

Chapter 6



Community life resumes for newly resettled residents of Ningbo, China. Photo courtesy of Roy Gilbert.

Conclusions

With cities now home to more than half the world's population and providing the majority of world gross domestic product, improving municipal management is crucial for development. The Bank's chosen instrument to support this has been the MDP, 190 of which have assisted nearly 3,000 municipalities in 76 countries worldwide over the past decade.

IEG field assessments of 24 completed MDPs, desk reviews of 90 more, and an overview of 76 ongoing operations have highlighted the strengths and weaknesses of these operations, which are aimed at helping municipalities strengthen their management in the planning, finance, and service provision dimensions. This study has found positive MDP experiences worth emulation, as well as weaker results that point to areas in need of improvement. The following forward-looking lessons may help strengthen municipal management.

- Among the three dimensions of municipal management—planning, finance, and service provision—MDP support for strengthening municipal finance most often yielded successful results. The Bank should continue to support tightened municipal financial management, municipalities raising their own revenues, and municipalities being brought to local credit markets when conditions are appropriate.
- Project documentation that routinely reports basic data about each client (municipality name, population, and MDP investment) is vital to developing a better understanding of the scope of MDP results.
- Wholesale MDPs have yielded better outcomes than retail MDPs over the past decade, but more analysis is needed to understand the precise reasons for the performance differential. Retail MDPs might perform better if they incorporated more of the winning elements of wholesale MDPs, such as performance-based incentives and a focus on finance.
- More frequent use of cost-benefit or cost-effectiveness analysis would help MDPs' municipal clients select the best investments and achieve better outcomes. IEG found that only half of the 114 completed MDPs did this, with the best coverage in the Sub-Saharan Africa Region.
- For M&E to succeed in MDPs, it has to be useful and not unduly burdensome to municipalities themselves; it must also keep a focus on achieving results, particularly for the poor. Strong M&E can also help reduce the expense of cost-benefit analyses by providing some of the data needed to estimate ERRs. Few MDPs have succeeded with this.
- Private finance of municipal services can be encouraged through better analysis of demand and of local financial markets. Stable regulations also help municipalities gain the trust of private investors.
- Thus far, little evidence exists that stronger municipal management has benefited the poor. MDPs need to give much more attention to poverty reduction in defining MDP objectives, showing how the poor would benefit from municipal investments and services improved through stronger municipal management.