
Appendix: The Data

The database was constructed using the listing of urban development projects in the OED's "Twenty Years of Lending for Urban Development 1972–92." The list was updated to 2003 using OED's "Improving the Lives of the Poor through Investment in Cities: An Update on the Performance of the World Bank's Urban Portfolio." This listing was supplemented through searches in World Bank databases, Imagebank and the Projects Database, for projects with shelter components. We also consulted with IFC staff to get a listing of IFC projects. We then discussed with OED the range of definitional issues involved in defining a data set and after a number of discussions agreed on a list of projects.

Many of these projects included urban housing as one of many components. Hence, we examined project documents for each loan to find the approximate amount allocated to the housing component. In cases where there was no clear demarcation of loan amounts for different components, we made an informed estimate based on the project documents.

The loans are identified by the year of approval. This differs from the typical OED classification, which uses the year of completion. This was done for several reasons. First, it allowed us to observe trends over longer time periods. Including loans by their year of closing would effectively have truncated our data to 1978–2005. Second, by using the year of approval for analyzing loan composition and performance, we can accurately analyze the strategy of the shelter lending of that era or decade. For example, many sites-and-services loans approved in the 1970s were still closing in the 1980s, when new loans emphasized housing policy and housing finance loans. Third, using the year of approval allows us to include active loans in our portfolio thus allows us to create a more accurate picture of the current portfolio. Classifying closed loans by their year of completion and active loans by their year of approval would make the data internally inconsistent. In the final analysis, considering projects by either year of approval or year of completion is acceptable as long as it is done consistently. The loan, after all, is disbursed throughout the duration of the project.

Project outcomes were obtained from OED evaluations for loans that were already closed. For loans that are currently active, ratings from the Operations Projects Portal were used. These active projects are rated for development objectives and implementation progress. If a project was rated satisfactory in both categories, it was coded as a satisfactory project. If a project was rated unsatisfactory in both categories, it was coded as unsatisfactory. This is a technique that has been used in past OED reports when the focus was on a new and rapidly growing line of support, such as microenterprise finance (see Buckley and Vogel 1999). Finally, if the project was rated satisfactory in one category and unsatisfactory in another category, then the project was not given an outcome.

One possible critique of this rating mechanism is that a rating for the whole project is not necessarily a proxy of the rating for a subcomponent. However, given that very often the various subcomponents are rarely delineated perfectly, let alone rated separately, we believe that this is the best estimate of project outcomes. Implicit in this estimate is the assumption of a strong correlation between the outcome of the project and the outcome of the components of the project. This, we argue, is a reasonable assumption.

Each housing loan was categorized as one of the following five project types:

- *Slum upgrading*. These loans include any form of upgrading to actual houses or infrastructure within a slum.
- *Sites & services*. Such loans primarily provide infrastructure needed for new housing developments. These loans range from land development (infrastructure), to self-help programs, to construction of core housing.
- *Housing policy*. These projects include loans that attempt to reform housing and land use policy and the ancillary items necessary for the formation of policy, such as cadastres and technical assistance, to help country governments create and implement policy. These projects also include institutional development loans.
- *Housing finance*. This refers to money given to help develop a sustainable financial market for housing, including finance to support mortgage schemes and subsidies and credits to support mortgage markets.
- *Disaster relief*. These are loans provided in the aftermath of a major disaster that include a housing construction component.

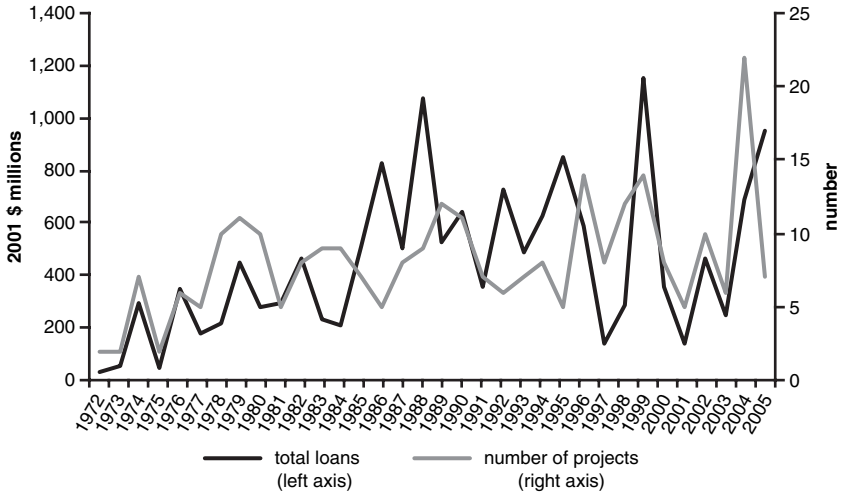
Since some loans had multiple housing components, as defined above, we approximated the amount of loan allocated to each component.

Measuring the Shelter Portfolio

To measure the shelter portfolio, a few assumptions were made (see figure A.1). International Development Association (IDA) loans include only

loans that were purely IDA. Loans that were purely International Bank for Reconstruction and Development (IBRD) and combinations of IBRD/IDA loans were counted as IBRD loans. IDA loans were made at an interest rate of 0.75 percent with a 10-year grace period and a 30-year maturity.

Figure A.1 Urban Housing Lending, 1972–2005



Source: World Bank.