

LETTER OF INSTRUCTIONS NO. 686, April 02, 1978

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TO: Department of Public Works, Transportation and
Communications and the Bureau of Public Works

Department of Public Highways National Housing Authority

All local governments and the Department of Local
Governments and Community Development

The Philippine National Bank and all government banks

The Budget Commission

Local Water Utilities Administration

National Electrification Administration

Human Settlements Commission

Department of Education and Culture

Department of Health

Department of Finance

Government Service Insurance System

Social Security System

Armed Forces of the Philippines and Police Authorities

SUBJECT:

IMPLEMENTATION OF THE SLUM IMPROVEMENT AND RESETTLEMENT (SIR) PROGRAM AS PROVIDED UNDER LETTERS OF INSTRUCTIONS NO. 555 DATED 11 JUNE 1977.

Recognizing that in order to facilitate the implementation of the Slum Improvement and Resettlement (SIR) Program as Provided under Letters of Instructions No. 555 dated 11 June 1977 and maximize the benefits of resident families of the Project Area under the program, it is necessary to:

- Redefine the participation of national and local government agencies in the Program;
- Define more specifically the components of the total project costs which can reasonably be charged to beneficiaries;
- Provide an equitable basis for the interest charges that may be imposed on borrowings of both the local governments and beneficiaries.
- Prescribe a more flexible land tenure system applicable to project areas; and
- Ensure the flow of adequate funds to insure completion of specific projects and afford continuity to the Program as a whole.

It is hereby directed that:

- In the interpretation of the provisions of LOI 555 pertaining to the participation of national and local agencies and the allocation of cost, the following shall be used as guidelines:

a)

National government agencies participating in the SIR Program shall provide funds and make available technical assistance and undertake construction only for such components of projects under the program which normally fall under their functional responsibilities.

b)

The local government undertaking the project shall provide funds for, and plan and implement through their Slum Improvement and Resettlement (SIR) staff such components of the projects that are normally the responsibility of the city or municipal governments.

c)

Project beneficiaries shall be charged and pay, in addition, to the cost of the land, the cost incurred in providing them such services and facilities designed and intended mainly for their use or benefit excepting those normally provided by either national agencies or the local government and less whatever revenues that can be generated from other components of the project.

- The local governments through its SIR staff and under the direct supervision of the National Housing Authority shall be responsible for the planning, design, procurement, bidding and award of contract and construction for the

project provided that the design of specific project component to be funded by national agency concerned and provided further that all contracts are bidden out in accordance with the rules prescribed by the National Housing Authority and the award of such contracts to any of the pre-qualified bidders are subject to the approval of the aforementioned Authority.

- The National Housing Authority shall, upon the request of the local government, expropriate or otherwise acquire land for the project and shall in turn dispose of this land to the local government, at cost plus a fee to cover mobilization, administrative and/or borrowing expenses.

- The National Housing Authority, in providing financing assistance to local governments for land acquisition and project planning and development or to national agencies as advances, or to project beneficiaries as loans, may charge an interest rate equivalent to the cost of obtaining the funds plus administrative, maintenance and mobilization cost of such funds. These interests may be chargeable as part of the project cost to the project beneficiaries. In no case however, shall interest rates exceed 12% per annum.

- In general, the land tenure for projects under the SIR Program shall be leasehold with option-to-purchase. Project beneficiaries, at their option, may purchase the land after a period of continued and uninterrupted occupancy and faithful and complete compliance of lease rules and regulations as may be agreed upon between the National Housing Authority and local government. In no case however, shall this period exceed 5 years.

a)

The price at which land shall be sold to beneficiaries shall consist of: i) the cost of acquisition by the government, if previously owned privately, or its market or assessed value, whichever is lower, if government owned; ii) the cost of providing the services and facilities and, wherever applicable the cost of reclamation less whatever revenue can be generated from other project components or other sources and applied to the project and iii) the interest charges as provided under Paragraph 4 of this Letter of Instructions. These costs shall be those allocable to the residential areas of the project as provided in Paragraph 1 above.

b)

The total price of the land shall be amortized for a maximum period of 25 years, provided that the local Government in consultation and with the approval of the National Housing Authority may adopt other amortization schemes.

Upon option to purchase, the title of the land shall be issued to the beneficiary subject to a lien in the form of a mortgage to cover whatever balances of the costs as determined in a) above are still unpaid, and such land shall thereafter be held under freehold with restrictions.

c)

The cost of the land and other allocated costs as proposed by the local government and approved by the Authority may be excluded in the computation of lease payment in consideration of the beneficiary's capacity-to-pay provided that when the beneficiary exercises his option to purchase, these costs and interest charges accrued on them are added to the total costs to constitute the purchase price as determined in a) above.

d)

Restrictions applicable on freehold title shall be prepared by the local Government and approved by the Authority considering the thrust of the program to the low-income groups and these restrictions shall be annotated at the

back of evidences of ownership.

e)

Should there be any lot which are titled or with vested rights such as Deed of Sale, Agreements to Sell which may be recognized by the Authority, and the local government and these titles or vested rights are not superseded in the acquisition of the project area then they may be likewise held under freehold with restriction provided that they pay all allocable costs under this Section excepting the cost of the land.

- Project components falling under the responsibility of national agencies shall be directly funded and by the same except when those components form an integral part of the project and it is appropriate to plan, design and implement these components in conjunction with the components which may not fall under the jurisdiction of the national agency. In this case, funds shall be budgeted by the agency concerned and the Budget Commission shall release the same to the National Authority directly for it or the local government to undertake construction upon the acknowledgment of participation in the Program by the affected national agency. Such funds shall form part of the amount to be channeled to the local government under arrangements to be prescribed by the Authority. In all cases construction shall be undertaken according to plans and specifications of the project as may be prescribed from time to time by the national agency.

- The following additional government agencies are to Participate in the Slum Improvement Resettlement Programs:

a)

The Armed Forces of the Philippines and the Integrated Police Force, to provide assistance in the eviction and ejection of families within the project area which are not qualified for benefits under the program, or it qualified, have violated the rules and regulations of its implementation.

b)

The Philippine National Bank and all other government banks, to provide financial services including the collection, accounting and remittance of lease-rentals and amortizations as envisioned by Letter of Instructions No. 555;

c)

The Department of Education and Culture, to staff schools and implement educational programs for the project area:

d)

The Department of Health in the institution and the implementation of health programs for the project area;

e)

The National Electrification Administration in the financing of electrical facilities for the project sites and technical assistance for the same.

- To facilitate program and project coordination, clearances required under various laws and ordinances and obtained by the National Housing Authority, as lead agency, particularly for aerial photographs, shall be applicable for all housing sites and projects coordinated by that agency.

- The National Housing Authority may finance the requirement of the Slum Improvement and Resettlement (SIR) Program through bonds, borrowings or other sources it may see fit under Presidential Decree: No. 757. The

interest cost and terms of repayment of those may be determined as prescribed by Presidential Decree 757.

- The provisions of Letter of Instructions No. 555 to the extent that they are not consistent with the principles, guidelines and provisions of this Letter of Instructions are hereby amended,,

DONE in the City of Manila, this 2nd day of April, in the year of our Lord, nineteen hundred and seventy-eight.

(Sgd.) FERDINAND E. MARCOS

President of the Philippines

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