

Banking on *Municipalities*

World Bank Support in Sub-Saharan Africa

With 280 million people—36 percent of the total population—living in cities, the Sub-Saharan Africa Region is experiencing rapid urban population growth of 3.9 percent per annum. The World Bank financed 52 municipal development projects (MDPs) in this Region that were active during 1998–2008, with loan commitments of \$2.4 billion. The portfolio aimed to strengthen the management of 656 municipalities in 27 countries.

By the number of MDPs, the most active borrowers were Uganda (5 projects), Ethiopia (4), Ghana (4), Madagascar (3), Benin (3), and Mozambique (3). The following countries hosted two MDPs each: Burkina Faso, Guinea, Mali, Mauritania, Niger, Nigeria, Senegal, Swaziland, and Tanzania. Another 12 countries had just 1 each: Burundi, Cameroon, Chad, Côte d'Ivoire, The Gambia, Kenya, Malawi, Rwanda, South Africa, Togo, Zambia, and Zimbabwe. Nearly all the MDPs—more than 90 percent of the total—were thus implemented in low-income countries. The MDP portfolio covered all countries in the Region with large urban populations (15 million plus) except for the Democratic Republic of Congo and Sudan.

PORTFOLIO PERFORMANCE

With 75 percent of projects achieving satisfactory outcomes, the Region's MDP performance was similar to that of the worldwide portfolio. In terms of Bank performance, Sub-Saharan Africa's MDPs did better, with 81 percent satisfactory, against a Bank-wide average of 78 percent satisfactory. For borrower performance, the Region lagged behind, with 69 percent satisfactory against 75 percent satisfactory Bank-wide.

Of particular note were two MDPs that achieved highly satisfactory outcomes. These can serve as model operations for others to emulate.

The first, **Benin I**, helped improve urban services in the country's two largest cities, Cotonou (population 690,584) and Porto Novo (population 234,168). This result was confirmed by beneficiary assessments at completion and was helped by the introduction of delegated contract management practices. These enabled rapid processing and execution of service contracts with local small and

medium-size enterprises that provided higher-quality, lower-cost urban infrastructure services and left municipal administrations more time to concentrate on their planning and programming tasks.

The second highly satisfactory MDP, **Senegal I**, was a wholesale operation that helped 67 municipalities throughout the country strengthen their financial and organizational management and improve programming of investments in urban infrastructure and services. The project achieved this through what were called "muni-

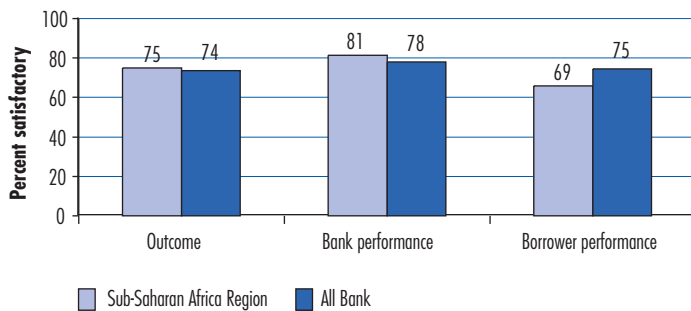
Table 1: Summary of MDP Portfolio, 1998–2008

Completed (number)	32
Completed MDPs (% satisfactory)	75
Ongoing MDPs (number)	20
IBRD commitments (US\$ million)	174
IDA commitments (US\$ million)	2,179
Bank commitments per completed MDP (US\$ million)	42
Commitments per ongoing MDP (US\$ million)	56
Wholesale MDPs (number)	12
Retail MDPs (number)	40
Countries served (number)	27
Municipalities served (number)	656

Source: World Bank data.

Note: IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; MDP = municipal development project.

Figure 1: MDP Portfolio Performance, Fiscal 1998–2008



Source: IEG special study.

Note: MDP = municipal development project.

pal contracts,” participating agreements between central and individual local governments with benchmarks for municipal reform. Currently, more than 170 municipalities across French-speaking West Africa are implementing such contracts. The short-term results of the reforms were an increased municipal capacity to invest. Over 2001–03, for instance, municipal capital investment as a share of current revenues rose from 10 to 17 percent.

Other operations with good outcomes in Sub-Saharan Africa included all five MDPs in Uganda. **Uganda I** introduced private sector participation in the municipal services of the capital Kampala (population 1.4 million). Flooding in that city was curbed thanks to **Uganda II’s** rehabilitation of the Nakivubo Channel. In providing investment funds and technical assistance to other municipalities, **Uganda III** strengthened municipal management across the country, using a wholesale approach. **Uganda IV** consolidated this approach by helping 30 municipalities tighten their management controls, deploying novel distance learning techniques to this end.

Ghana also had a string of successful MDPs. **Ghana I** brought significant service improvements, notably solid waste and stronger management, to six municipalities. This success was extended to 11 more municipalities by **Ghana II**. **Ghana IV** took the wholesale model further by investing intensely in financial and technical training for the staff of 23 municipalities through the national Institute of Local Government Studies, which itself came out of the project considerably strengthened.

Madagascar II and **III** helped municipalities improve municipal services through local agreements with an AGETIP-style provider. By investing in sewerage and solid waste in particular, **Tanzania I** improved environmental management in eight municipalities that a later government assessment found to be the best in the country. Initially conceived as a retail operation only for Niamey (population 774,237) and Dogondoutchi (population 31,767), **Niger I** was successfully broadened as a wholesale operation that, among other things, introduced new digital cartography skills into urban planning in 19 other municipalities.

Some MDPs performed poorly, however. **Côte D’Ivoire’s** MDP delivered fewer than half the service improvements planned as the country situation became more volatile and central government support for the operation waned. **Ethiopia I** failed to address the major issues of budgeting, accounting, and financial management of the client municipality of Addis Ababa (population 2.8 million), and infrastructure investments for which demand was weak yielded inadequate returns. **Nigeria I** failed to build municipal management capabilities in Oyo State as intended, because of unresolved conflicts among the parties that led to implementation delays and cancellation of key components. **Mozambique I** did not implement the majority of the project’s physical components because of procurement problems, inadequate Bank-borrower communication, and poor performance by consultants.

BETTER CITY PLANNING

More information

Particularly notable have been MDP efforts and results of obtaining better information about spatial configuration of cities. **Burkina Faso I**, for instance, helped create an information system and database for urban management based on street address mapping in the municipalities of Ougadougou (population 1.1 million) and Bobo Dioulasso (population 360,106). **Niger I** introduced a set of simple planning and programming tools covering digital cartography and the production of an atlas, initially for 2 cities but extended through a wholesale approach to 21 cities in all. Under **Ghana II**, maps were produced for 11 municipalities, leading to property valuations for twice as many properties as planned; only two municipalities ultimately developed land use structure plans on this basis.

Monitoring and evaluation

Swaziland I incorporated a good monitoring and evaluation (M&E) framework with clearly designed performance indicators that enabled a clear comparison of targeted and actual results, as well as of how far the municipalities had come from the baseline. **Mali I** also had good M&E, although its baseline references were less clear. **Uganda III** improved the evaluative capacity of the Ministry of Local Government, and **Uganda IV** helped the project implementation unit consolidate project-specific information that made it possible to undertake an evaluation of project outcomes.

Mozambique II and **Burkina Faso I** provided results frameworks with specific outputs and outcomes, but the latter were not always measurable, and baseline information was generally missing. M&E systems of several MDPs were weakened by a focus on project outputs; this and other factors resulted in the inadequate performance of the operations. IEG found this to be case for **Guinea I**, the **Kenya MDP**, **Tanzania I**, and the **Togo MDP**.

Urban and spatial planning

Several MDPs made important contributions to the urban planning capabilities of client municipalities. Under guidance and technical assistance through **Mali I**, five municipalities prepared strategic long-term physical and spatial plans that particularly helped them better

understand the workings of the land markets in their cities. Through a wholesale approach, **Mauritania I** introduced several management instruments, including urban plans, inventories of assets, and priority investment plans that were widely accepted by the local elected officials and staff of 13 municipalities.

Through **Uganda II** and **III**, the municipality of Kampala (population 1.4 million) prepared its Drainage Master Plan and Urban Transport Improvement Strategy. Moving toward the wholesale model of MDP, **Uganda IV** helped 30 municipalities make their existing municipal planning committees more functional, resulting in 90 percent of them preparing 3-year development plans. In **Benin I**, in addition to the successful project efforts to strengthen urban planning at the municipal level, the central government itself adopted a declaration of urban policy, through which it elaborated a coherent long-term strategy for urban planning, including its environmental and sanitary aspects.

Investment planning and strategies

MDP results were thin in a Region where development projects often propose ad hoc planning and implementation arrangements beyond the formal framework of central and local government. Thus, under **Mozambique I**, the five client municipalities that had prepared urban land-use and structure plans saw none of them result in the intended municipal investment strategies.

STRONGER MUNICIPAL FINANCES

Better financial management

There is considerable evidence of MDP technical assistance and support helping municipalities improve their financial reporting and management. Under **Mali I**, for instance, three of the project's five targeted municipalities set up computerized accounting. More would have been achieved had there not been a shortage of municipal staff qualified in finance and programming. This points to the need for more basic training in municipal financial management in the future.

Uganda I and **II** enhanced the Kampala municipality's ability to plan, manage, and execute complex investment decisions and report on them, but roles and responsibilities for executing them remained ill defined at the project's end. This retail MDP focused on one municipality that was particularly prone to political interference in day-to-day operations. **Uganda III** and **IV**, in contrast, helped a much larger number of municipalities strengthen and harmonize their planning and budgeting processes. The project-created Audit Compliance Unit in the central government provided a strong incentive for municipalities to bring their financial records up to date and make them audit compliant.

Under **Senegal I**, a wholesale operation aimed at 67 municipalities throughout the country, project audits confirmed that municipal financial budgeting was placed on a sound footing in all of them for the first time. This MDP also prepared the municipalities for incurring debt and managing debt service. In actual practice, their financial management was solid, as reflected in their being up to date in 95

Table 2: Municipal Management Focus of Region Portfolio

Share of all MDPs with a project design focus on:	Completed	Ongoing
City planning		
In objectives (%)	28	15
In components (%)	44	55
Municipal finance		
In objectives (%)	75	35
In components (%)	56	90
Service delivery		
In objectives (%)	94	85
In components (%)	97	95
Number of all MDPs	32	20

Source: IEG special study.

Note: MDP = municipal development project.

percent of their loan repayments. **Tanzania I** and **Zimbabwe's MDP** helped the targeted municipalities—10 and 21, respectively—routinely prepare and deliver up-to-date and audited accounts.

Mobilizing own revenues

Evidence is beginning to emerge that municipalities assisted by MDP operations strengthened their revenue mobilization, perhaps more so than unassisted municipalities, although robust evidence of control group performance remains thin. Thus, under **Uganda III** and **IV**, some 30 municipalities saw own revenues increase by 40 percent in real terms, mainly because of computer processing of financial reports that highlighted arrears and areas of lax tax effort more promptly. Under **Swaziland I**, the 4 client municipalities extended property tax collection from 65 to 80 percent of eligible properties following training of tax collectors, supervisors, and billing and finance staff. **Tanzania I** enabled municipalities to more than double their own revenues, though from a low base, over the project period with the help of modern computer mapping and accounting. The **Togo MDP** introduced improved collection procedures and penalties for nonpayment, a computerized tax registry, and transparent methods for assessing property values, but the impact of all these measures on revenue collection is not known. Technical assistance through **Benin II** enabled its three municipal clients to exceed targeted own-revenue growth. **Burkina Faso I** saw revenue collection nearly double in the country's two largest municipalities after they developed a residential tax database with the help of project technical assistance.

In contrast, elections dampened the political will to pursue energetic local tax collection in Kampala under **Uganda I** and **II**. Similar constraints prevented the five client municipalities of **Mali I** from actually collecting revenues through a new urban tax that had been formally instituted but not acted on, leaving the municipal finances of Bamako (population 1.3 million) and Mopti (population 108,456) in deficit.

Aside from taxation itself, the municipality of Lomé (population 718,797) was able to create a new municipal agency with the help of the **Togo MDP**; this agency managed thriving local markets and collected user fees. Similar user charges enhanced the revenues of six municipalities under **Ghana I**. Progress with revenue mobilization continued among municipalities participating in **Ghana II** and **III** but slowed somewhat in the face of municipal resistance to setting user charges high enough to cover costs. Revenue performance was weak under **Nigeria I** and left municipal billing and collection machinery at the local level weak. Though **Ethiopia I** did adopt cost recovery for housing and some municipal services, it made them less affordable to the poor in the short run.

Municipal creditworthiness and debt management

To date, MDPs have done little to involve municipalities in local credit markets, although more can be expected in the future as incipient markets develop.

Private finance participation

Only modest results have been reported. **Swaziland MDP's** attempts to bring together local governments and private sector financial institutions did lead to some private financing of municipal services on a small scale in the capital Mbabane (population 76, 218). Under **Mauritania I**, better municipal management gave more confidence for private suppliers to work with the 13 MDP municipalities in that country.

IMPROVED SERVICE PROVISION

Investment priorities

Of 32 completed operations, more than half reported economic rates of return (ERRs) at both appraisal and completion, the highest proportion for any Region. ERR estimates at completion ranged from 7 to 84 percent, exceeding appraisal ERRs in half the cases. Estimates of internal rates of return were more readily available for road- and water-related components. The main issues relating to ERRs were partial coverage of the investment, lack of credible data, and, still in a few cases, an apparent lack of appreciation for the importance of conducting an economic cost-benefit analysis.

Ghana I reported the highest ERR of 82 percent after detailed assessments showed the high impact of below-cost road improvements in the municipality of Accra (population 2.0 million) that accounted for one-third of the MDP project costs. Efficient upgrading of existing urban roads in 11 other municipalities also explained the 68 percent ERR reported for **Ghana II**, although in this case the estimate covered only 13 percent of the total project costs.

Seven more successful MDPs reported high ERRs in the 25–40 percent range. **Benin II** also yielded a 73 percent ERR, nearly five times the appraisal estimate, owing to much higher traffic volumes than expected on the urban road improvements that accounted for most of the project costs. **The Gambia MDP** reported a 38 percent ERR for road paving and drainage works in two municipalities; again, these components accounted for only about one-fifth of the total project

cost. **Burkina Faso I** yielded a 33 percent ERR, thanks to the rehabilitation of urban roads and streets in the country's two main cities, components that accounted for 40 percent of project costs.

Interestingly, **Niger I** found ERRs in the 20–41 percent range for other components, such as bus stations, slaughterhouses, public latrines, and leisure parks, using a beneficiary willingness-to-pay concept. A good cost-benefit analysis through **Uganda II** that carefully identified the counterfactual and the flood-protection benefits to the municipality of Kampala of reducing building and infrastructure damage and of time savings yielded a 25 percent ERR at completion. **Tanzania I** also yielded an ERR of 25 percent, based on the benefits of road and water supply improvements across 10 municipalities, accounting for 55 percent of project costs.

Even though the Region has done the most cost-benefit analysis of all Regions, several MDPs did not include ERR estimates at completion even of municipal infrastructure and service provision components that are amenable to cost-benefit analysis. Lack of adequate data was most commonly given as the reason for not estimating ERR.

Procurement

Municipalities' experience in taking charge of procurement has been mixed, but there has been progress. Implementation of **Mozambique I** was stalled by municipalities' difficulties in meeting procurement norms. In contrast, more recently **Tanzania I** gave 10 municipalities the opportunity to manage procurement effectively for the first time.

Operations and maintenance

IEG found municipal clients of MDPs were beginning to give more attention to operations and maintenance (O&M). Under the **Kenya MDP**, for instance, four municipalities did more O&M because of the incentive of special funding provided by the National Road Fund. Nearly all municipal water utilities funded O&M from their own budgets under **Tanzania I** for the first time. Although **Uganda II** and **III** raised the profile of O&M in the eyes of municipalities in Kampala, the municipality was not able to raise all the revenue needed to sustain this over the long run. The sustained impact of improved municipal services under **Benin I** and **II** is only ensured if the three client municipalities continue to mobilize the necessary revenues on their own. However, municipal O&M continues to be weak in many municipalities, as the results of the **Côte d'Ivoire MDP**, **Swaziland I**, and the **Zambia MDP** showed.

Services—Most affected sectors

MDPs provided a wide range of municipal services, from low-income area upgrading; to urban road and street paving and drainage works; to water and basic sanitation, other environmental improvements, and urban transport. In upgrading existing low-income areas, **Burkina Faso I** was particularly effective, using beneficiary participation. Under **Benin I** and **II**, drainage works helped protect 403,000 people in 6 municipalities against flooding. **Ghana I** and **IV** had an impact on 11 municipalities by rehabilitating urban roads and markets while increasing opportunities for small businesses in vehicle repair and commerce.

Box 1: Key to MDPs Referred to in Text

Benin: I—Urban Rehabilitation & Management; II—First Decentralized City Management; III—Second Decentralized City Management. **Burkina Faso:** I—Urban Environment; II—Decentralized Urban Capacity Building. **Burundi:** Public Works & Employment Creation. **Cameroon:** Urban & Water Development Support. **Chad:** Urban Development. **Côte d'Ivoire:** Municipal Support. **Ethiopia:** I—Second Addis Urban Development; II—Capacity Building for Decentralized Service Delivery; III—Public Sector Capacity Building; IV—Urban Water Supply & Sanitation. **The Gambia:** Poverty Alleviation & Capacity Building. **Ghana:** I—Second Urban Development; II—Local Government Development; III—Urban Environment & Sanitation; IV—Fifth Urban Development. **Guinea:** I—Third Urban Development (APL); II—Third Urban Development (Phase 2). **Kenya:** Urban Transport. **Madagascar:** I—Antananarivo Plain Development; II—Antananarivo Urban Works Pilot; III—Urban Infrastructure. **Malawi:** Local Government Development. **Mali:** I—Urban Development & Decentralization; II—Second Transport Sector. **Mauritania:** I—Urban

Source: IEG.

Infrastructure & Pilot Decentralization; II—Urban Development Program. **Mozambique:** I—Local Government Reform & Engineering; II—Municipal Development; III—Maputo Municipal Development Program. **Niger:** I—Urban Infrastructure Rehabilitation; II—Local Urban Infrastructure Development. **Nigeria:** I—Oyo State Urban Development; II—Lagos Metropolitan Development & Governance. **Rwanda:** Urban Infrastructure & City Management. **Senegal:** I—Urban Development & Decentralization Program; II—Local Authorities Development Program. **South Africa:** Municipal Financial Management. **Swaziland:** I—Urban Development; II—Local Government. **Tanzania:** I—Urban Sector Rehabilitation; II—Local Government Support. **Togo:** Lomé Urban Development. **Uganda:** I—First Urban Development; II—Nakivubo Channel Rehabilitation; III—Local Government Development Program; IV—Economic & Financial Management; V—Kampala Institutional & Infrastructure Development. **Zambia:** Urban Restructuring. **Zimbabwe:** Urban Sector & Regional Development.

Senegal I financed 421 basic infrastructure subprojects across Senegal's 67 urban municipalities and introduced systematic street address systems for the first time in 11 of them. The **Zimbabwe MDP** enabled 21 municipalities to rehabilitate urban roads and extend water supply and basic sanitation. Similar improvements to basic sanitation under **Guinea I** and **Mali I** may have contributed to a steep decline in deaths from cholera. Water metering and network improvements enabled **Swaziland I** to reduce unaccounted-for water in four municipalities. Sewage treatment under **Tanzania I** meant that the effluent quality nearly met World Health Organization standards in three municipalities. Urban transport was less of an MDP focus in Africa than in other Regions, but indirectly **Uganda II** brought considerable improvements to traffic flows in Kampala by mitigating the impact of regular flooding prior to the completion of the Nakivubo channel.

Services—Private provision

MDPs made considerable efforts to engage private operators in the provision of municipal service in several countries. Some results were achieved, but there is still a long way to go. Under **Uganda I** and **III**, for instance, the fact that nearly all the infrastructure investment was privately contracted was itself a significant result for the municipality of Kampala, which had traditionally done its own work. The use of force account also ceased following **Madagascar II** and the **Zambia MDP**. **Ghana I** and **Senegal I** strengthened contractor and consulting industries within their respective countries.

The competitive private sector approach to municipal service investment received a boost under **Tanzania I**. That project, as well as **Burkina Faso I**, **Ghana III**, and **Guinea I**, provided openings for private solid waste collection operators, but a shortage of qualified local labor was a major constraint in sustaining these services. Urban road and street maintenance contracts under these projects attracted more private sector bids.

Income level of beneficiaries—Poverty reduction

Altogether, 60 percent of MDPs have objectives explicitly focused on the poor and on poverty reduction. Some MDP results were quite impressive. **Benin I**, **Madagascar III**, **Niger I**, and **The Gambia** and **Togo MDPs** generated jobs for the poor. These jobs came through project construction and required more than 1.3 million person-days of labor-intensive employment, usually through local small and medium-sized enterprises contracted for road and drainage maintenance and other works.

Municipal services provided through **Burkina Faso I**, **Ghana I**, **Mali I**, **Mauritania I**, **Niger I**, **Nigeria I**, and **Tanzania I** all served low-income and squatter settlements through infrastructure and water and sanitation, health facilities, access roads, public lighting, school fencing, and green spaces efforts. Under **Ghana III**, in all project cities, lower-income communities benefited: the estimated number of beneficiaries for household latrines was 60,000, for school latrines 100,000, and for public latrines 30,000. In most cases, road construction and rehabilitation opened access between the poor neighborhoods and the economic centers of the cities and improved scope for informal and small-scale income-generating activities.

CONCLUSIONS

- Across Regions, MDPs in Sub-Saharan Africa have kept the greatest focus on improving the lives of the poor.
- Increasing the number of wholesale MDPs would be constrained in a Region with few higher-level agencies that are ready to take on the intermediation function that such operations require.
- Across countries, MDP performance with M&E varies considerably, pointing to opportunities for fruitful exchanges of experiences. Their performance in the use of cost-benefit analysis has been relatively good, pointing to opportunities to apply the techniques in other Regions.