

DISASTER RISK MANAGEMENT
WORKING PAPER SERIES NO. 1

Doing More for Those Made Homeless by Natural Disasters

Roy Gilbert



The World Bank

The Disaster Management Facility (DMF) of the World Bank provides proactive leadership in integrating disaster prevention and mitigation measures into the range of development related activities and improving emergency response.

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Alcira Kreimer, Manager
Disaster Management Facility
World Bank, MSN F4K-409
1818 H Street, NW
Washington, DC 20433

Email: DMF@worldbank.org
World Wide Web: www.worldbank.org/dmf

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Preface

The primary audience of this work is made up of World Bank operational task teams and sector managers. They are in the front line deciding how best to respond to individual borrower's demands for assistance to repair and rebuild shelter destroyed by natural disaster events such as floods, windstorms, earthquakes, landslides and volcanic eruptions. The paper aims to help task teams and sector managers do more to provide assistance to those made homeless by natural disasters within the framework of existing Bank policies and guidelines. It does not seek major changes in those policies, but rather encourages a more agile Bank response within the policy and operational parameters as they stand today. Bank country directors may find the discussions of Chapters 1 and 5 relevant to planning the Bank's lending and assistance program both worldwide and at the country level.

The Bank's Disaster Management Facility (DMF) and the Urban Cluster of the Latin America and Caribbean department (LCSFU) jointly commissioned this study in response to growing borrower demand for Bank assistance with housing reconstruction following natural disasters. The review examines the Bank's experience since 1980 in helping to finance some 37 housing reconstruction projects throughout the world, and suggests how constraints upon housing reconstruction assistance can be overcome, thereby stimulating and guiding further Bank involvement in this field.

The deliberations leading up to this report are the results of a team effort undertaken during the December 1998-March 1999 period. The inception team consisted of Alcira Kreimer (team leader), Anna Amato, Margaret Arnold, John Flora, Roy Gilbert, Jeffrey Gutman, Jelena Pantelic, Ronald Parker and Thakoor Persaud. The subsequent development of the work benefited from the contributions—through interviews, meetings and written comments—of many more people, including those named below. The author also contacted other donors and NGOs involved in housing reconstruction in order to gather their views about the challenges they faced in trying to help the disaster homeless throughout the world.

The following persons kindly shared their knowledge and experience in this field and their collaboration with this study is gratefully acknowledged. From the Bank, they include: Anna Amato (OEDST); Mats Andersson (EACCF); Armando Araujo (LCOPR); Margaret Arnold (INFDM); Alain Bertaud (ECSIN); Henry Boldrick (ECSIN); Robert Buckley (ECSIN); Eleoterio Codato (LCSFU); Charles di Leva (LEGEN); John Flora (INFTD); Junko Funahashi (LEGOP); Maninder Gill (SDV); Arnaud Guinard (LCSFU); Jeffrey Gutman (LCSFU); Sonia Hammam (MNSIF); Larry Hannah (ECSPE); Mayumi Kato (MNSIF); Naushad Khan (ECSSD); Alcira Kreimer (INFDM); Frannie Léautier (EXC); Rodney Lester (FSD); Eugene McCarthy (ENV); Ferenc Molnar (LEGOP); Adrienne Nassau (ECSIN); Jelena Pantelic (INFDM); Ronald Parker (OEDST); Thakoor Persaud (LCSFU); Margret Thalwitz (ECSIN); and Piotr Wilczynski (ECSSD). Others outside the Bank included: Caroline Clarke (Inter-American Development Bank); Sarah Coppler (Habitat for Humanity International); Richard Hill (Intertech); Amy Hilleboe (Catholic Relief); Elizabeth Keyes (Catholic Relief); Charles Setchell (OFID-USAID); and Marge Tsitouris (CARE).

The report was written by Roy Gilbert, currently Urban Coordinator of the Bank's Operations Evaluation Department (OEDST).

Overview

Key Discussion Points

WHY THIS PAPER NOW?

To help Bank task teams and sector managers respond to the growing demand by borrowers for emergency housing assistance following natural disasters.

To provoke discussion and promote interest that can stimulate the Bank to provide more assistance to the increasing number of poor people made homeless by natural disasters—floods, windstorms, earthquakes, landslides and volcano eruptions—in developing countries.

To identify what has constrained Bank assistance thus far and suggest how it might be overcome.

To distill lessons from the Bank's experience to date on the topic. Over the past 20 years, the Bank has financed 37 projects to help rebuild and repair 750,000 homes in 26 countries worldwide.

WHY HELP THE DISASTER HOMELESS?

Nearly all those made homeless by natural disasters in the world—97.7% of the total—are from developing countries. Since 1980, 138 million people in those countries have been affected. The numbers are growing year by year.

Fighting poverty is the Bank's principal mission and the poor are particularly vulnerable to natural disasters.

The demand for Bank assistance is stronger than the response. Some 70 Bank post-disaster reconstruction projects financed since 1980 refer to the plight of the disaster homeless, but only half of them included housing components.

There is a need recognized by other multi-lateral development banks and also NGOs who are active in providing assistance.

Insurance penetration in developing countries is limited.

HOW SHOULD WE FRAME THE ASSISTANCE?

Help to the disaster homeless involves piecing together the victims' lives. From the Bank's perspective, its purpose is to:

- Help the disaster homeless get back on their feet again as quickly as possible.
- Focus primarily and expeditiously on *recovery* needs.
- Provide most assistance to the poor who do not have access to insurance.
- Bring existing good housing sector policies and practices to bear on housing reconstruction.
- Encourage mitigation measures that can help reduce the impact of future disasters.

The Bank should focus on emergency housing reconstruction, therefore, as a *recovery* effort. The often chaotic aftermath of a natural disaster is not a propitious moment for advancing new long-term housing sector goals or pursuing housing sector reform.

Housing components of emergency reconstruction projects thus become primarily instruments of short-term economic and social recovery. When implemented on a large scale, however, they can impact the overall supply of housing. For that reason, they should not undermine housing sector policy or reform, and embody best practice standards, especially in adopting land use and building codes that mitigate the risks of exposure to existing natural hazards.

WHERE SHOULD MOST HELP BE FOCUSED?

The priority beneficiaries of direct housing assistance by the Bank should be the uninsurable poor, proven disaster victims with the following characteristics:

- Low income, unable to afford insurance
- Insurance unavailable to them at the price they are willing to pay
- Their assets are uninsurable (poor structure, low value or no legal title)
- They are uninformed about risks and how to mitigate them.

Others too would benefit from Bank assistance that fosters insurance solutions for managing risk and also mitigation measures to reduce the impact of future disasters.

Direct assistance tightly focused on the uninsurable poor and provided for a limited period only should provide an incentive for individual households who can afford it to take responsibility for managing the disaster risks to their own assets.

Emergency assistance should be tightly circumscribed and not try to embrace otherwise deserving and needy cases of poor families, but who were unaffected by a disaster. Resources for reconstruction are limited and these people would be beneficiaries of normal development programs and projects.

As a *temporary intervention*, emergency assistance also needs to be tightly constrained in time lest it undermine long-term sector policies and reform. Thus, all emergency disbursements should be completed by approximately 30 months. After this period, attention should shift to insurance, mitigation and sector work.

CLARIFYING ISSUES AND ADVANCING GOOD PRACTICE

A clear framework of emergency housing reconstruction as primarily a *recovery* effort can help Bank task teams respond to growing demands within an appropriate Bank policy context.

Bank safeguard policy on involuntary resettlement (OD 4.30 and the forthcoming OP 4.12) does not apply to the victims of natural disasters, who are explicitly exempted from its provisions.

To respond more closely to demand, the Bank could shift more attention to homelessness caused by flooding disasters. These account for 68% of the total homeless, but only 32% of Bank financed projects. Meanwhile, earthquakes account for only 4.4% of disaster homelessness, but 49% of Bank financed projects.

Across regions, there is scope for more help for those made homeless in South Asia and East Asia, in particular. These two regions alone account for 85% of the world's disaster homeless, but only 23% of Bank financed housing reconstruction projects.

Mine the portfolio of 37 completed projects for lessons of good practice.

A Recovery Framework for Disaster Homelessness

HUGE DEMAND AND UNDER-SUPPLY

1.01 In the past two decades, 141 million people have lost their homes through 3,559 natural disaster events such as earthquakes, windstorms, floods, and landslides throughout the world. Disaster homelessness, being almost exclusively a problem for poor countries, is central to the Bank's own fight against poverty. Nearly all the world's disaster homelessness—97.7% of the total—occurs in developing countries, where 72.2% of the natural disasters themselves strike. Thus, 138 million people were made homeless in developing countries, against just 3.3 million in industrialized countries.¹ Five larger developing countries alone have each suffered more disaster homelessness than the developed world as a whole. In relation to their lesser populations many smaller developing countries have been hit even harder. (Table 1.1).

By far the biggest causes are floods and windstorms, which together are responsible for 92.1% of all disaster homelessness. Despite the greater media attention given them, earthquakes account for only 4.4% of those made homeless by natural disasters (Fig. 1.1)

1.02 Against this backdrop, the Bank financed more than 200 disaster-related operations from 1980 to 1998 through loans totaling US\$14.0 billion, approximately half mitigation² and half reconstruction operations.³ Of the 117 Bank

Table 1.1: Countries with most Disaster Homelessness 1980-2000

<i>Total homeless:</i>		<i>Homeless per 1,000 pop:</i>	
China, P Rep	45,150,654	Bangladesh	299
Bangladesh	37,609,000	Samoa	166
India	12,271,585	Sri Lanka	138
Pakistan	10,136,069	Philippines	123
Philippines	9,271,951	Mozambique	111
Sri Lanka	2,598,291	Comoros	95
Vietnam	1,970,133	Maldives	91
Mozambique	1,880,800	Vanuatu	85
Sudan	1,166,700	Chad	80
Brazil	1,030,367	Pakistan	77
Chile	783,876	Chile	53
Turkey	747,600	Nicaragua	52
Madagascar	717,000	Madagascar	49
Colombia	698,334	Benin	48
Nigeria	627,750	El Salvador	43

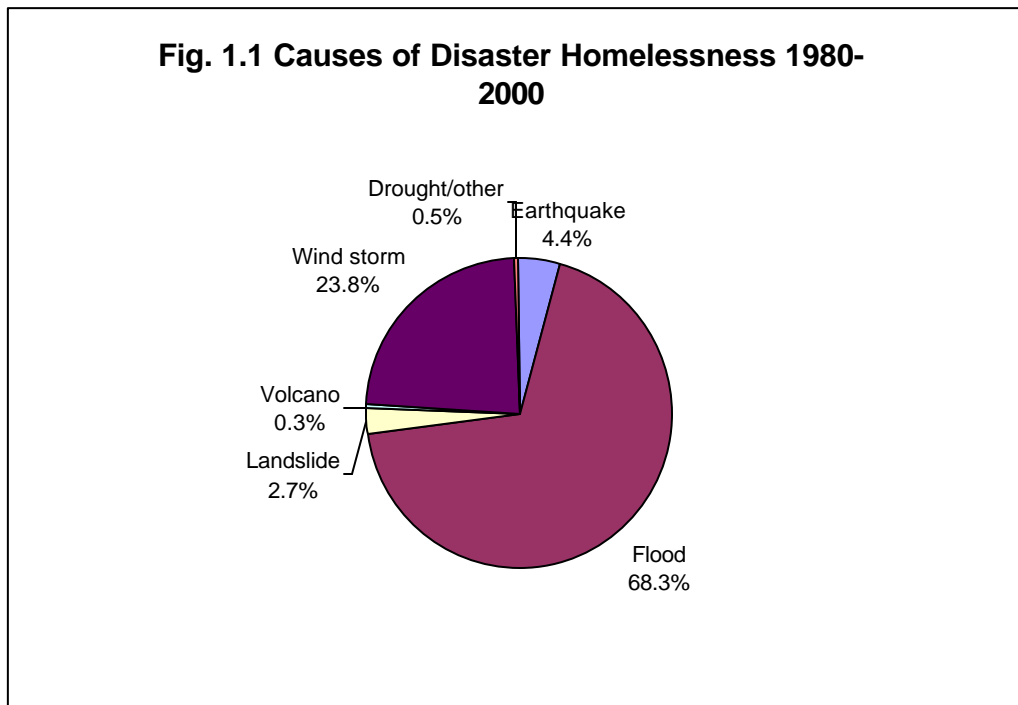
Source: EM-DAT: The OFDA/CRED International Disaster Database www.cred.be/emdat Université Catholique de Louvain, Brussels, Belgium.

¹ This data is drawn from "EM-DAT: The OFDA/CRED International Disaster Database www.cred.be/emdat Université Catholique de Louvain, Brussels, Belgium. The database includes information on more than 8,000 twentieth century natural disasters. The large scale of homelessness can be appreciated from the fact that 18 disaster events—all but one in Asia—each left more than one million people homeless since 1980. For the purposes of this data and the present discussion, the homeless are defined as people needing immediate assistance in the form of shelter. Data are based upon field reports. If they contain only the number of houses or families affected, the figures are multiplied by 5 for developing countries or 3 for industrialized countries.

² In this paper, mitigation is understood as made up of precautionary actions to reduce the severity of the impact of a natural disaster *before* it strikes. Such actions—not normally of an emergency nature—might include building flood defenses, retrofitting building in earthquake zones or simply relocating people away from areas of risk, for instance.

³ For details, see: Gilbert, Roy and Alcira Kreimer. *Learning from the World Bank's Experience of Disaster-Related Assistance*. World Bank Disaster Management Facility, Washington DC, 1999.

Fig. 1.1 Causes of Disaster Homelessness 1980-2000



reconstruction projects in that portfolio, 37 supported borrowers' efforts to help homeless victims by rebuilding and repairing 750,000 homes in 27 countries during this period (details: Chapter 3). Although a substantial reconstruction effort in itself, it directly helped only 2.8% of all those made homeless. Of course, the Bank provided additional assistance to them indirectly through disaster mitigation operations. But still it is evident that housing reconstruction supply through Bank-financed projects has been dwarfed by a very much larger potential demand.

1.03 Ideas of under-supply and insufficient response to date are reinforced by 70 Bank-financed reconstruction projects prepared since 1980 that highlighted housing losses—often quoting precise figures—in their appraisal diagnostics, but did not include any housing components in their assistance. Even for those 37 projects that did, the number of housing units provided was invariably only a fraction of those reported lost and damaged. Of course, the Bank is not alone in providing housing reconstruction assistance. Help comes from other quarters and many homeless disaster victims have to help themselves.⁴ The huge demand and under-supply point to opportunities for the Bank to do much more.

1.04 More would also mean giving more help to the poor, who are the principal victims of natural disasters. The Bank's 2000/2001 WDR—itself focused upon fighting poverty—records their vulnerability well:

“Like economic crises, natural disasters can cause sharp increases in poverty and slow the pace of human development. And like economic crises, they hurt poor people in the short run and diminish their chances of escaping poverty in the longer run.” (WDR 2000/2001 p. 170)

Why, therefore, has relatively little assistance been forthcoming from the Bank to a core poverty group in dire straits? What are the obstacles to broader assistance? How can they be overcome? Answers to these questions are crucial and urgent, given increasing impacts of natural disasters upon homelessness. Although varying a lot from year to year, the number of disaster homeless in developing countries has increased at an annual average rate of 6.5% over the past twenty years. Ironically, the growth in the number of victims is a by-product of economic growth and change that places ever more valuable targets—such as evolving but

⁴ How so many poor homeless victims of natural disasters manage to find shelter and eventually re-house themselves is a topic worthy of further research to identify how the Bank can facilitate such efforts. Solidarity of friends and family prove particularly important as community members rehouse themselves.

vulnerable cities and plantations, for instance—in the paths of devastating storms, floods and earthquakes.⁵ In responding to this worsening scenario, the Bank can draw upon lessons of its own valuable experience in providing post disaster housing assistance (see Chapter 3). The experience of other key players can be a valuable source of good practice too (details paras. 1.10-1.16).

THE PREDICAMENT IN MANAGING DISASTER HOMELESS

1.05 This paper focuses on housing reconstruction after natural disasters such as earthquakes, floods, windstorms and landslides, covered by the Bank's policy on Emergency Recovery Assistance (OP 8.50), whose aim is to restore assets and production levels in a disaster-struck economy. The discussion here does not cover infrastructure reconstruction, more effectively addressed by Bank operations in the past. Nor does this paper look at the issue of post-conflict housing reconstruction. Physical damage to housing after a war may look similar to the destruction wrought by a natural disaster event, but the social dynamics of post-conflict reconstruction—especially involving reconciliation—are much more complex and not reviewed here.

1.06 Emergency *relief*—to meet life preservation and basic subsistence needs—often involves temporary shelter in the hours and days following a natural disaster, but this too is not examined in this paper. *Relief* work of this kind is typically done by local government teams and NGOs, such the Red Cross, who can be on the spot immediately after a disaster has struck and give the immediate response called for. For its focus on long-term recovery and development issues, the Bank's comparative advantage is not in *relief* work, nor does it normally get involved in *relief* operations.⁶

1.07 Fighting poverty is the Bank's overarching objective (OD 4.15 para. 6) and, being unable to afford safer locations and better quality building materials, the poor are more likely to be victims of natural disasters. The Bank's *World Development Report 2000/2001: Attacking Poverty*, in calling for enhancing the security of the poor, specifically highlights helping poor people to cope with shocks and manage risks associated with natural disasters (WDR 2000/2001 p. 7). To ensure that Bank assistance is well targeted on those least able to cope and manage these risks, this paper argues that Bank support should focus primarily on the *uninsurable* poor (see Box 1.5). Those who are able to afford it should pay for insurance to

Box 1.1: Ten Common Dilemmas in Disaster Homeless Management

	<i>one view:</i>	<i>opposing view:</i>
1	An emotional imperative to do <i>something</i>	A rational requirement to help effectively and efficiently
2	A tragedy for the homeless victims	A good opportunity for a fresh start
3	An intense spotlight on the problems of poverty	Attention is short-lived and disaster quickly forgotten
4	Housing is the first demand of homeless survivors	Housing solutions take time, even years
5	Natural disaster: a temporary crisis	The permanence of housing solutions
6	A quick response to meet urgent needs	A diligent response to avoid inefficiency and corruption
7	Priority attention to victims who suffered most	Less attention to those who were better prepared just because they suffered less
8	Top priority for victims made homeless by disaster	"Queue jumping" over equally destitute poor unaffected by the disaster
9	Housing needs can be enormous	By itself, the Bank can do very little
10	Scarce resources demand a tight boundary around homeless problem	The "social disaster" of poverty call for a broader boundary

⁵ Thus the impacts of the natural disasters have grown more rapidly than the number of disaster events themselves whose increase has been only 1.5% per year, on average over the same 1981-2000 period. Data from EM-DAT, the OFDA/CRED International Disaster Database.

⁶ Other multilateral development banks have differing policies on relief assistance. The Asian Development Bank policy explicitly excludes such assistance (ADB OM section 25, Dec 1995), while the Inter-American Development Bank offers "timely assistance in such urgent fields of activities as clearing and cleaning up the disaster area."

indemnify their losses from natural disasters. Thus far in most developing countries, insurance has only limited penetration but, with Bank assistance, it can be expected to grow.

1.08 In responding to borrower requests for housing reconstruction assistance, Bank task teams have to confront a series of dilemmas that reflect a lack of overall consensus in the field of disaster management itself (Box 1.1). Wrestling with conflicting interpretations and recommendations is made less easy for task teams by unclear Bank policy directives as far as housing reconstruction is concerned (details Chapter 2).

1.09 For the Bank to provide a meaningful response to borrower demands, task teams and sector managers will have to resolve these dilemmas. A clearer, and perhaps changed, perspective focused on *recovery* is perhaps long overdue. Recent Bank appraisals highlighted housing losses—500,000 dwellings in the case of Bangladesh and around 500,000 people affected each in Honduras and Nicaragua—while project designs provide no replacements or repairs.

DILEMMA FACING OTHER DONORS AND NGOS

1.10 The Bank is not alone in facing dilemmas and constraints in their efforts to assist those made homeless by natural disasters. To find out more about how other key players approach emergency housing reconstruction, a number of representatives of donors and NGOs were interviewed for this study.⁷ Interviewees were chosen from among those active in natural disaster reconstruction work. The interviews focused on the demands the respondents faced, the services they provided, what kinds of obstacles prevented satisfactory service delivery and how the constraints were overcome. Most interlocutors reported strikingly similar concerns to those of the Bank itself. Most important, perhaps, was how to reconcile relatively small levels of assistance with the overwhelming demands for housing reconstruction that large-scale natural disasters generate.

1.11 Despite widely differing statutes across agencies, the purposes of emergency housing reconstruction assistance provided by a variety of agencies were remarkably similar to the Bank's. NGOs, however, generally focused more directly on alleviating the immediate suffering of homeless disaster victims than multilateral banks that gave more emphasis to recovery in the short to medium-term. NGOs also gave more attention to community development aspects of disaster reconstruction. Multilateral donors—including the World Bank itself—emphasized more how to 'jump-start' the recovery process through providing some, but not all of the housing needed. Nevertheless, all partners were equally concerned about helping get the most vulnerable victims back on to their feet again and rebuild their lives.⁸ Most importantly, all agencies contacted felt strongly that rehousing was an essential ingredient of this recovery effort. Mitigation measures to diminish the impact of future disasters feature strongly in all their work, where agencies want to enhance the resilience of poor communities to disasters, so that these people can better help themselves in the future.

1.12 In the case of the World Bank and the Inter-American Development Bank (IADB), demand for housing reconstruction assistance comes directly from borrower governments. IADB's experience confirms that interest in such assistance varies considerably across countries (within one region, in their case). Experience shows that there can be a considerable time lag before a borrower will approach a multilateral development bank for help, since governments will first explore all avenues of less costly bilateral assistance with fewer strings attached. Information sources about the demand for housing reconstruction assistance by

⁷ Donors included: (i) the US Office of Foreign Disaster Assistance (USAID-OFDA) and (ii) the Inter-American Development Bank (IADB). NGOs included: (i) CARE; (ii) Catholic Relief Services; and (iii) Habitat for Humanity International.

⁸ IADB emergency recovery policy's emphasis on the poor is supported by participating in activities, among other things, to: "Carry out programs targeted at helping absorb the shock of the disaster on the most seriously affected social sectors, which are often the weakest groups. Thus in keeping with [Inter-American Development] Bank policy to assign priority to the needs of the economically most disadvantaged population groups, these programs will help address the immediate and longer-term effects of a natural disaster on the population."

NGOs are much more varied, coming through their own staff in the field, other local or international NGOs and local church organizations. In general, NGOs seem to be more proactive than multi-lateral development banks in seeking out this demand. In the case of NGOs, it rarely comes directly from governments themselves. For bilateral donors, disaster assessments made by their own embassies play an important role in formulating the demand (to their own governments) for assistance.

1.13 Just as the Bank is now asking itself why there is less assistance for housing reconstruction after disasters than demanded, other donors and NGOs are posing the same question. Most often, they simply feel that they lack the resources and organizational and financial capacity to respond on the scale that large-scale disasters require. Many bilateral donors see housing reconstruction as a very expensive operation. They fear involvement in it can lead to an endless commitment that would be politically unattractive at home. Without exception, all agencies felt that they must be selective and focus their limited help in some way.

1.14 As well as being unable to meet the scale of the demand, many agencies were unwilling to respond to some aspects of the demands placed on them. Multilateral development banks, for instance, were generally reluctant to get involved in financing temporary housing, fearing this might undermine permanent good practice housing solutions. NGOs, on the other hand, were more willing to go along with borrower demands although often unable to respond to them in geographical areas in which the NGOs did not operate.

1.15 Although all external agencies in the business of helping the disaster homeless profess to respond to demands placed upon them directly or indirectly by the victims, some supply-driven efforts can be justified. Among the most important of these is the introduction of disaster resistant building technologies, especially involving seismic construction to protect buildings from earthquakes. The victims are not always aware of the technical options available. Another rarely demanded but important service provided by all donors and NGOs, is support for mitigation efforts that involve better land use and building codes to reduce natural disaster risk. These can involve top-down enforcement that cannot be driven by the demands of individual beneficiaries. A technical solution often provided, but rarely asked for, is water sterilization equipment to help sustain public health in the immediate post-disaster situation.

1.16 Even when there is overall agreement on the demand for assistance, there can be important constraints on meeting it. Among important obstacles for bilateral donors is the feeling that housing reconstruction after a large natural disaster can be a financial ‘black-hole’ sucking in expensive and unending commitments. Another problem is that while interest in major natural disasters can be intense and widely disseminated, the attention span is only very short. Even a large-scale natural disaster that makes breaking news on CNN, for instance, is likely to be forgotten in the media within a matter of weeks or even days when the real massive recovery effort has barely begun. Clearly, all agencies involved in natural disaster reconstruction are aware of this dilemma and see the need to mobilize their efforts for the long-haul stay that reconstruction requires long after media and political interest has evaporated.

THE LOGIC OF THIS REVIEW

1.17 This paper’s own point of departure is to consider that rebuilding and repairing housing lost through natural disasters is part of *recovery* business; it is not a normal part of *housing sector* business. Housing sector activities are what go on in normal, day-to-day conditions of economic and social development, not within the crisis conditions precipitated by natural disasters. As part of the broader disruption they instill, natural disasters interrupt normal housing sector business too. Surveys of housing need, for instance, that can be carefully carried out in *normal* conditions, usually have to take second place—but only *temporarily*—to assessments of disaster damage following an earthquake, for instance. In that sense, normal housing sector business itself becomes one more disaster *victim*—but only *temporarily*.

1.18 The Bank’s own Operational Policy 8.50 on emergency recovery lending provides a clear conceptual framework of *recovery* for any emergency reconstruction activity by the Bank, including housing. According to that policy, the purpose of recovery assistance—sheltering the homeless included—is to “restore assets and productive activities in an economy disrupted by a disaster”. Furthermore, OP 8.50

makes it quite clear that the solution of long-term sector problems—such as issues of housing sector policy—is not the object of ERLs, any more than long-term urban planning should concern itself with day-to-day fighting or civil defense mobilization in emergencies.⁹ Instead, the long-term concerns of reconstruction operations should focus on mitigation efforts to help ensure that a disaster will not be repeated, at least not with the same degree of destruction. In the case of housing, such mitigation would include urban land-use controls to avoid the re-occupation of hazardous sites, as well as the use of already familiar disaster-resistant materials and designs.

Box 1.2 Applying Mr. Wolfensohn's Three Pillar Crisis Management Approach to Housing Reconstruction

Although with a different kind of crisis in mind, the Bank President's "three-pillar" approach in his speech to the 1998 Annual Meetings provides a good model framework for the Bank to manage disaster-induced housing crises:

- ❑ *Prevention:* Normally referred to in disaster management as mitigation, this is key. Mitigating the effects of natural disasters as far as housing is concerned, means locating housing units in low risk areas and building structures to disaster-resistant technical specifications, and taking out insurance to cover possible losses.
- ❑ *Response:* Despite best efforts at mitigation, natural disasters are still likely to occur somewhere in the world and emergency responses will still be necessary. As per the Bank OP 8.50, response should aim at restoring assets and productive activities in a disrupted economy, while continuing to pursue mitigation. This is after immediate relief activities carried out by others.
- ❑ *Safety nets:* (Consisting of the uninsurable poor) Natural disasters inequitably pick the most vulnerable social groups made up of poor families, who cannot afford to bid themselves into less disaster-prone but more expensive locations.

1.19 The aftermath of a disaster is strewn with physical destruction and social disruption where the intended beneficiaries need to be treated as victims of an exogenous shock event. The post-disaster aftermath is neither an appropriate time nor scenario to explore and pursue with *victims* what in normal times would be valid sector issues such as affordable housing standards and cost recovery, etc. Nor would this be the right time to research the design of new building standards or introduce construction technologies and methodologies with which local builders cannot use to rapid effect. Disaster reconstruction can still, of course, be an opportunity to introduce sound technologies and good policy practices that were well known and understood prior to the disaster, but were neglected by victims and the authorities beforehand.

1.20 There are important caveats to this prescription, however. First, emergency efforts to help the homeless should avoid undermining good housing sector policies, and always seek to incorporate best practice prescriptions of such policies whenever possible. Second, emergency housing reconstruction should be an explicitly *temporary* intervention circumscribed both in scope and time. It should only hold policy reform in abeyance *temporarily* to ensure that it does not, by default, set a different standard for regular housing sector policy.¹⁰ Third, emergency housing reconstruction efforts should always embody the Bank's priority concern with benefiting the poor, by providing priority assistance to those unable to afford it by other means.

1.21 One—perhaps negative—dimension that sets emergency housing reconstruction apart from regular housing programs is the intense but all-too-brief media attention that it attracts. The emotionally charged atmosphere following a natural disaster is both an opportunity and a challenge for Bank task teams. Media-attention—often through international TV news networks for disasters on a large scale—can help mobilize

⁹ At the time of writing, OP 8.50 is under review by the Bank's Disaster Management Facility, but the OP's *recovery* focus is likely to remain intact in the revised and updated version.

¹⁰ In addition, task team vigilance is needed to ensure that a natural disaster does not become a backdoor through which a regular housing sector program—ostensibly presented as an emergency recovery effort—enters surreptitiously.

resources for reconstruction and hasten otherwise difficult political decisions. This opportunity is fleeting and must be seized quickly by those managing the recovery, since housing reconstruction efforts in particular have to continue long after the media have lost interest.

ECONOMIC IMPACT OF SHELTER LOSSES THROUGH NATURAL DISASTERS

1.22 In addition to their social dimensions in singling out poor victims, large-scale natural disasters can also severely disrupt a regional or even a national economy (see Box 1.3). *Direct* economic losses, as far as housing is concerned, are most simply measured by the replacement costs of homes lost plus the repair costs of houses damaged. *Indirect* economic losses can be significant even when those who faced most of the direct costs were the poor. Being homeless and unable to work can halt public services, commerce and farming, as cities and rural areas count the costs of the interruptions. *Secondary* economic losses of homelessness are often the most significant, yet difficult to measure. Unexpected housing expenditures for reconstruction can set back the long-term improvement of the housing stock by many years and undermine other development programs whose financing was reallocated to meet the emergency housing need. For countries that suffer natural disasters year after year, this can leave regular programs in a constant state of flux as they are repeatedly raided for resources to help pay for unexpected reconstruction.¹¹

Box 1.3 Impact of Homelessness on Economic Development

- **Direct effects:** material losses of housing assets actually destroyed or damaged.
- **Indirect effects:** costs of lost and interrupted production and services through economically active homeless being unable to work.
- **Secondary effects:** can include: (i) failure to meet long-term development goals as resources are reallocated to emergency housing; (ii) unforeseen deficits in public finances and balance of payments; (iii) possible fall in productive investments as investors factor in disaster risks.

1.23 In reviewing the economic impact of disaster homelessness, it is important for task teams to make a realistic assessment of the economic costs incurred, and also the number of victims involved. Experience shows that estimates of both of these tend to be exaggerated in the aftermath of the disaster event. Immediate emotional shock combined with financial incentives for overstating the damage feed hyperbole. The reconstruction effort itself, especially when it involves considerable expenditure on housing, will have an important multiplier effect, though. In the medium term, it can stimulate renewed economic activity probably to an even higher level than before the disaster.

LIMITED PENETRATION OF INSURANCE IN DEVELOPING COUNTRIES

1.24 In developed countries, private insurance and reinsurance companies share an important part of the risk of natural disaster impacts on homeowners. Individually or in groups, private households (as well as businesses) can transfer their own risks of losses to a third party through an insurance policy. In the event of a natural disaster, they receive indemnity in the form of a cash payment for the losses suffered. This system works well in rich countries where most types of risks are covered. From this business, insurers and re-insurers report healthy profits year after year, but also lament heavy losses when a major disaster event—such as a hurricane in the southeastern United States—strikes. This can oblige them to make huge payouts to insured customers whose homes have been damaged or destroyed.

¹¹ For a more detailed discussion of the economic impacts of natural disasters see chapter 2 of Kreimer, Alcira et al, *Market Incentives for Mitigation Investment: Mexico Case Study*. World Bank Disaster Management Facility, Washington DC, February 1999.

1.25 Why do formal insurance arrangements provide so little cover for the majority of people at risk from natural disasters, namely those in the developing world? With more such cover, more disaster homeless would be directly compensated for their losses and the need for reconstruction assistance requested by World Bank borrowers could correspondingly diminish. Key constraints on both the supply and demand sides help explain limited private insurance penetration in developing countries thus far (Box 1.4).

1.26 These constraints can seriously inhibit insurance penetration in important developing countries markets. In Mexico, for instance, that country's Insurance Industry Association estimates that of the 50 million

Box 1.4: Why No Housing Insurance for the Poor?

DEMAND-SIDE CONSTRAINTS

- Most poor people cannot afford to insure their homes
- Moral hazard—among those who can pay—of believing that their risks will be covered by government.
- Potential victims' lack of awareness of insurance possibility
- Cultural factors—superstition, fatalism or undue optimism—may weigh against insurance
- Distrust of insurance industry through inadequate claims payment record and lack of legal recourse
- Low-income dwelling may be uninsurable without legal title or official recognition

SUPPLY-SIDE CONSTRAINTS

- Very low-value dwellings may be unprofitable to insure, given overhead costs
- Market distortions: new entrants crowded out by exclusive government contracts and/or promises of indemnity to victims who otherwise can afford insurance
- Difficulties of making actuarial assessments of disaster risks involving large aggregate claims
- Capacity constraints of global insurance industry, despite coverage mostly confined to developed countries (responsible for less than 2.5% of all disaster homelessness)

residences there, some 30 million are insurable in having regular titles, solid structures and utility services. However, only 0.8 million are actually insured, barely 2.6% of the total.¹² Each one of the constraints listed in Box 1.4 is in play at one point or another.

1.27 In responding to borrowers' demands for housing reconstruction assistance, Bank task teams and their government counterparts might want to ask themselves, which key constraints—in each particular case—prevented disaster victims from having a private insurance solution to their risk sharing needs? A diagnostic of these obstacles can lead to recommended actions by a project to overcome some or all of them. After attending to the emergency reconstruction needs of the disaster homeless, therefore, a Bank supported operation can turn to enabling greater insurance penetration, a process requiring a longer-term implementation that continues when the emergency phase of reconstruction is over. Project actions supporting insurance might include: (i) educating those at risk about the benefits of insurance; (ii)

strengthening regulations to ensure that legitimate insurance claims are paid promptly and in full; (iii) legitimizing land occupation where this is in doubt; (iv) exploring possibilities of collective insurance schemes that reap economies of scale for low income communities; (v) reviewing existing government legislation and contractual arrangements that may impede new entrants into catastrophe-risk insurance business; and (vi) further research to improve knowledge about natural disasters and necessary actuarial work on them (involving low-frequency/high value claims).¹³

1.28 Efforts to deepen insurance penetration should be guided by clear ground rules about the responsibilities for the costs of reconstruction. Governments may want up-front to delineate candidly and publicly the limits of its own responsibility for emergency housing reconstruction and where the responsibility

¹² *Ibid* Chapter 4.

¹³ Traditional actuarial assessments—more comfortable with high frequency/low value claims typically associated with motor vehicle insurance—can have difficulty dealing with low-frequency/high value claims associated with natural disasters. Assessments of extremely high disaster risks has, in the past, led private insurers to withdraw from some markets altogether, as they did as in Hawaii after Hurricane Iniki and in Fiji in the mid-1980s (Pollner *op cit* p. 3).

of an individual householder begins. Better public information about the inadequacy of government resources alone to meet all private reconstruction needs can help rein in untested populist claims that officialdom will take care of all the needs of disaster victims. Public resource constraints alone require that responsibility for risk management be borne by individual householders, subject to affordability constraints. By making it clear that priority assistance will go to the poorest, for instance, governments can help draw a line in the sand that will remove ambivalence and diminish moral hazard, by giving incentives to those who can afford them to seek private insurance solutions. On-going ambiguity about these responsibilities, the moral hazard of (wealthy) free-riders not taking out insurance in the belief of being compensated by the government have contributed to stalled private insurance penetration in developing countries.

1.29 Recent Bank experience points to complementary public and private roles for providing insurance coverage to homeowners at risk from natural disasters. In most developing countries today, the insurance market is far from crowded out. There is generally plenty of room for new entrants, including overseas suppliers in what is becoming a global market. Care should be taken to monitor new markets, which are at risk from monopolies forming, especially where large landholdings are involved. New Bank sector work has proposed a public/private insurance partnership for the Caribbean, a region of the world particularly vulnerable to natural disasters.¹⁴ Another important example is the proposed Turkish Catastrophic Insurance Pool component of the Marmara Earthquake Reconstruction Project (Loan 4517) which, among other things, aims to spread disaster risk beyond the public sector alone. Behind these efforts the ground rule is that individuals who can afford it should pay for their own disaster risk management.

PRIORITY FOR THE POOREST

1.30 Direct Bank assistance, therefore, should go to the poorest groups affected by the disaster, who typically lack access to traditional insurance mechanisms. But who are these people and how it possible to identify them in practice? A first step would be to look for the common characteristics they all share (see Box 1.5). Then for each case, a reliable disaster assessment by a trusted partner—in government or an NGO—would be an essential ingredient in identifying the eligible uninsurable poor on the ground for the purpose of directing Bank assistance.

1.31 Given the present state of insurance in developing countries, a three-prong strategy for Bank disaster homeless assistance, might include: (i) direct Bank assistance to the uninsurable poor; (ii) support to government efforts to increase insurance penetration; and (iii) better preparedness through greater efforts at mitigation.¹⁵ By so doing, the Bank can remain focused on fighting poverty and removing constraints to long-term market solutions for those unable to afford them.

Box 1.5: The uninsurable poor among the disaster homeless – profile of the principal Bank client

- Proven victim of a natural disaster
- Low-income, unable to afford formal insurance*
- Insurance unavailable at the price the low-income victim: was willing to pay
- Assets themselves are uninsurable because of poor structure, low value or lack of legal title
- Victim uninformed about risks and how to mitigate them

* for an insurer, the price of insurance must cover the expected loss plus a margin for uncertainty plus expenses.

¹⁴ See: Pollner, John. *Managing Catastrophic Risks Using Alternative Risk Financing Mechanisms*. Caribbean Country Management Unit, World Bank, June 2000.

¹⁵ Private insurers themselves see government and not themselves as having prime responsibility for mitigation efforts (Pollner *op.cit.* p. 17).

Chapter 2.

Managing the Constraints

SOME REASONS FOR LIMITED BANK INVOLVEMENT IN THE PAST

2.01 The potential market for assistance in housing reconstruction following natural disasters is huge. While Bank responses have been important in particular cases, they were generally less than expected according to Bank staff interviewed for the current study. This chapter reviews reasons—internal to the Bank itself—for the limited response and discusses how these constraints can be best managed. Three levels are discussed here (see Table 2.1): (i) policy constraints, where Bank directives—not necessarily concerned exclusively with housing reconstruction following natural disasters—can undermine Bank efforts in this field; (ii) project design constraints, notably unclear guidelines for task teams on priorities and standards; and (iii) operational constraints, again related to lack of guidance; this time on the achievement of good practice on the ground.

	A. Policy	B. Project Design	C. Operations
1.	Bank policy on Involuntary Resettlement (OD 4.30/OP 4.12)	Lack of clear criteria for selecting priority beneficiaries in face of overwhelming demand.	Different approach needed to high-drama design/preparation tasks from the long-haul supervision effort.
2.	Bank Housing Policy Paper (HPP 1993)	Designers' frustration at not helping the poor unaffected by disaster, who otherwise equally deserve support.	Staff skills in housing are dispersed across the Bank.
3.	Bank requirement of cost recovery	Absence of Bank guidelines for post-disaster housing standards, mitigation and insurance.	Determining accurately on the ground exactly who eligible disaster victims are.
4.	Bank priority for investments in public goods, not private goods such as housing	Risk of weak control systems in hastily prepared projects, opening them to possible abuse subsequently.	Implementation capacity constraints of borrower and executing agencies.
5.	Fear of undermining long-term policy goals through ad hoc exceptions.	Designers' frustrations at being unable to provide relief to help solve victims' shelter immediate needs.	Urgent but ad hoc matters distract attention from performance monitoring during implementation.
6.	Possible disruption to Country Assistance Strategies (CAS)	Victims' lack of cash precludes their incurring expenses for later reimbursement as per Bank norm.	Keeping control of disbursements in difficult circumstances during implementation.

MANAGING BANK POLICY CONSTRAINTS

2.02 When asked about Bank policy constraints on their work in housing reconstruction after natural disasters, Bank staff refer most often to three Bank policy documents, some of which have already been mentioned in this report: (i) OP 8.50 of August 1995 on Emergency Recovery Assistance; (ii) OD 4.30 of

June 1990 on Involuntary Resettlement; and (iii) April 1993 Housing Policy Paper (HPP). At the time of writing, these Bank policies are at various stages in review processes, none of which appears to imply major changes as far as helping the disaster homeless is concerned.

2.03 **Operational Policy (OP) 8.50 – Emergency Recovery Assistance (August 1995):** This policy document provides guidelines for the *context* of emergency housing reconstruction. Its succinct two-and-a-half pages do not provide specific details about housing provision itself, but four of its key provisions apply as much to the emergency reconstruction of housing as to that of other buildings and infrastructure:

- **objective:** to restore assets and level of activity, rather than provide immediate relief;
- **context:** to take into account sectoral development strategies;
- **mitigation:** incorporate disaster resistant standards and mitigation measures;
- **operational policies:** normal policies on procurement, consultants and disbursements apply;

OP 8.50's call for restoring assets and activities to an economy disrupted by a disaster is the basis for the logic of the present review.¹⁶ The reconstruction of housing destroyed or damaged by a natural disaster can make a major contribution to such restoration. In its current form, OP 8.50 applies to all sectors, including housing. Chapter 5 of this document aims to provide some guidelines for interpreting OP 8.50 and other Bank policy statements for emergency housing reconstruction.

2.04 **Operational Directive (OD) 4.30 – Involuntary Resettlement (June 1990):** This OD, like current drafts of its impending replacement (*proposed* OP 4.12), explicitly exempts refugees from natural disasters from its provisions. Through rigorous attendance to overall planning and individual compensation, OD 4.30 seeks to guarantee the fair treatment of those displaced against their will through interventions such as development projects, but specifically excludes victims of natural disasters from its provisions.¹⁷ Those persons displaced by a natural disaster event, lose their homes and are forced to move due to an *act of nature*, to which concepts of *human* fairness or justice cannot apply. It therefore makes sense that disaster homelessness should be managed in a way that is beyond the remit of the Bank's policy on involuntary resettlement.

2.05 Placing victims of natural disaster victims beyond the reach of OD 4.30 on involuntary resettlement is an important policy exception, but it was not made explicit in the main text of the OD itself. Instead it was only through a small addendum to the fourth footnote of the document.¹⁸ The obscure location of this important policy provision may help explain why many Bank task teams and sector managers mistakenly believed that OD 4.30 does indeed apply in full to managing the relocation of homeless victims of natural disasters. It is also important to note that resettlement within a reconstruction project that is not directly related to the natural disaster itself—such as moving others to resettle the disaster homeless—would still be covered by the policy.

2.06 **1993 Housing Policy Paper (HPP):** With the sub-title "Enabling Markets to Work" this document remains, at the time of writing, the Bank's principal housing sector policy document. The HPP discourages the direct provision of housing by the public sector itself, instead proposing that governments adopt an

¹⁶ Other multilateral development banks have similar recovery goals for emergency reconstruction, even if the language used may vary somewhat. For the Inter-American Development Bank: "The main purpose of the (Inter-American) Bank's participation in the field of natural and unexpected disasters is to assist member countries in effectively protecting and resuming their socio-economic development" (IADB OP 704, March 1999). For its part, the Asian Development Bank supports Rehabilitation Assistance after Disasters "that are aimed at rapid restoration of infrastructure and production facilities subsequent to the disaster" (ADB Operations Manual Section 25, December 19, 1995).

¹⁷ At the time of writing, drafts of the revised OP 4.12 continue to make victims of natural disasters exempt from the policy.

¹⁸ The current draft of the revised OP 4.12 stays with the footnote format for this policy exemption.

“enabling” strategy so that private suppliers will be active in a more open housing market.¹⁹ Reading too far into the HPP prescriptions can lead a reader to believe that the policy proscribes government participation in housing provision altogether. According to Bank staff interviewed for this study, this interpretation has discouraged Bank sector managers and task teams from including housing components in natural disaster reconstruction operations.

2.07 A careful reading of the HPP, however, reveals that the policy reserves an important role for the public sector in supporting housing provision for the poor (HPP p. 60). Task teams designing emergency reconstruction projects can draw positive guidance—and encouragement to incorporate housing components—from the document, especially with respect to: (i) the need for subsidies to be transparent and well-targeted on the poor (HPP p. 65 and p. 69); (ii) infrastructure that needs to go with housing (HPP p. 65); (iii) the regulation of housing and land-use to prevent the reoccupation of unsafe disaster-prone areas (HPP p. 50); and (iv) the need to always look at the housing sector as a whole, given that major reconstruction efforts in particular can have major impacts on the entire housing market (HPP p. 61).

2.08 The HPP therefore needs to be studied carefully by reconstruction project task teams, since there is no explicit reference to emergency reconstruction itself in the document’s sector policy. Some sector specialists in the Bank believe that an update of the housing sector policy is overdue. In revised form, no doubt, it would address issues of emergency housing reconstruction more explicitly. In the meantime, task teams can draw from good practice recommendations of the HPP in designing housing reconstruction projects, without going so far as to initiate sector policy changes or innovations during the unpropitious moments of catastrophe following a natural disaster. *Recovery* must be the first priority, without undermining good housing practice or sound long-term sector policies.

PREVAILING OVER PROJECT DESIGN CONSTRAINTS

2.09 In emergency housing reconstruction project preparation, therefore, Bank task teams should focus first on the *recovery* objective of the operation. Success in helping the recovery of the most needy calls for clear guidance to these teams as they help borrowers determine priority beneficiaries in the face of overwhelming demands that typically follow a large-scale natural disaster. Project design work can be simplified by focusing precisely and purposefully in two stages: first, exclusively on actual victims of the disaster and second, on the uninsured poor among those victims. While equally deserving of the Bank’s attention in its fight against poverty, the urban and rural poor unaffected by the natural disaster—sometimes called the ‘structural poor’—should be assisted through regular development projects, and *not* through emergency reconstruction operations. Task teams’ frustration at having to (temporarily) leave aside the legitimate aspirations of the structural poor untouched by a disaster can be tempered if teams focus more narrowly on the *recovery* objective and acknowledge that regular development programs and projects are the appropriate instruments to assist these vulnerable groups.

2.10 For emergency housing recovery, the Bank has no single set of guidelines about the standards for house building itself, or for disaster risk mitigation and insurance. Diverse country circumstances would require that these be determined on a case-by-case basis across regions. Task teams themselves can decant some good practice standards from the Bank’s previous experience with 37 housing reconstruction projects, summarized briefly in this report (details in Chapter 3).²⁰ For help with efforts to enhance insurance

¹⁹ Inter-American Development Bank Urban and Housing Development policy is more friendly toward providing assistance to programs and projects that directly improve the housing conditions of the low-income population (IADB OP-751 “Urban and Housing Development” June 1995). Eligible fields of activity include basic core housing, sites and services, upgrading existing low income settlements and housing, and transparent and well-targeted subsidy schemes.

²⁰ Chapter 3 summarizes the projects that can be researched one-by-one in Bank archives. More summary information is available in: Gilbert, Roy and Alcira Kreimer (1999) *op.cit.* pp. 20-29. An important website sources include that of the Bank’s Operations Evaluation Department (OED) which provides evaluation reports on-line that include completed housing reconstruction operations (<http://wbln1023.worldbank.org/oed/oeddoclib.nsf/intrapgname/urbancluster>). For

coverage of catastrophe risk—where Bank experience has been more limited—task teams can seek advice from the Bank's Financial Sector Development Department.

2.11 To reduce the risk of hastily prepared projects suffering political abuse and corruption, it is important for task teams to incorporate tight management and financial controls into project design. While an anti-corruption focus might appear heartless to some project designers in the tragic aftermath a natural disaster catastrophe, detailed and rigorous auditing arrangements for project implementation can help ensure that valuable assistance goes to where it is most needed.

2.12 Designed as a recovery operation focused primarily on the poor, task teams will probably have to give close attention to a project's cash flows. Destitute poor victims will need financial assistance from the outset and will be unable to incur up-front expenditures that are reimbursed only later. Project design will therefore need to incorporate and encourage up-front financing through the use of special accounts and retroactive reimbursements.²¹

OVERCOMING OPERATIONAL CONSTRAINTS

2.13 Even with a well-designed project, it will be vital throughout implementation for task teams to foster interest and sustain the sense of urgency inspired by the emergency event among all parties. Experience shows that, as the memory of the drama and tragedies of a disaster event fade, the energy behind a reconstruction effort can dissipate. Successful implementation of a project requires diligent supervision by dedicated staff in for the long haul, long after media interest in the disaster event has dissipated.

2.14 Staffing issues may constrain Bank response to housing reconstruction needs after natural disasters in some regions from time to time. The Bank has important staff resources with expertise in housing, but these are disseminated throughout the organization, and may not always be available to assist with every emergency. To meet growing demands for assistance with emergency housing reconstruction, therefore, it might be necessary to seek outside sector experts with substantial practical on-the-ground experience to assist Bank task teams.

2.15 During implementation, task teams will have to redouble efforts to ensure that the eligible disaster victims—particularly the poor—truly are the beneficiaries of the project. As well as careful monitoring, this will require that supervision missions listen closely to borrowers, NGOs and the intended beneficiaries themselves to verify that assistance is reaching the disaster victims it intended to help.

2.16 Capacity constraints of a borrower's own executing agencies may be an important factor in limiting the scale and rhythm of implementing an emergency reconstruction project, especially in countries with weak systems of governance and limited institutional development. While this constraint itself is strictly beyond their control, it is important for Bank task teams to continuously monitor the implementation capabilities of executing agencies and accelerate or decelerate execution in accordance with that capability.

2.17 Ex-post evaluations of the performance of individual emergency reconstruction projects by the Bank's Operations Evaluation Department (OED) point to the need for more rigorous monitoring of implementation. A careful follow-up will help ensure that project resources are applied in an efficient way to the achievement of the intended outcomes. Task teams therefore need to devote considerable attention to ensuring that clear and simple targets and indicators of project outputs are always in the minds of those on supervision missions and that intended achievements in the form of recovery and development impacts are monitored continuously throughout implementation. If it focuses on controlling procurement and

guidance on natural disaster mitigation measures to include in a reconstruction project, task teams can consult the Bank's Disaster Management Facility (extranet url: <http://www.worldbank.org/dmf> or intranet url: http://www-int.worldbank.org/intranet/jsp/sectors_view.jsp?tab=2&gwitem=473929).

²¹ Recent project experiences reported by the Inter-American Development Bank have focused more on up-front financing, through cash payments to poor disaster victims in some cases.

disbursements too, such monitoring will also help ensure the diligent execution of a project, containing risks of its being hijacked politically or corrupted financially.

ENABLING AND FACILITATING: WHAT'S ALREADY ON THE TABLE

2.18 Despite all the constraints discussed thus far, there is already much in a Bank task team's toolkit that makes helping the disaster homeless a little easier than it otherwise might have been (Table 2.2).

	A. Policy	B. Project Design	C. Operations
1.	OP 8.50 clarifies that an ERL does not aim to resolve long-term macroeconomic or (housing) sectoral issues.	Certain long-term sector policy reforms made be put on hold, but not undermined in order to meet specific disaster requirements (but innovations and reform are fully resumed once economy moves back to normal functioning [OP8.50]).	Project identification, preparation and appraisal can be combined into a single mission (OP 8.50/8). A simpler MOP, rather than a complete PAD is prepared (OP 8.50/9).
2.	Victims made homeless by natural disasters are specifically exempt from Bank policy on involuntary resettlement (OD 4.30/OP 4.12).	Procurement rules allow Direct Contracting from a single source in an ERL (Procurement Guidelines 3.7).	Shorter time periods are assured for management approval (OP 8.50/9-10).
3.	Bank housing sector policy does not preclude the participation of the public sector which is invariably an important player in emergency housing reconstruction (HPP 1993).	Operational directives allow methods such as Limited International Bidding, and International Shopping, where ICB would be normal practice (OD 11.00 paras. 26 and 35).	Normally approved at a higher level, non-ICB contract amounts up to US\$25 million can be authorized by regional procurement advisors in emergencies.

2.19 On the policy side, the Bank provides some flexibility for task teams to determine the best way to help those made homeless by natural disasters. As discussed earlier, a number of policy requirements may temporarily be put on hold to enable Bank task teams to respond to natural disaster emergencies. Bank policy on emergency recovery makes it clear that the pursuit of the recovery of economic and social activities in the short-term is priority. Thus, housing sector reform and innovation—tasks for the medium and long-term—may be *temporarily* held in abeyance to facilitate the urgent task of housing reconstruction for the poor. This does not mean that Bank policy encourages emergency recovery actions—such as illegally overriding property rights or carefully elaborated building codes—that might do harm to medium and long-term policy goals undermine what has been achieved thus far. It simply means that Bank task teams are given the freedom to pursue recovery unshackled by any requirement to advance sector policy goals or reform.

2.20 In this way, the Bank does not abandon its long-term policy positions in relation to the disaster-affected borrower. It merely agrees to resume the pursuit of them once the emergency phase of the natural disaster recovery is over. Of course, a temporary waiver does not preclude the need for emergency housing reconstruction task teams to be familiar with sector policies for two reasons. First, much good practice emanating from long-term housing sector policies—notably with respect to complementary infrastructure and land use regulations—can and should be incorporated into the reconstruction effort. Second, task teams need to be very familiar with Bank housing sector policies in order to judge which policy abeyance is appropriate to the prevailing disaster-related needs.

2.21 Bank task teams have similar some degrees of freedom with regard to addressing institutional development (ID) goals during the preparation and implementation of emergency housing reconstruction projects. While ID is not expected to be a central focus of these operations, a favorable ID impact—especially as far as the ‘rules of the game’ of disaster management go—should always be sought. Without foregoing the immediate and urgent recovery goals, opportunities should not be missed for achieving valuable ID impacts through these projects, even though formal Bank requirements are neutral as far as explicitly incorporating ID goals into project design. All Bank project and non-project interventions are expected to achieve some form of ID impact, even in the broadest sense of enabling conditions for the more efficient use of resources. At completion, OED routinely evaluates the ID impact of all completed operations, including those ostensibly aimed at emergency reconstruction.

2.22 On the project design side, Bank rules provide more degrees of freedom for task teams responsible for emergency reconstruction projects than for regular operations. Thus, for emergency reconstruction, the Bank can even finance temporary implementation units for coordinating or managing recovery activities, covering their incremental recurrent costs of procurement management and project implementation (BP 8.50 para. 8). Past experience has shown that, among borrowers afflicted by natural disasters, weak procurement management skills can be responsible for implementation delays. Where appropriate, project resources themselves can be used to strengthen this capability. Successful capacity building of this kind has been achieved through project financing intensive courses on procurement management for local staff and also funding the setting up of high quality monitoring and auditing services to be applied throughout project implementation.

2.23 Among those applicable during project implementation, Bank standards applying to procurement offer the most visible formal concessions to the special needs of executing emergency reconstruction projects. Whether procurement arrangements turn out to be flexible in practice will depend to a considerable extent on the teamwork and collaboration of procurement advisors and task teams in each case. The Bank is generous in allowing for special, less bureaucratically demanding conditions for emergency reconstruction. As well as permitting more flexible procurement arrangements, regional procurement advisors are given greater authority—vis à vis their own supervisors—over decisions relating to emergency recovery operations. Flexibility should not be abused, however, when it comes to the Bank fulfilling its fiduciary responsibilities. Bank procurement guidelines themselves remind us that “emergencies should not be used as a general argument for not resorting to ICB” (OP 11.00 para 30).

2.24 Administrative and processing norms also favor emergency reconstruction projects. Procurement teams in regional departments of the Bank are under instructions to process cases relating to emergency reconstruction expeditiously, placing them ahead of ordinary cases in the queue, if necessary. This makes sense. Poor victims who survive natural disasters can only begin to piece together their lives once basic services are functioning once again and such services need to be restored quickly through timely procurement, contracting and disbursement. Haste in processing should not undermine diligence and control, though, and be consistent with thorough analysis and review. Continual attention by procurement specialists is important to help prevent conditions propitious to fraud and corruption. For that reason, emergency reconstruction projects more than others should pay particular attention to implementing financial and technical auditing that are timely, detailed, and rigorous. It is important that the success of a prompt and appropriate response to the needy victims of a natural disaster is not undermined by careless arrangements for control that provide opportunities for unscrupulous parties to corrupt and undermine important achievements that can be made.

Chapter 3.

Bank Experience Thus Far

OVERVIEW OF BANK SUPPORTED HOUSING RECONSTRUCTION

3.01 Since 1980, the Bank has approved 117 natural disaster-related reconstruction projects. Of these, only 37 operations—nearly one third of the total—included components specifically aimed at rebuilding and repairing housing destroyed by earthquakes, flooding, windstorms and other natural disasters.²² The limited penetration of housing into the Bank's reconstruction work—when nearly all natural disasters lead to homelessness in some form—is a reflection of the constraints discussed earlier in this paper.

3.02 Of the 37 housing operations themselves, 32 were financed as Emergency Recovery Loans (ERLs) under OP 8.50 and its predecessors. The remaining five were normal development projects, part of whose funding was reallocated to help finance emergency housing reconstruction. To date, 23 projects have been completed and evaluated by the Bank's Operations Evaluation Department (OED), while 14 are still ongoing or in the process of closing.

3.03 On the whole, the performance of the completed projects was good with 87% rated with satisfactory outcomes or better. Three were even awarded OED's best overall outcome rating of *highly satisfactory*²³, while only three were given negative ratings.²⁴ None of the 37 projects was designed exclusively as a housing reconstruction operation, however. Housing was always one component among several others—such as infrastructure repair and disaster-related technical assistance—financed by the project. In recently approved projects in Europe and Central Asia (ECA) and the Middle East and North Africa (MNA), however, housing components account for almost two-thirds of total planned project expenditures.

3.04 Eight of these operations are relatively new ones, having been approved since fiscal year (FY) 1998. In no other period has the Bank approved so many housing reconstruction projects. Housing's much stronger presence in disaster-related reconstruction reflects renewed sector interest in two regions in particular, Latin America and the Caribbean (LCR) and ECA. Between 1980 and 1997, the Bank approved housing reconstruction operations only piecemeal, one or two at most per fiscal year. During five of the eighteen fiscal years during the 1980-1997 period, the Bank did not approve any housing reconstruction projects at all.

²² These projects were firstly identified from DMF's database of reconstruction projects, updated by keyword searches of documentation pertaining to the most recent operations. Preliminary lists of housing reconstruction projects were widely circulated among staff working in this field to reduce the risk of overlooking an important operation.

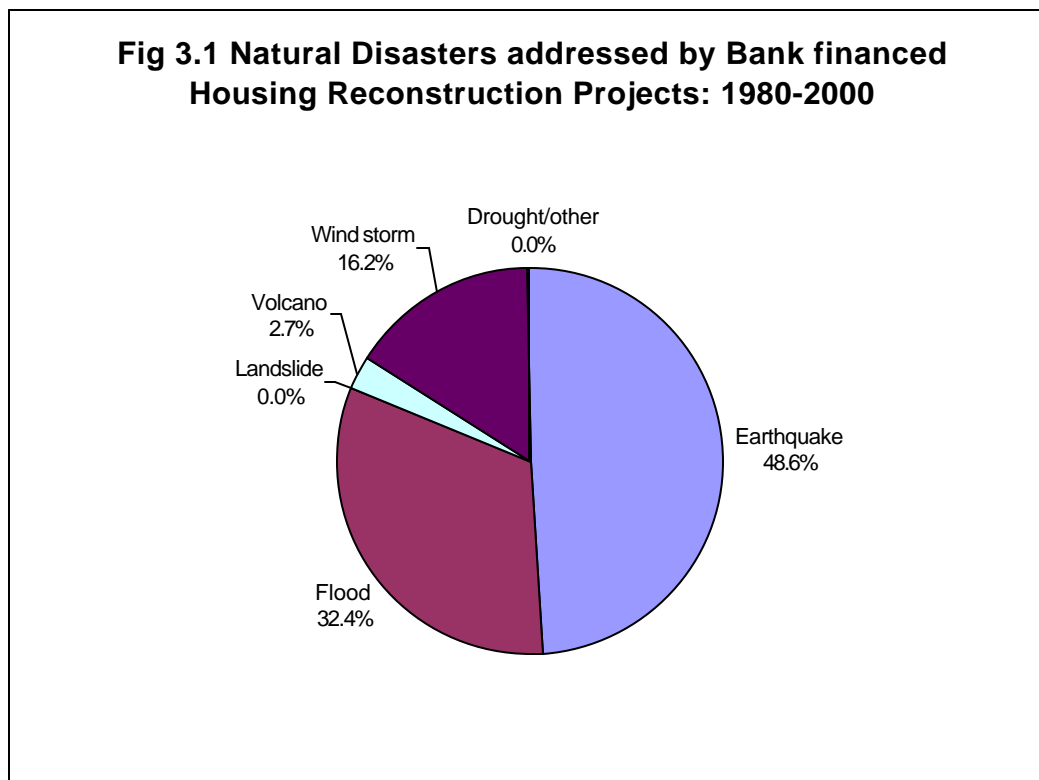
²³ China: North China Earthquake Rehabilitation Project (Credit 2091). This project was prepared and implemented speedily. The government put special coordination arrangements into place. Resettlement was avoided. New, earthquake resistant technologies and building materials were introduced. Yemen: Emergency Flood Reconstruction Project (Credit 2073). Efficient coordination by government's special and high powered Emergency Construction Unit. Rapid implementation notwithstanding difficult country conditions of alternating civil wars and union of Yemen and South Yemen. India: Maharashtra Earthquake Rehabilitation Project (Credit 2594). Key factors in the success were intensive community and NGO participation and the expeditious use of earthquake resistant materials and designs familiar to local artisans.

²⁴ Mexico: II Urban & Regional Development Project (Loan 1990); Nepal: Municipal Development and Earthquake Housing Project (Credit 1988); and El Salvador: Earthquake Reconstruction (Loan 2873).

3.05 There is evidence that temporarily at least, the 1993 Housing Policy Paper (HPP) may have contributed to an interruption of Bank support for emergency housing reconstruction. The Bank approved only four housing reconstruction projects during the four years following the 1993 HPP, against ten projects approved in the four-year period prior to the HPP. This fall is consistent with remarks by Bank staff, who reported being discouraged from supporting public sector housing programs with the advent of a sector policy that espoused, above all, a private sector approach to the sector.

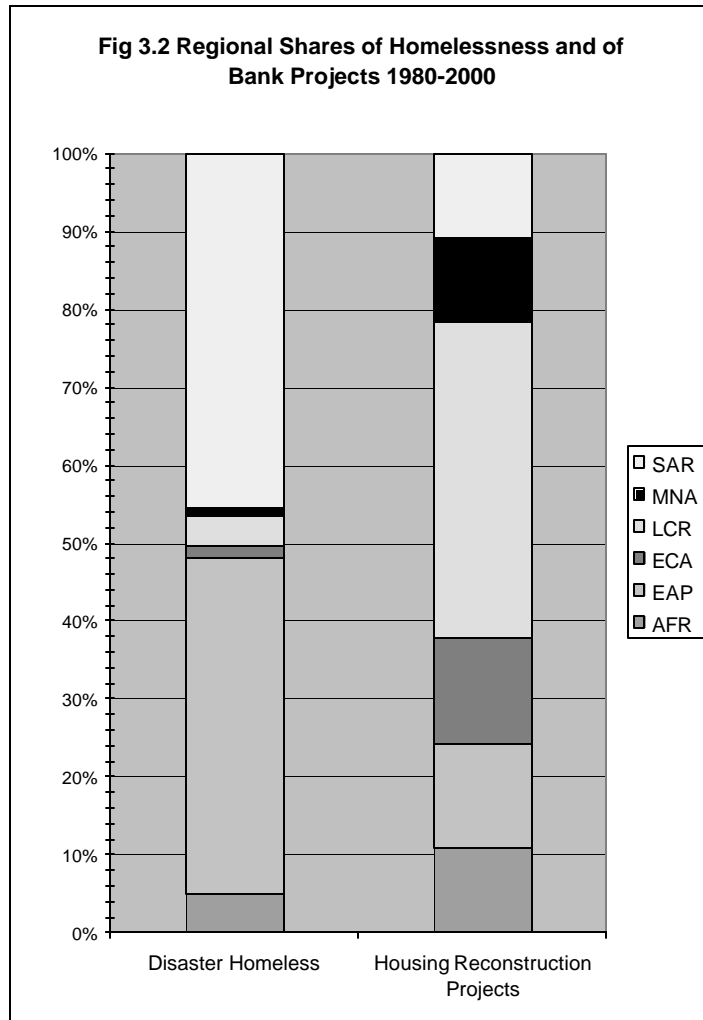
3.06 Housing reconstruction projects ranged widely in size. Eight had loans of US\$200 million or more. Seventeen had loans in the US\$50-US\$200 million range, while for twelve projects, the loan amount was less than US\$50 million. All the emergency projects were designed—following OP 8.50 guidelines—to restore economic and social activities and to minimize the impacts of disasters.

3.07 What kinds of natural disaster did these projects respond to? Nearly half of them were in response



to earthquakes (Figure 3.1), a very large share given that earthquakes accounted for only 4.4% of the developing world's disaster homelessness (see Figure 1.1). Floods were the second most important cause of Bank disaster response through housing, accounting for one-third of the project portfolio (Figure 3.1), although it should be remembered that overall, floods account for *two-thirds* of disaster homelessness worldwide (see Figure 1.1). The portfolio's response to windstorm disasters—hurricanes and tropical cyclones, for instance—is more in line with the occurrence of homelessness through these phenomena. If need and demand are to play a bigger role in determining the level of Bank assistance for post-disaster housing reconstruction, there is likely to be a shift toward more assistance for flood recovery and relatively less for earthquake reconstruction.

3.08 Various technical solutions for housing were employed by the projects, including sites and services, squatter upgrading, reconstruction loans, building materials vouchers and financing the imports of construction materials. Implementation arrangements varied considerably too, albeit most were set up within the public sector, with central government always playing some role, even if only that of coordination. Some



projects used existing agencies, while others relied upon newly created agencies at either national or local levels, or both.²⁵

3.09 Across regions, Bank lending for emergency housing reconstruction is not closely related to the incidence of disaster homeless occurrence in each particular region. East Asia and the Pacific (EAP) and South Asia (SAR) together account for some 85% of all those made homeless by natural disasters, but only 23% of all Bank financed housing reconstruction projects (Figure 3.2). Bank response in LCR and ECA, on the other hand, is relatively strong when compared with the natural disasters occurring in those regions.

3.10 With a total of 15 operations, LCR hosts the largest number of Bank financed housing reconstruction projects in a single region. Along with EAP, ECA, and MNA, LCR is among the regions with the greatest 'project density' of housing, which is present in 36-40% of all reconstruction operations in those regions. This contrasts to Africa and South Asia, where only 20-22% of all reconstruction projects has housing components.

3.11 The quality of data reported about project outputs—notably the number of housing units financed, built or repaired—varies considerably across individual operations. This makes it difficult to analyze the group impact of the 37 projects on housing supply. Nevertheless, this study could estimate that, taken together, these operations were designed to assist in the reconstruction and repair of about 750,000 housing units worldwide. The biggest Bank clients for housing reconstruction were India and Iran, where 243,000 and 200,000 units, respectively, were either rebuilt or repaired. Although large absolute numbers in themselves, these figures fall far short of the total number of homes destroyed or damaged by the natural disaster events these projects were designed to address (details Chapter 1). In the cases of the thirteen projects that estimate these losses, nearly seven million homes were reported lost or damaged by natural disasters (for details by project, see Tables 3.1-3.6).

3.12 The remainder of this chapter briefly examines the housing reconstruction portfolio project-by-project across regions.

²⁵ Details of the technical solutions applied and the institutional arrangements adopted are discussed under each regional section throughout the remainder of this chapter.

AFRICA REGION

Table 3.1 Africa: Housing Reconstruction Projects since 1980				
Project	Number of Units Provided	Housing Types	Implementation Arrangements	Outcomes/Other Issues
* Madagascar: Cyclone Rehabilitation (C1526) <i>Loan: \$15.0m. FY85-89: 5.2 yrs Status: Sat</i>	Unreported	US\$2.1m. in loans	Through public sector banks: BTM and BFW	Terms: 10 yrs with 2 yr grace; 12% interest. (100,000 homes destroyed and damaged)
Mauritius: Urban Rehabilitation and Development (L1926) <i>Loan: 15.0m. FY81-85: 4.4 yrs. Status: Sat.</i>	6,280 at \$2,400 per unit	130m ² site and service lots with 36m ² core units. Home reconstruction, repair and improvement.	Coordination: Ministry of Economic Planning. Implementation: Mauritius Housing Corporation. Construction: private firms	70% above physical target (69% poor) Public consultation key. Lots allocated only in 1984 for a 1979 cyclone.
* Mozambique: Flood Emergency Recovery (C3336); <i>Loan: \$30m FY00; Status: ongoing</i>	Unreported	Not specified	Money to be used to purchase imported construction materials for housing.	(300,000 homes damaged)
* Sudan: Emergency Flood Reconstruction (C2011) <i>Loan: \$75.0m. FY89-94: 4.5 yrs. Status: Sat.</i>	Unreported	Provision of building materials (\$24.2m)	Implementation: Khartoum city govt. Construction: private firms	20% below physical target. City govt weak; unfamiliar with Bank. Private contractors' poor performance. (200,000 homes damaged)
<i>Sources: DMF database , ICRs and PARs.</i>				
<i>Notes: (apply to this and subsequent tables) * denotes ERL. Number of units provided –reports the number of dwelling units rebuilt and repaired by the project. Since housing type and completeness of provision varies considerably, the number of units may not always be comparable across projects. Housing types –describes the type of intervention, which could range from the provision of complete housing units, or simply building materials or vouchers to acquire them. Implementation arrangements – describe the main characteristics of those involved. Outcomes/other issues – describes particularly notable results or features of the project. (In the case of ongoing projects, data given are projections reported by appraisal documents.)</i>				

3.13 Highlights from the Africa portfolio include:

- Together with the South Asia Region, the Africa region has the lowest share of reconstruction projects with housing components across the Bank.
- Bank presence in housing reconstruction is thin. Two of the four projects are small operations in small countries. Between 1989 and 1999, no new projects were approved. Most Africa ERLs have focused on agriculture—notably drought recovery—with only limited attention given to urban housing.
- Even so, project documentation reports more than 600,000 houses destroyed or damaged through natural disasters, principally flooding.
- Few projects in Africa report precise physical targets of achievements pertaining to the housing delivered.
- Varied technical solutions applied through projects, including sites and services, home repairs, building materials provision, and home loans.
- Diverse implementation arrangements tried, including public sector banks, central government housing agency and local government. In all cases, private contractors were responsible for actual construction.
- Outcomes of all completed projects were satisfactory. There was no outstanding case of best practice, nor any of abject failure.

EAST ASIA AND PACIFIC REGION

Project	Number of Units Provided	Housing Types	Implementation Arrangements	Outcomes/Other Issues
*China North China Earthquake (C2091) <i>Loan: \$30.0m. FY90-92: 2.9 yrs Status: Highly Sat.</i>	52,200 rooms repaired. 34,500 rooms replaced.	Single family dwellings. Borrower—who prevailed—wanted higher standards than the Bank.	Coord/Impl: under a specially constituted unit. Resettlement was avoided.	Prep/Impl very speedy. New building materials used. Rebuilt units resisted second earthquake.
*China: Hebei Earthquake Rehabilitation (C3078) <i>Loan: \$28.4m. FY98 Status: ongoing</i>	20,000 units to be fixed. \$630 per unit.	Single family dwellings of traditional materials (mud-brick walls), with reinforced foundations.	Coord/Impl: special task force set up mostly at level of local authorities.	Use of proven earthquake resistant building technologies. (68,000 homes destroyed, 132,000 damaged)
*China: Yangtze Flood Emergency Rehabilitation (L4438 and C3169) <i>Loan: \$69m FY99 Status: ongoing</i>	Unreported (\$17.7m. spent on resettlement)	Not reported	Central government itself implemented and paid the compensation.	(900,000 homes destroyed, 4,000,000 damaged)
*Indonesia: Flores Earthquake Reconstruction (L3589) <i>Loan: \$42.1m FY93-99; 5.6 yrs Status: Sat</i>	117 new units for medical staff (cost unreported).	Not reported	Through central government.	Exhibition homes of special bamboo construction were built. (25,000 homes destroyed)
*Philippines: Earthquake Reconstruction (L3263) <i>Loan: \$125.0m FY91-97: 6.2 yrs Status: Sat.</i>	8,365 units. \$12.8m total cost.	S&S lots for Pinatubo eruption victims instead of reconstruction <i>in situ</i> of houses destroyed by earthquake. Provision of building materials.	Coord: Presidential Task Force for Rehabilitation. Impl: National Housing Authority. Const: private contractors.	Introduction of earthquake resistant building designs National building codes updated. Hazard mapping.
<i>Sources: DMF database, ICRs and PARs. Note: (see Table 3.1)</i>				

3.14 Highlights of the housing reconstruction experience in East Asia and the Pacific include:

- Bank experience is relatively recent, with projects approved only since 1990. Thus two cases out of three are those of China, itself a relatively new Bank borrower.
- Scale of reported housing losses in China is huge, although related projects in the region are modest in size.
- Region's portfolio includes one highly satisfactory housing reconstruction project (Credit 2091). OED and the Region attributed its success to: (i) strong local leadership; (ii) Bank attention to borrower views; (iii) overcoming cash flow bottlenecks during implementation; and (iv) "fast-track" processing by the Bank.
- Technical solutions in all projects focused on rebuilding single-family dwellings with emphasis on the use of proven earthquake-resistant designs and building materials.
- In all cases, special coordination and implementation arrangements were in force in order to speed execution. Special task forces had access to high level national authorities.
- Central government was the main player in all cases.
- All reconstruction operations with housing components were ERLs.

EUROPE AND CENTRAL ASIA REGION

Project	Number of Units Provided	Housing Types	Implementation Arrangements	Outcome/Other Issues
*Armenia: Earthquake Reconstruction (C2562) <i>Loan: \$28.0m.</i> <i>FY94-97 3.4 yrs. Status: Sat.</i>	2,857 units: \$5,600 per unit	Completion and retrofitting of unfinished apartment units -5 yrs after earthquake.	Implementation by weak local governments.	Lack of demand for single-family units provided. Armenian Fund provided competing housing free.
*Poland: Emergency Flood Recovery (L4264) <i>Loan: \$200.0m FY98</i> <i>Status: ongoing</i>	Unreported	Repairs to public sector communal housing (private housing not covered).	Coord/Impl: Ministry of Flood Recovery.	Project support for communal housing was justified as govt provided concessionary loans to private households.
*Turkey: Earthquake Rehabilitation and Reconstruction (L3511) <i>Loan: \$285.0m FY93</i> <i>Status: closing</i>	940 recon; 1800 rehab; 900 repaired. \$18,736 per unit (average).	Reconstruction, rehabilitation and minor repairs to cooperative apartments.	Coord: special steering committee of ministers. Impl: Housing Development Administration.	Funds could not be reallocated from existing sector projects as there were none. To date, large loan amounts have been cancelled (\$78.5 m. during 1997-99.)
*Turkey: Emergency Flood and Earthquake Recovery (L4388) <i>Loan: \$369.0m FY99</i> <i>Status: ongoing</i>	Construction of 5,000 urban and 2,000 rural units. Repair of 54,602 urban units at \$9,000 each.	Mix of single family (mostly rural) and multi-family units (mostly urban). 80,000 homeless people were living in tents by project appraisal.	Coord: "crisis center" in Prime Minister's office. Impl: Housing Development Administration	Since 1959, govt responsible for natural disasters (Law 7269). (20,000 units destroyed and 62,300 damaged)
*Turkey: Marmara Earthquake Emergency Reconstruction (L4517) <i>Loan: \$252.5m FY00</i> <i>Status: ongoing</i>	New 6,300 urban at \$20,000/unit and repairs to 54,602 units at \$9,000 each. 2,000 new rural units at \$8,500 each.	Priority to replace the most heavily damaged units. Lightly damaged buildings are excluded. Repairs only cover structural work and outside painting eligible for financing.	Special PIU responsible for whole project. Rural: Beneficiaries will undertake construction under supervision of independent consultants	Planned TA on insurance to local authorities and establishment of Turkish Catastrophic Insurance Pool to encourage risk transfer away from govt. (66,441 homes destroyed and 147,402 damaged)
<i>Sources: DMF database , ICRs and PARs.</i>				
<i>Note: (see Table 3.1)</i>				

3.15 Among the key features of the Europe and Central Asia Region's experience:

- All housing reconstruction projects in ECA are recent, all having been approved by the Bank since 1993. In part, this reflects the fact that half the ECA borrowers themselves are relatively new Bank clients.
- Except for the small project in Armenia, none of the ECA housing reconstruction projects has been completed or had its performance evaluated by OED.
- The outcome of the Armenia project was rated satisfactory by OED.
- By far, Turkey is the biggest client in this region with Bank lending of more than US\$900 million (80% of region total). Assistance has focused exclusively on earthquake reconstruction.
- Across all regions, Turkey is the Bank's single largest client for reconstruction assistance involving housing.
- Except for the smaller completed Armenia operation, ECA housing reconstruction projects have been large-scale and aimed at the recovery of a large number of housing units.
- Again except for the case of Armenia, overall coordination responsibility rested with specially constituted committees or agencies.
- All ECA reconstruction projects with housing components were ERLs.
- A variety of housing solutions employed, ranging from single-family units to multi-family apartment dwellings. Sites and services and squatter upgrading were not used in any of these cases.
- An innovative insurance component was included in one project in Turkey (Loan 4517).

LATIN AMERICA AND CARIBBEAN REGION

Table 3.4 Latin America and Caribbean: Housing Reconstruction Projects since 1980				
Project	Number of Units Provided	Housing Types	Implementation Arrangements	Outcomes/Other Issues
*Argentina: Flood Rehabilitation (L3521) Loan: \$170.0m FY93 Status: ongoing	5,700 units. \$3,700 per unit for materials	30m ² core units of wood, built on stilts. Vouchers to acquire building materials and pre-fabricated sections.	Coordination: Ministry of Interior Crisis Committee. Implementation: Provincial govt. and self-help assembly by final beneficiaries.	Reconstruction in situ to avoid resettlement and invasion of vacated areas and to maintain community ties.
*Argentina: El Niño Emergency Flood (L4273) Loan: \$42.0m. FY98 Status: ongoing	300 units. \$6,200 per unit	44m ² self-help single family units.	(similar to above)	Some resettlement to higher land, but close by original location. (20,000 homes damaged)
*Brazil: Northeast Flood Reconstruction (L2645) Loan: \$100.0m FY86-89: 3.5 yrs. Status: Sat.	46,512 units. \$208 per unit.	Housing rehabilitation and reconstruction through provision of building materials	Coordination: SUDENE Implementation: State and municipal governments	To minimize costs only 4,000 families were resettled.
*Brazil: Rio Flood Reconstruction and Prevention (L2975) Loan: \$175.0m FY88-96: 7.3 yrs. Status: Sat.	9,233 lots \$8,000 per unit.	44m ² single family units. Major resettlement from risk areas and to allow drainage works.	Coord/Impl: Special RJ state unit (GEROE) and RJ municipal dept.	Bank had insisted on S&S, but borrower preferred 44m ² finished units that were eventually built.
*Colombia: Popayan Region Earthquake Reconstruction (L2379). Loan: \$40.0m. FY84-88: 4.4 yrs. Status: Sat.	4,000 lots	Site and service lots. Building materials loans.	Coordination: Specially convened Reconstruction Council.	
Ecuador: Natl. Low -Income Housing (L2135) Loan: \$35.7m. FY82-88: 6.5 yrs Status: Sat.	8,796 units at \$4,800/unit. 19,300 home imp loans at \$239/loan.	Single-family houses. Building materials for self-help construction. Upgrading existing settlements.	Implementation: Public sector housing bank (BEV).	Project scope expanded to cover 5,500 families affected by 1984 floods and 1987 earthquake.
*Ecuador: El Niño Emergency Recovery (L4259) Loan: \$60.0m. FY98 Status: closing	Not reported	Modular housing where needed for resettlement.	Civil defense, Army and local authorities for moving people. With Housing Ministry support, municipalities provide land and its preparation for settlement.	Resettlement of families away from areas of risk of floods and landslides ('applicable OD 4.30 requirements will be enforced').
*El Salvador: Earthquake Reconstruction (L2873) Loan: \$65m FY88-96: 8.8 yrs. Status: M.Unsat	5,277 houses built at \$5,520 per house.	Housing Lines of Credit.	Through government agencies and NGOs.	Phase I was halted due to problems with the implementing agency.
*Honduras: Hurricane Emergency Project (C3159) Loan: \$200m FY99: 1.0 yr. Status: Sat.	Unreported	Imported building materials for self-help reconstruction.	Primary responsibility lies with national government.	(33,220 houses destroyed and 49,500 damaged)
*Jamaica: Emergency Reconstruction Import Loan (L3012) Loan: \$30.0m. FY89-90: 1.0 yr Status: Sat.	3800 pre-fab units. 62,850 materials vouchers	Import of pre-fabricated units and materials. Studies of housing insurance. Vouchers for beneficiaries.	Coord/Impl: Ministry of Labor Welfare by (default), but no agency formally in charge.	Damage assessments inadequate. Use of imports for reconstruction not monitored. Imports of zinc sheets excessive.
Mexico: II Urban and Regional Development (L1990) Loan: \$164.0m FY81-83: 1.9 yrs. Status: Unsat.	5389 lots. \$3000/lot. 1131 loans, 2700 units upgraded.	Site and service lots. Building materials loans and upgrading. (\$81m. of loan to Mexico City earthquake)	Coordination: Absent at both national and state levels. Implementation: failed.	Only 20-39% of targeted families benefited. Failure due to trying to bypass SAHOP, ministry for urban development.
*Mexico: Earthquake Rehabilitation and Reconstruction (L2665) Loan: \$400.0m FY86-91: 4.8yrs. Status: Sat.	45,150 units in 2,870 condominiums.	Multi-family apartment units. Reconstruction <i>in situ</i> to minimize resettlement.	Coordination: Special Housing Reconstruction Agency of President's Office.	Major expropriation of privately held land. There was some cost recovery as victims paid off loans.
*Nicaragua: Hurricane Emergency Project (C3158) Loan: \$50m FY99: 0.5 yrs. Status: Sat.	Unreported	Imported building materials for self-help reconstruction.	Implementation of balance of payments funding through Ministry of Finance.	(32,000 houses destroyed and 112,600 damaged)
*OECS: Emergency Disaster (Hurricane Georges in Caribbean) (L4417) Loan: \$54.9m FY99. Status: Ongoing	Unreported		Money to be used to purchase imported construction materials for housing.	
*Peru: El Niño Emergency Assistance (L4250) Loan: \$150.0m FY98 Status: ongoing	12,123 units for resettlement. \$2,330/family	120 m ² lot per family, with 11m ² core unit.	Coord: Unclear Site specific resettlement plans will be developed.	Resettlement and evacuation of families at risk from landslides. (4,400 families made homeless)

Sources: DMF database, ICRs and PARs.

Note: (see Table 3.1)

3.16 Among the highlights of the Latin America and Caribbean Region's experience:

- The large number of reconstruction projects in the LCR region accounts for nearly half of the Bank total. Across regions during the 1980-2000 period under review, housing reconstruction has enjoyed priority attention from the Bank in Latin America and the Caribbean.
- The Bank has approved housing reconstruction projects throughout the 1980-98 period under review, but Bank support has not been even throughout. For a long period during (fiscal years) 1990-1997, the Bank approved only one housing reconstruction project. Only recently, during 1998-99, did Bank support for housing reconstruction resume, especially through the "El Nino" projects.
- A package of sites and services and building materials loans has been the most common technical solution for housing reconstruction on offer. There have been other distinct approaches too. They include emergency financing of imports (Jamaica) and major re-assignment of tenancy in favor of victims (Mexico City).
- For the most part, housing reconstruction projects in LCR have been on a large scale, aiming to benefit large numbers of low-income families.
- Major exercises of resettlement—two before 1990, while Bank resettlement policy still applied to ERLs—were successfully carried out in three countries.
- Coordination has generally been in the hands of powerful special agencies/committees with access to top ranking authorities.

MIDDLE EAST AND NORTH AFRICA REGION

Project	Number of Units Provided	Housing Types	Implementation Arrangements	Outcomes/Other Issues
* Algeria: Mascara Emergency Reconstruction (L3813) <i>Loan: \$51.0m FY95-99.</i> <i>Status: Sat.</i>	2,266 new units; 592 damaged units repaired.	Permanent single-family units. Steel structures for temporary shelter.	Special PIU at wilaya level to oversee implementation, but did not always have authority over sectoral agencies.	By completion, 61% of project costs were accounted for by housing reconstruction.
* Algeria: Ain Temouchent Emergency Earthquake Recovery (L7023) <i>Loan: \$83.5m FY00</i> <i>Status: ongoing</i>	3,400 new units at \$13,750 each. Construction materials for 800 units.	New social rental housing to replace units destroyed and others dangerously located. Self-help with TA for individual reconstruction.	Special Project Coordination Unit of regional govt to oversee implementation. Construction supervision by independent consultants.	Housing component will account for 58% of total project costs (2,708 houses destroyed and 4,026 damaged)
* Iran: Earthquake Recovery (L3301) <i>Loan: \$250.0m</i> <i>FY91-96: 5.3 yrs.</i> <i>Status: Sat</i>	200,000 units reconstructed in 28 months.	Single-family units. Resettlement issue was avoided. Govt itself wanted to avoid mass migration.	Coordination: Central government. Bank loan financed just 6% of a very large-scale US\$4,100m. government reconstruction program.	Earthquake proof steel/cement instead of traditional materials (wood). "Wind bracing" to retrofit buildings. (no. of houses destroyed: 120,000 per MOP; 200,000 per ICR)
* Yemen: Emergency Flood Reconstruction (C2073) <i>Loan: \$10.0m.</i> <i>FY90-95: 5.1 yrs</i> <i>Status: Highly Sat</i>	300 units, \$19,300/unit.	Single family dwellings.	Coord/Impl: Government's special Emergency Reconstruction Unit.	Success in very difficult country conditions: Yemen/S. Yemen union, Gulf War and Civil War
<i>Sources: DMF database, ICRs and PARs.</i>				
<i>Note: * (see Table 3.1)</i>				

3.17 Highlights from the region's experience include:

- Only very limited Bank involvement in housing reconstruction through three projects approved in the early 1990s.
- The MNA sample includes one of the portfolio's three *highly satisfactory* operations (Yemen).

- The technical housing solutions applied to both projects was for single-family housing. Both projects introduced disaster-resistant building technologies and materials.
- In both cases, exceptional coordination and implementation arrangements were put in place through special government disaster-related agencies.
- The project in Iran is outstanding for two reasons. Firstly, it is one of the largest efforts in post-disaster housing reconstruction ever supported by the Bank in any region. Secondly, it was one of the most successful.

SOUTH ASIA REGION

Project	Number of Units Provided	Housing Types	Implementation Arrangements	Outcomes/Other Issues
Bangladesh: Coastal Embankment Rehabilitation and Reconstruction (C2783) <i>Loan: \$53.0m. FY96 Status: ongoing</i>	2,000 units plus \$199 per unit resettlement costs.	200m ² homestead plot with building material grant. Large-scale resettlement.	Coordination: Consultants hired by government. Resettlement plan as per OP 4.30 prepared.	Resettlement plan hampered by understated property values (for tax reasons) and the lack of a grievance process. (500,000 homes destroyed)
*India: Maharashtra Emergency Earthquake Rehabilitation (C2594) <i>Loan: \$246.0m FY94-99: 4.8yrs Status: Highly Sat</i>	23,000 new units and 210,000 repaired. \$1,730 max per unit.	25m ² single-family units. Repair and reconstruction in situ. Retrofitting of existing structures. Model houses built for demonstration purposes.	Coordination: State govt. Implementation: Special project management unit, with NGO and community participation. Const: Private contractors and self-help.	Use of earthquake resistant materials and designs, and training of local masons, carpenters and artisans. (230,000 houses damaged)
*India: Andhra Pradesh Cyclone Emergency (C2173/L3260) <i>Loan: \$210m FY91-95: 3.5yrs Status: Sat</i>	Unreported (\$18.4m. spent on housing)	Repairs to existing housing.	The borrower paid all housing costs. World Bank documents do not report on them.	(1,600,000 low-cost houses damaged)
Nepal: Municipal Development and Earthquake Emergency Housing Reconstruction (C1988) <i>Loan: \$41.5m. FY89-96: 7.3 yrs Status: Unsat.</i>	53,000 loans and grants for reconstruction and repair. \$538 per unit	Not reported.	Coordination: originally by Nagar panchayats, but these were dissolved. Implementation: Commercial banks.	Govt converted smaller loans into grants. Poor repayment of larger loans. No. of actual beneficiaries 18.5% below target.

*Sources: DMF database, ICRs and PARs.
Note: * (see Table 3.1)*

3.18 Among the highlights from South Asia experience with Bank financed housing reconstruction:

- Very large housing losses due to specific disaster events, with 2,100,000 units destroyed in India and Bangladesh alone. Housing reconstruction through respective projects does not appear to match the scale of the destruction wrought.
- Heterogeneous project design and uneven project performance across countries.
- In all cases, projects succeeded in maintaining unit costs of housing solutions at very low levels.
- Diverse solutions adopted for implementation, including one case of assignment of coordination responsibilities to hired consultants.
- Successful introduction of earthquake-resistant technologies and training of local artisans in India.
- Performance has varied across a portfolio that includes a project with a highly satisfactory rating at one end and unsatisfactory at the other.

Chapter 4.

Housing Recovery Issues to Clarify

WHAT DOES THE BANK REALLY WANT TO ACHIEVE?

4.01 To become effectively and purposefully involved in housing reconstruction on a larger scale, there has to be an unequivocal answer to this question. Families made homeless by a natural disaster have a clear and simple need: shelter. That much is straightforward. Less clear in the recent past has been what the Bank's own contribution can best be toward meeting their needs. Thus, issues for the Bank to clarify quickly are the exact purpose of its support for post-disaster housing construction and who are the target beneficiaries. In other words, there should be a clearer formulation of why the Bank should provide such assistance, what this support should aim to achieve and whom it should support.

4.02 Helping those made homeless by natural disasters—especially the very poor—get back on their feet so that former victims once again contribute to economic and social activities, is part of the answer to the question posed here. To achieve this successfully and coherently, the Bank and its partners should focus on emergency housing reconstruction as, first and foremost, a *recovery* effort. The often chaotic situation after a natural disaster, when emergency shelter is a basic need, is not a propitious time for reforming long-term housing sector goals or policies or promoting technological innovations in construction.

4.03 Even though the Bank rightly would not seek to achieve long-term housing goals through reconstruction efforts, tasks teams will need to be constantly vigilant to ensure that recovery goals do not take second place to sector policy goals in housing reconstruction projects. Such projects should not be allowed to become hastily (and in all likelihood poorly) conceived *de facto* instruments of long-term policy, which could undermine reform. In practice, however, project task teams may not always find it easy to separate an operation's recovery impact from its long-term sector impact. A minimal goal should be to ensure that emergency housing reconstruction projects, while not purposefully furthering a sector policy agenda, should not undermine long-term sector reforms. At the same time, task teams need to recognize that reconstruction on a large scale can have significant impacts on the broader housing sector and markets, through the price of building materials that may be in short supply, for example.

Box 4.1 The Purpose of Bank Assistance for Those Made Homeless by Natural Disasters

- To help the disaster homeless get back on their feet again as quickly as possible.
- To focus primarily and expeditiously on *recovery* needs.
- To provide most assistance to the poor who do not have access to insurance.
- To bring existing good sector policies and practices to bear upon housing reconstruction.
- To encourage mitigation measures that can help reduce the impact of future disasters.

GIVING IMMEDIATE RECOVERY THE TOP PRIORITY

4.04 With consensus among task teams and sector managers about the *emergency recovery* nature of housing reconstruction, housing components of ERLs can be conceived first and foremost as instruments of

that recovery; not as instruments of housing policy. Among other things, such a conception would help explain why much normal sector policy—such as promoting private sector delivery and technological innovations in construction, for instance—may not apply during the emergency phase of reconstruction. Such changes take time and have no place in the urgent efforts to provide shelter as soon as possible for disaster victims. Well-trying and proven approaches are recommended for their ease of application and likelihood of success. This principle is explicitly incorporated in the policy of the Asian Development Bank (ADB), which prescribes that: “the execution of the rehabilitation project should not involve complex new design and technical work or require the use of extensive technical assistance.”²⁶

4.05 Once the emergency phase of recovery is over, however, the Bank’s pursuit of sustainable economic and social development through sound long-term policies and reforms in housing as in other sectors can resume in earnest. Thankfully, the disaster emergency can only be a temporary interruption of the normal development process, a process that should be restituted to the affected community as soon as possible. In this framework, housing reconstruction as an emergency effort can therefore only be a transitory intervention while normal sector policies may be suspended. Such a framework is analogous to a government’s declaration of a state of emergency that, for a while, hold in abeyance normal political and administrative criteria and procedures.

4.06 The lifetime of housing reconstruction, as an *emergency* effort should therefore be strictly limited, maybe to no more than two-and-a-half years after a disaster event struck. Beyond that time, even if all reconstruction is still not completed, subsequent solutions can no longer be considered *emergency* solutions; they would simply be too late. Bank-financed projects can still continue to assist the disaster homeless after that period, however, principally through efforts at natural disaster mitigation and promoting insurance solutions in the medium to long-term. A strict time limit for the project’s emergency phase is necessary, lest the *emergency* situation becomes the norm by default and normal development policies and procedures are unjustly held in suspended animation for long periods.

4.07 An emergency housing reconstruction project would be expected to complete all its emergency planning work within, say 30 months. Important mid-term products of such a project would include: (i) the completion of a plan for the resumption of normal housing operations; and (ii) completion of a plan for mitigation against future disasters—including insurance—and the implementation of key elements of it. A plan for resuming normal operations should explain, among other things, how an emergency effort—including ad hoc implementation arrangements—would be wound up. It should also lay out the policy prescriptions for normal operations from that point on.

4.09 Focusing on recovery does not mean that housing ERLs do not contribute to long-term goals of sustainable development. On the contrary, they can make a valuable contribution to a borrower’s economic and social development through: (i) helping a disrupted economy get back onto the path of development; (ii) fighting poverty among the most vulnerable members of a disaster-afflicted community; and (iii) raising the awareness of the need for mitigation measures to reduce an economy’s vulnerability to disruption by natural disasters in the future.

REACHING THE VICTIMS WHO ARE POOR AND UNINSURABLE

4.10 Giving priority direct assistance to the poor among the disaster homeless makes sense. It is in keeping with the Bank’s own poverty reduction mandate (OP 4.17), recently reinforced by the 2000/2001 WDR and its own call for a broader attack on poverty. Furthermore, experience has shown that the poor themselves—not able to afford safer, less disaster-prone locations—are the most vulnerable to the adverse effects of natural disasters.²⁷ Thus, in helping the disaster homeless, the Bank’s priority client for disaster-

²⁶ ADB Operations Manual Section 25; December 12, 1995.

²⁷ Gilbert Roy and Alcira Kreimer, *Learning from the World Bank’s Experience of Natural Disaster Related Assistance*. Washington DC, World Bank, 1999.

related housing assistance should be the uninsurable poor (details: Box 1.5 and paras. 1.30-1.31).²⁸ For *de jure* or *de facto* owner-occupiers, Bank assistance should be provided in the form of direct housing provision or repair, using simple and low-cost materials that would not be attractive to higher income groups who can afford insurance in the first place.

4.11 As well as poor owners, low-income renters too are often victims of natural disasters, but tenants' losses and requirements for assistance are different from those of owners. For a tenant, the destruction of a rented house by a flood, for instance, means the loss of a *home* and its contents, but *not* the loss of a financial asset. Thus, housing ERLs—probably through NGOs and community groups—could help finance cash compensation for lost appliances, furniture etc. and assist victims to find new (rental) homes.²⁹

4.12 Owners face the loss of a financial asset if their house has been destroyed, even if they did not live in it. In such cases, low-income uninsurable families among them could be entitled to compensation to reconstruct their unit under an ERL. Such compensation is unlikely to be awarded to a (non-resident) owner of rented housing lost through a disaster, however, for two reasons. First, the owner as landlord will not have been made homeless. Second, rental income—especially if from more than one house—has likely lifted that owner as landlord out of the eligible category of the uninsurable poor. In most cases, non-resident landlords can afford to insure themselves against such losses and do not need to lay claim to assistance through ERLs.

4.13 Poor homeless victims of natural disasters are likely to include squatters. Since they are neither formal owners nor renters, they require special attention during housing reconstruction. When governments pursue an active squatter-upgrading program, then an housing ERL can accelerate site and service works and bring disaster victims to the front of the queue of potential beneficiaries. Task teams working on emergency housing reconstruction projects will want to have reliable lists of disaster victims and accurate damage assessments from a trustworthy source. This is to ensure that assistance goes to bona fide victims and is not wrongly captured. These teams need to be alert to the moral hazard posed by three phenomena that can undermine attempts to reach genuine uninsurable poor victims: (i) a minority of people—taken from all income groups—who purposefully settle in hazardous zones to claim compensation from local authorities that far exceeds the cost they incurred invading such areas; (ii) a relatively small number of nevertheless very mobile people who may move into a disaster zone in the immediate aftermath of a disaster to claim entitlement for compensation; and (iii) unscrupulous individuals who inflict more damage on their own house, in order to be eligible for more compensation.

4.14 Helping those made homeless by natural disasters by concentrating most direct assistance on poor uninsurable victims makes a lot of sense for a World Bank whose mission is to fight poverty. On the other hand, such a focus may require some very hard decisions by task teams. Why exclude, for instance, helping equally poor and destitute families elsewhere in the country, but who were *not* victims of the disaster itself? The answer is that the latter groups should not be excluded altogether, but should instead be the constant and continuous focus of long-term development efforts to lift them out of poverty permanently. Emergency housing reconstruction is only a *temporary* intervention in *atypical* circumstances. It can complement, but not be a substitute for the sustainable long-term programs that must form the frontal attack upon poverty itself.

COST RECOVERY ISSUES

4.15 Should emergency housing reconstruction aim to instill cost recovery practices among stakeholders and beneficiaries? Embodying a principle of good long-term housing sector practice and policy, this is a question that task teams designing these projects will have to confront. While it is preferable to have cost

²⁸ Higher income families can also be made homeless by natural disasters. Since they can afford insurance, they can be expected to take responsibility for managing their own disaster risks. The Bank can help them indirectly by encouraging borrowers to alert *up-front* these higher income families, so that they take out insurance *before* a disaster strikes. The Bank can also help further by facilitating the expansion of private and mixed public/private disaster insurance schemes.

²⁹ Similarly, direct assistance to renter victims should focus primarily on the uninsurable poor.

recovery, the trade-offs of the emergency situation must be carefully weighed. Subsidies can be provided, particularly to the poorest affected by the disaster.

4.16 Formal Bank policy documents do not provide a simple answer to this question,³⁰ but Bank practice does permit the award of subsidies to well-targeted poor beneficiary groups, in order to relax demand-side constraints in the consumption of privately produced services, including housing (WDR 2000/2001 p. 83). Subsidies to help poor people re-house themselves after a natural disaster should embody the tenets of good financial sector practice. Among other things, subsidies should be explicit, transparent and accurately targeted on the priority beneficiaries, the poor in this case. At the same time there needs to be tight financial control over their allocation and use. Efficient subsidy management in the context of emergency housing reconstruction could be best and most easily achieved through lump-sum assistance in cash or kind to carefully identified beneficiaries.

4.17 Housing reconstruction programs targeted toward very poor victims could thus be conceived as explicitly providing a direct subsidy to the most vulnerable population groups in urban and rural areas. Already poor, and made further destitute by a natural disaster, these low-income victims may not be reasonably expected to pay—at least during the period of the emergency—for the kind of safety-net assistance that a housing ERL should be designed to provide. At the same time, task teams will want to ensure that higher income households—who can pay for insurance—do not benefit from these subsidies.

4.18 Once the physical and financial conditions of the poor victims is back to normal—namely that economic and social recovery has been successful—efforts can be resumed to instill direct cost recovery practices. Housing ERLs can be granted a temporary cost-recovery holiday, provided that they focus their assistance on the poor. Past Bank practice is consistent with this view. Bank ERLs provided housing free-of-charge to earthquake victims in Ecuador (Loan 2135) and flood victims in Brazil (Loan 2975). Once normalcy returned, so too did cost recovery. Cost recovery, of course, should remain a central feature of all good practice *normal* housing programs over the medium to long-term.

³⁰ By contrast, the Asian Development Bank (ADB) policy of not requiring cost recovery during emergency recovery is explicit: "The [Asian Development] Bank does not insist on improvement in cost recovery practices under rehabilitation loans, as the main purpose is the rapid restoration of damaged structures and infrastructure, and productive activities." (ADB Operations Manual Section 25; December 12, 1995.)

Chapter 5.

Consolidating and Expanding Good Practice

RESOLVING THE DILEMMAS

5.01 A clear vision of the purpose of helping those made homeless by natural disasters is key to providing the appropriate assistance successfully. That requires resolving dilemmas introduced earlier in this paper (see: Box 1.1). Both past experience and a developing consensus of practitioners point to a vision of *recovery* from a disaster as the point of departure for helping the poorest and most vulnerable victims. A clear focus on *recovery* helps task teams respond more effectively to borrowers' demands for housing reconstruction assistance in three ways. First, it helps circumscribe the scope and determine the priorities of the limited emergency assistance that can be offered, especially in the face of overwhelming demands. Second, it provides a framework within which sector capacity constraints can be assessed and understood. Third, it helps unshackle the emergency housing reconstruction effort from longer-term sector reform, allowing technological and policy changes, for instance, to be put temporarily on hold.

5.02 A clear *recovery* vision can also help resolve many of the dilemmas facing task teams in dealing with an often tragic situation in the aftermath of a natural disaster. Of course, for anyone who has been at the site of a severe earthquake, for instance, there is a noble human emotional imperative to "do something." But doing something does not mean doing anything. The *recovery* vision can help channel such noble sentiments into thinking rationally about how to help those poorest victims effectively and efficiently to get back on their feet.

5.03 A natural disaster throws a spotlight on the deprivation of poverty, but only in very special circumstances and just for a short time. A *recovery* vision calls for a quick response by a task team while attention lasts as well as enduring support for the long haul, well after media attention on the event has faded. Even though task teams and others will need to act quickly, effective and efficient *recovery* requires controls to ensure that resources are applied where they should be in the appropriate amounts. Finally, the *recovery* vision can help task teams focus on the task at hand, namely helping to get poor disaster *victims* get back on their feet. Other efforts to help lift the remaining poor—unaffected by the natural disaster—out of poverty should not be relaxed. The effort should come from poverty focused long-term development programs, however, and not from emergency reconstruction programs designed to respond to particular natural disaster events.

INTERPRETING POLICY

5.04 To help those made homeless by natural disasters more effectively, the Bank does not need a major overhaul of its sectoral policies or policy framework. Policies already in place that support the *recovery* vision should drive emergency housing reconstruction.

5.05 At the time of writing, the Bank's Disaster Management Facility (DMF) is updating OP 8.50 on Emergency Recovery Assistance. As far as housing is concerned, the *recovery* vision already exists in the OP, and it is most likely that this will be unchanged in the updated policy statement. After immediate relief efforts are underway, an ERL may finance housing reconstruction components that aim to restore housing assets and activities destroyed or disrupted by a natural disaster. Such components can include: (i) the

direct and indirect provision of permanent housing for the poor, targeting particularly the uninsurable among them; (ii) support for insurance schemes for those able to afford them; and (iii) mitigation measures to reduce the impacts of future disasters. While not directly addressing long-term technical, institutional and financial reform of the housing sector, nor including conditionality linked to macroeconomic reform, these components should always observe good sector practices of housing design, location, disaster resistant materials, financial management and cost-effectiveness to avoid undermining long-term sector reforms. It is recommended that all emergency reconstruction funds be allocated within approximately 30 months, after which project investment should focus on the return to normal housing operations and insurance and mitigation measures to reduce the impact of future disasters.

5.06 Bank staff involved in emergency reconstruction projects should remember that resettlement policy constraints do not apply to victims of natural disasters. Of course, this does not exempt task teams from applying, where possible and practicable, good practice standards³¹ to resettlement made necessary through a disaster event. It is also important to note that resettlement within a reconstruction project that is not directly related to the natural disaster itself—such as moving others to resettle the disaster homeless—would still be covered by the policy.

5.07 The specific needs of emergency housing reconstruction following natural disasters should also be kept in mind. The relationship of emergency housing reconstruction to long-term housing sector policies is a complex one. While emergency housing reconstruction should not seek to: (i) change long-term housing policies; or (ii) innovate through the use of untried materials or unfamiliar practices, it should not seek to undermine long-term reform in the housing sector. Emergency housing reconstruction is linked to housing policy through the adoption of good long-term housing practices, wherever possible, especially as far as disaster-resistant design, location, cost-effectiveness and affordability are concerned. The exemption to the pursuit of policy reform through emergency projects is only temporary, and should last no more than 30 months.

5.08 Bank task teams and sector managers may want to satisfy themselves that housing policy reform does not ‘enter the back-door’ through unduly zealous attention to emergency housing reconstruction efforts. Table 5.1 offers a checklist to consider for emergency housing reconstruction related to these policy issues, as well as to the dilemmas that may arise, project design and implementation.

IMPROVING PROJECT DESIGN

5.09 Emergency housing reconstruction projects need to provide timely responses to disasters, and be clearly focused on the actual victims of disaster events, especially the uninsurable poor among them. Many ingredients for how to do this well can be found in the Bank’s experience thus far (details in Chapter 3). These include preferences for quick disbursing components, such as financing a positive list of building material imports. Land ownership issues need to be clarified up-front, so that poor victims will have an unalienable right to the project benefits.³² Task teams will want to be familiar with land tenure rights in the area and country affected by the disaster. Proposed housing solutions should be unattractive to higher income families, cost effective and affordable to poor families (even if they will not be expected to pay for them in full). Only construction technologies that are well tried and with proven disaster resistance as well as familiar to local builders should be used. In many countries, local builders understand disaster resistant

³¹ These would include, for example: (i) addressing community cohesion and participation; (ii) use of local organizations, NGOs and private firms to help administer resettlement; (iii) new location with comparable access to employment, infrastructure, services and production opportunities; (iv) new settlement with favorable environmental impacts; and (v) institutionalizing a grievance process for those who feel unfairly treated.

³² Recognizing de facto land tenure rights of the poor is at the heart of all Bank investment operations aimed at poverty reduction and should be at the heart of housing reconstruction operations too (Poverty Reduction OD 4.15 para 27).

materials and designs, even if the same builders had not used them properly prior to the disaster due to cutting costs (and corners) in a context of lax enforcement of building codes.

5.10 More than in the past, emergency housing reconstruction projects should pay special attention to mitigation measures to reduce the impact of future disasters and encourage greater insurance penetration in order to share the risk of losses through natural disasters more widely. They can likely do this after all the emergency fund allocations are complete. Then these projects can turn their attention more fully to planning and implementing measures to mitigate the effects of future disasters and manage the risks more effectively. Among the most important mitigation measures will be land use controls to steer vulnerable poor families especially away from occupying disaster-prone locations along seismic fault lines or in flood plains. Enforcement of disaster resistant building codes would be another key mitigation measure. The design, dissemination and enforcement of land use and building codes pose major challenges in most disaster-prone countries, but they need to be tackled head-on beyond the emergency recovery effort to become a central feature of sector policy and reform in these countries.

5.11 To complement direct assistance for the uninsurable poor, Bank supported housing reconstruction efforts provide valuable opportunities to encourage greater penetration by private insurance to help higher income families in developing countries transfer disaster risk as they do in developed countries. A project itself can send an important signal about the need for insurance, simply by focusing its direct assistance on the uninsurable poor only. The project should convey the clear message and provide an incentive for those who can afford it to get insurance cover. Demand for insuring private housing units is most likely to come from homeowners who are; (i) made aware of the risks of natural disasters; (ii) can afford to buy insurance; and (iii) advised that there will be no government bail-outs for uninsured property.

5.12 Whatever the precise design of an emergency housing reconstruction project, it always needs to have clear outcome objectives that are genuinely monitorable. The operation therefore needs to incorporate a clear system of monitoring and evaluation to allow a continuous assessment of the delivery of the planned outputs and the achievement or otherwise of the intended outcomes. Project task teams should always be convinced that they are helping the poor disaster victims. This means having accurate lists of those made homeless by the disaster and accurate damage assessments from reliable sources. These can be challenging in the chaotic aftermath of a natural disaster, but trusted NGOs can provide valuable help at times like this.

IMPLEMENTING RECONSTRUCTION EFFECTIVELY

5.13 There is no single blueprint to best implement an emergency housing reconstruction project. Bank experience includes satisfactory results from operations implemented well in many different ways (details in Chapter 3). Some use specially created project units, while others rely on regular government departments. In countries with administrative capacity at the sub-national level, municipal governments have a key role to play in housing reconstruction. More generally, existing capacity and a proven track record of achievement should determine which agencies take lead roles in project implementation. Whichever implementation arrangement is adopted, a key to success is to ensure that the unit or agency responsible for project execution is vested with the necessary authority and access to funds to get the job done.

5.14 Successful implementation will thrive on the trust that close and intensive communication between executing agencies and disaster victims helps build up. Group solidarity is often strengthened by losses shared throughout a disaster-struck community, so that working with local community groups with the assistance of NGOs can help keep information channels open between victims and those trying to assist. By working through local community groups, reconstruction projects themselves can help the disaster-homeless rebuild social organizations disrupted by the natural disaster.

5.15 Lastly, swift and expeditious implementation is key if housing reconstruction is to bring benefits to the disaster-homeless in a timely fashion. Task teams therefore need to be aware of the various streamlined procedures for procurement and disbursement and encourage borrowers to make full

use of them (see Table 2.2). Through a prompt response, backed by a clear recovery vision and an emphasis on assisting the uninsurable poor, the Bank can help an important segment of its clientele; namely, the urban and rural poor increasingly at risk to the vagaries of ever more devastating natural disasters that hit the developing world.

NECESSARY CONDITIONS FOR BEST PRACTICE: A CHECKLIST

Table 5.1 Helping Those Made Homeless by Natural Disasters: A Good Practice Thumbnail Sketch for Bank Task Teams

<p>A. Resolving Dilemmas</p> <ul style="list-style-type: none"> ❑ Be emotionally committed, but ensure that solutions are rational, relevant and efficient. ❑ Respond quickly, but with due diligence; opportunities for corruption can be borne of haste. ❑ Support housing reconstruction only if there is strong demand by both victims and borrowers. ❑ Resist technological innovations, using well-trying and proven disaster-resistant construction. ❑ Coordinate Bank's reconstruction with relief efforts, meeting with the relief agencies early on. ❑ First attention to the poor who suffered most, but also to those suffering less through mitigation. ❑ Draw a tight boundary around homeless problem focused on the uninsurable poor only. ❑ Resist temptation to solve broader poverty problem through reconstruction alone. 	<p>B. Interpreting Policy</p> <ul style="list-style-type: none"> ❑ Keep eye on <i>recovery</i> to enable homeless victims to get back on their feet again. ❑ Keep involuntary settlement to a minimum and apply best practice of OD 4.30, especially community participation, and reintegration. ❑ Do no harm to good practice long-term sector policies. ❑ Focus on private as well as public provision of housing for the uninsurable homeless. ❑ Ensure provision of necessary infrastructure. ❑ Care with land-use controls, ensuring especially that unsafe areas are not reoccupied. ❑ Consider housing sector/market as a whole, especially impact upon it of a major disaster. ❑ Treat emergency reconstruction as temporary interruption of sector reform of 30 months max.
<p>C. Project Design</p> <ul style="list-style-type: none"> ❑ Require a reliable list and description of disaster victims from a reliable source. ❑ Set clear monitorable objectives of recovery outcome that project intends to achieve. ❑ Formulate a few key simple performance indicators to assess subsequent performance. ❑ Take advantage of inputs by local governments, NGOs and community organizations. ❑ Focus on coordination of donor reconstruction efforts. ❑ Emergency reconstruction funds should be allocated within 30 months, after which project implementation should return to normalcy. ❑ Do <u>not</u> involve major land acquisitions. ❑ Foster insurance solutions for those who can afford them. 	<p>D. Implementation</p> <ul style="list-style-type: none"> ❑ Establish good communication and mutual trust between victims and borrower agency. ❑ Involve existing housing agencies with good track records where they exist. ❑ Manage home reconstruction loans through established banks and financial institutions. ❑ Follow good practice building and land-use standards from the outset. ❑ Resist temptation to discuss institutional changes and reforms in first supervision missions. ❑ During later supervision missions, engage the borrower more on mitigation. ❑ No later than 30 months after appraisal, agree with borrower actions on: (i) implementation of mitigation measures; and (ii) transition to normal operations.



THE WORLD BANK

Disaster Management Facility

1818 H Street, N.W.
Washington, D.C. 20433 USA

World Wide Web: <http://www.worldbank.org/dmf>