all parts of

society. Public-private partnership models for response measures would work best to combat the pandemic. In this regard, stronger coordination and collaboration between the private sector, public sector and the NGOs can revitalize the sector if immediate actions are taken to boost demand and supply of the housing market.

9.2 Mapping the support requirement of the different actors in the market system

Housing Market System	Actors	COVID-19 Challenge	Action Agenda: Short term (1 year) & Long term (2-3 years) Intervention
Demand side	ISFs, homeowners, renters	- Decline in savings may dampen the housing demand of the low-income households further.	Short term: Measures to protect the savings of the low-income population Long term: Promoting special saving instruments/schemes in the market.
		- Relocation of the priority needs of the poor communities	Short term: Providing stimulus packages for the low-income households to ensure their basic needs. Long term: Revitalizing demand for affordable housing
Supply side	Construction material manufacturers	- Increasing chances of lay off employees/ workers	Short term: Financial support to the affected firms to prevent job losses and bankruptcy Long term: labor market flexibility to protect employment and not jobs, temporary and targeted wage reduction to keep jobs, skills retooling and pension.
		- Barriers in using online platforms	Short term: Ensure access to the internet, smartphone of the targeted customers/clients. Also expedite access to customers by lowering costs of digitization Long term: Developing online solution services that are more related to the capacity and behavior of the targeted beneficiaries
		- Increased business expenditure due to ensuring safety measures - Increased cost of imported materials - Large corporations excluded from loan moratorium programs	Short term: Financing support to the manufacturers (inclusion in the loan moratorium programs) Moreover, support cost reduction measures should be taken to integrate with health services for adoption of new normal Long term: Policies to boost supply by providing tax subsidies, import subsidies, reducing working capital financing costs
	Retailers	- Increasing credit burden	Short term: Financing support to the retailers against their receivables.

Housing Market System	Actors	COVID-19 Challenge	Action Agenda: Short term (1 year) & Long term (2-3 years) Intervention
		<ul style="list-style-type: none"> - Inability to repay business loans - In need of working capital to survive in the market 	<p>Long term: Policies to boost supply by providing tax subsidies, import subsidies, reducing working capital financing costs. Moreover, boosting financial strength of the suppliers</p>
		<ul style="list-style-type: none"> - Lack of access to market information 	<p>Short term: Ensure access to the internet, smartphone of the retailers/suppliers.</p> <p>Long term: Developing online solution services that are more related to the capacity and behavior of the retailers</p>
Support Services	NGOs/CSOs	<ul style="list-style-type: none"> - Additional cost on project funding - Delay in implementing project activities 	<p>Short term: Reducing complexity of the paperwork (barangay clearance, medical certificates) before restarting the project operations and construction projects focusing on low-income households should be given priority to restart.</p> <p>Long term: Support cost reduction measures should be taken to integrate with health services for adoption of new normal</p>
	Financial Service Providers	<ul style="list-style-type: none"> - Decrease in demand for loans - Housing loan processing has been slowed down 	<p>Short term: Stimulate demand by lowering financing costs for housing</p> <p>Long term: Revitalizing the demand for housing of the low-income households.</p>
		<ul style="list-style-type: none"> - Capital insufficiency - Funding challenge 	<p>Short term: Enforcement of government stimulus, strengthening business wage subsidy and loan moratorium</p>
	Construction workers	<ul style="list-style-type: none"> - Lack of access to market information 	<p>Short term: Ensure access to internet, smartphone of the construction workers. Also, expedite access to customers by lowering costs of digitization</p> <p>Long term: Developing online solution services that are more related to the capacity and behavior of the artisans.</p>
<ul style="list-style-type: none"> - No direct program for construction artisans and retailers - Workplace safety is a major concern now 		<p>Short term: Stimulus package targeting the artisans and small and medium retailers/suppliers</p> <p>Long term: Adopt new technologies in construction activities to adapt to the new normal</p>	

Housing Market System	Actors	COVID-19 Challenge	Action Agenda: Short term (1 year) & Long term (2-3 years) Intervention
	Skilled labor providers	<ul style="list-style-type: none"> - Delay in restarting operations/project deliveries - Increasing cost of operation - Business capital is required to recover losses 	<p>Short term: Reducing complexity of the paperwork and low-income construction projects should be given priority first. Also, support cost reduction measures should be taken to integrate with health services for adoption of new normal</p> <p>Long term: Policies to reduce working capital financing costs</p>
Government policies and programs related to housing market	LGUs, Academics, COVID-19 related PPPs	<ul style="list-style-type: none"> - Lack of clear policy guidelines to disburse emergency subsidies to the low-income population - LGUs have policy priorities that they have to respond to first than shelter 	<p>Short term: Adopting check and balance system</p> <p>Long term: Ensuring affordable housing for the low-income households should be made a key priority</p>

The following table details out the proposed interventions and what needs to be done by Habitat for Humanity in collaboration with different housing market actors to recover the low-income housing market from the COVID-19 crisis and to make it resilient in the long run.

Key strategic intervention areas	Intervention details	Role of Habitat for Humanity in the proposed intervention
Protect and promote savings practices of the low-income households	<ul style="list-style-type: none"> - Increase social safety net coverage of the informal settlers/ poorest income quintiles - Special housing savings schemes should be promoted in the market that supports the low-income household's stronger saving behaviors. 	<ul style="list-style-type: none"> - Habitat can connect their targeted beneficiaries with the government's safety net programs through ensuring the beneficiaries inclusion in the social safety net programs. - Habitat can also collaborate with different CSOs/NGOs who work closely with the low-income communities to promote governments' safety net programs among the poor households. - Habitat can work with different FSPs to introduce special housing savings schemes whereby the households can take housing loans at a cheaper rate against the special savings scheme.

Key strategic intervention areas	Intervention details	Role of Habitat for Humanity in the proposed intervention
Revitalizing the demand for affordable housing of the low-income households	<ul style="list-style-type: none"> - Stimulus package for the low-income households can be announced to ensure the basic human needs of the households so that they may consider their housing construction/repair needs 	<ul style="list-style-type: none"> - In this regard, Habitat can ensure the inclusion of their targeted beneficiaries under the government stimulus packages.
Ensuring access to online platforms of the artisans and Developing online solution services that are more related to their capacity and behaviors	<ul style="list-style-type: none"> - Online platforms which are much more convenient for the beneficiaries should be targeted to reach them such as chat groups in Whatsapp/Facebook - Expedite access to customers by lowering costs of digitization 	<ul style="list-style-type: none"> - Habitat can ensure whether their beneficiaries have the access to the online platforms or not. - Habitat can partner with different partner NGOs/CSOs who directly communicate with the poor communities in the field to make the beneficiaries more aware of the benefits of using online platforms and try to integrate them in the online services. - Habitat can also help the skilled labor providers of the housing market to develop online service solutions for the beneficiaries that are more related to the capacity and behavior of the artisans/retailers/households
Adopt policies to boost supply by providing tax subsidies, import subsidies, reducing working capital financing costs	<ul style="list-style-type: none"> - Lower interest rates from financial institutions could be a form of support for the businesses; - Government can repackage some sort of tax subsidies that can help the suppliers and manufacturers to recoup - Tax relief program for large corporations and financing support to the SMEs to support them in sustaining their operations 	<ul style="list-style-type: none"> - Habitat can conduct impact assessment of these government initiatives on their targeted beneficiaries that will help the government to design future interventions
Support cost reduction measures to integrate with health services for adoption of new normal construction activities	<ul style="list-style-type: none"> - Integration of the health system to the housing system is necessary. - Create access to safety measures (PPEs, face masks, gloves etc.) at a subsidized rate for the retailers, manufacturers and for small construction projects concentrated on the low-income households. However, there 	<ul style="list-style-type: none"> - Habitat can work with different government agencies to promote this subsidized cost of safety gears for the small retailers, manufacturers and small housing construction projects concentrated on the low-income households so that it may ease the additional cost burden/business expenditure of the market

Key strategic intervention areas	Intervention details	Role of Habitat for Humanity in the proposed intervention
	must be a check and balance system to monitor the whole process.	actors in adopting the new normal construction activities.
Boosting financial strength of the suppliers	<ul style="list-style-type: none"> - Financial support to affected firms/manufacturers and suppliers, especially small and medium enterprises, to prevent job losses of poor employees and bankruptcy, so that the recent shocks cannot cause permanent damage to the country's productive capacity and human capital 	<ul style="list-style-type: none"> - In this regard, Habitat can work with the different FSPs to introduce loan facilities and financing programs for their targeted low-income population who are in risk of losing their business/jobs.
Protect employment not jobs	<ul style="list-style-type: none"> - Labor market flexibility to protect employment and not jobs, temporary and targeted wage reduction to keep jobs, skills retooling and pension. 	<ul style="list-style-type: none"> - Habitat can help different labor skill providers to develop different skill development programs for the low-income households. Through assessing the skill gaps and training requirements of the low-income population, Habitat can suggest the labor skill providers to redesign the training modules to improve the skills of the laborers.
Stimulate demand by lowering financing costs	<ul style="list-style-type: none"> - Support financial innovations for housing solutions to stimulate the demand for housing of the low-income population 	<ul style="list-style-type: none"> - Habitat can work in collaboration with different government agencies such as the Settlements Management Department who run social finance programs in slums. This organization communicates face to face with the communities to promote housing loans. By partnering with these types of government agencies, Habitat can disseminate information on different financial innovations for housing solutions to their beneficiaries.
Clear policy guidelines to disburse emergency subsidies to the low-income population	<ul style="list-style-type: none"> - There must be a clear policy guidelines and check and balance system to ensure proper and equitable disbursement of subsidies to the low-income households 	<ul style="list-style-type: none"> - Habitat can help the government agencies by providing them the list of low-income populations from their targeted beneficiaries who are in actual need of government support and ensure their inclusion in government emergency subsidy programs.

Key strategic intervention areas	Intervention details	Role of Habitat for Humanity in the proposed intervention
Enforcement of new technologies in construction activities to adapt to the new normal	<ul style="list-style-type: none"> - Expedite adoption of new normal construction system through public-private partnerships on communications, skills development, capacity development 	<ul style="list-style-type: none"> - In this regard, Habitat can work with different skilled labor providers and CSOs to ensure training of the poor artisans and laborers on workplace safety guidelines to adapt to the new normal. Moreover, Habitat can also work with government agencies in redesigning their skills development program as well as providing budget to adjust to the new normal, and making the skills development training accessible to laborers and artisans.
Advocacy support to ensure that relevant market actors in the housing market system are informed of the government support programs	<ul style="list-style-type: none"> - There can be a forum of the different housing market actors so that they are well aware of their possibilities to get supported by the government 	<ul style="list-style-type: none"> - Habitat can work in collaboration with the government to ensure the formation of the forum of these relevant housing market actors.