

Thirty Years of World Bank Shelter Lending: What Have We Learned?

Editors

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and
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Foreword

Over the past 34 years, World Bank lending to support improvement in shelter conditions totaled more than \$16 billion for 278 projects located in more than 90 countries. According to independent evaluations, these projects have performed well, with more than 83 percent achieving satisfactory outcomes. This study reviews the lessons learned from this vast experience against a backdrop of changing perspectives on shelter policy and development lending. It is the third such review of the World Bank's support for shelter lending, coming 13 years after the last review, *Housing Policy: Enabling Markets to Work*, and 26 years after the first review, *Shelter*. Like those earlier studies, this review focuses on how the Bank can improve its delivery of such assistance in order to improve housing conditions in developing countries. Also similar to those earlier studies, this review reflects more general thinking about how the Bank can most effectively contribute to the overall development agenda.

The Bank began to provide assistance for the shelter needs of the poor in the 1970s, as the overall emphasis of the Bank moved beyond financing basic infrastructure and toward directly targeting assistance to the poor. The first shelter lending review in 1980 presented the case that the public sector alone could not expect to fully address a nation's housing needs. The review detailed the Bank's support for increasing the involvement of local communities and—somewhat more controversial at the time—its opposition to policies aimed at the destruction of the slums where the poor lived. Not surprisingly, therefore, most Bank shelter lending undertaken at that time was to support sites-and-services schemes and slum upgrading.

The second review focused on the constraints on housing markets, which often prevented Bank-supported projects from moving beyond being enclaves that were not broadly replicated even when they were successful. The study came on the heels of the fall of the former Soviet Union, at a time when President Gorbachev's advisers were warning that the housing sector was the most inefficient of all sectors in the old centrally-planned,

command regime. The conclusion was that housing and land markets were too long-lived, spatially-fixed, and heterogeneous to work well without relying on private participants to express how they wanted to fulfill their shelter and related commuting needs, particularly in the world's megacities. The early 1990s was also a time when the Washington Consensus governed international policy advice and private sector international capital flows were emerging as powerful channels of influence. The second housing review presented a specific list of dos and don'ts for housing policy and called for a withdrawal of the state from many aspects of housing policy.

This review comes at a time of considerably less certitude about broad policy prescriptions. For example, as was said in a review of a recent Bank study, *Economic Growth in the 1990s: Learning from a Decade of Reform*, "...no one really believes in the Washington Consensus anymore. The question is...what will replace it" (Rodrik forthcoming). What seems to be replacing it is a movement away from mechanical prescriptions of what to do and what not to do, with a focus on the binding constraints on development. This shift in thinking certainly colors the perspective in this review.

More specifically, this review details the progress made on developing housing finance, improvements in the way housing subsidies are targeted, and the increase in support for efforts to improve the overall housing policy environment. It also details the increased private sector involvement in current Bank support to the sector and raises the question of whether the increase in policy-based lending was related to the reduction in lending for basic slum improvement programs. Finally, it emphasizes that, in many ways and in many places, malfunctioning urban land markets are undoubtedly an important part of the binding constraints on achieving not only improved shelter conditions, but also equitable economic growth.

Certainly, there are no clear and simple answers to improving the shelter conditions of the millions of people who live in slums and too often in ramshackle and unhealthy accommodations. Nevertheless, in the next few years, as the world reaches the point where for the first time the majority of its population lives in cities—mainly cities in developing countries—it is essential that progress on fulfilling the shelter needs of the poor be enhanced and that lessons learned be more broadly disseminated.

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