

Chairperson's Summary: Committee on Development Effectiveness (CODE)

On March 16, 2009, the Informal Subcommittee of the Committee on Development Effectiveness considered the Independent Evaluation Group (IEG) special study *Improving Municipal Management for Cities to Succeed*. The study covered a review of the entire portfolio of 190 municipal development programs (MDPs) completed or ongoing during the 10-year period 1998–2008.

Overall Conclusions

The Committee welcomed the opportunity to discuss the IEG study, taking note that almost half of the global population lives in cities. The discussion revolved around the main IEG findings related to the poverty focus of MDPs and the three dimensions of municipal management: planning, finance, and service provision. Members remarked that the study may contribute to the overall update of the World Bank's urban sector strategy, for which the Committee was expected to consider the concept note in April. In this context, a member remarked that the report could have clarified the implications of the study findings for the Bank's urban sector strategy update. Speakers also urged management to consider a significant finding of the report, that the lack of MDP poverty focus is a serious shortcoming, especially given the poverty emphasis in the Bank's urban strategy. Management noted that the IEG study raised important questions that require further consideration, such as addressing urban poverty, taking into account the complexity of tracking this, and the reasons for wholesale MDPs yielding better outcomes than retail MDPs.

Main Issues Raised

Poverty focus

The Committee noted management's clarifications that not all MDPs may be suitable tools for addressing the needs of the poor (for example, municipal finance) and that other Bank urban projects are designed to focus on the urban poor, such as slum-upgrading projects and development policy loans that focus on policies to make housing more affordable and to target subsidies more effectively. Mention was made of the Cities Alliance global program, supported by the Bank, which has slum upgrading as a major focus. Members acknowledged the challenges of tracking urban poverty, given the shifting population and the need to consider national and municipal level linkages in addressing poverty. Nevertheless, speakers echoed IEG in urging more attention to poverty in MDP objectives, taking into consideration the distinct nature of urban poverty. A member emphasized the need to expand economic opportunities for the poor, observing that improving services for the poor is not sufficient to address urban poverty. There was a question about the decrease in poverty

focus of MDPs over the years noted in the IEG study and a comment on the possible application of a Poverty and Social Impact Assessment to measure the distributional impact for Bank operations beyond policy reform programs.

Municipal services

Interest was expressed in a broader review of causality between improvements in municipal planning and finance and enhanced service delivery. As well, more information was sought on the extent to which Bank support led to increased quality and access to services, including for the poor. Some members drew attention to the importance of strengthening the operations and maintenance focus in MDPs. Though appreciating the importance of cost-benefit and economic rates of return analyses, a member cautioned about giving emphasis to such analyses in crisis situations. IEG, however, stressed the importance of economic rates of return, which can still be estimated at the latter part of project implementation.

Municipal finance

Strong financial management at the municipal level was considered one of the prerequisites to enhanced service provision, but not an end in itself. In response to a member's comment, management provided assurances that although MDPs' efforts have been successful in municipal finance, the Bank will respond to country demand and not focus solely on this dimension. Some members noted the need to consider the complex interrelations with national policies (including decentralization) and their impact on municipal fiscal management, including revenue mobilization and expenditures, as well as political factors. A member remarked that management of foreign exchange and rollover risks should be addressed as part of Bank support for municipal access to credit.

Regarding private finance, there was general agreement on the need for a good regulatory stance by municipalities that recognizes stability, effective demand, and potential for profitability. Yet a member also observed the need for more analysis of measures to increase tariffs for promoting private finance. Interest was expressed in the role of financial intermediaries and public-private partnerships at the municipal level. In addition, some members commented on innovative financing, such as the possibility of subsovereign lending without a sovereign guarantee and the use of performance-based grants. Management said that it will be holding a technical briefing on subnational lending the week of March 23, 2009.

Municipal planning

Emphasis was put on ensuring that Bank support is aligned with local city planning, including city development strategies (promoted by Cities Alliance). Some members touched on the importance of strengthening municipal institutions' capacity, and in this regard a member observed that the IEG study could have provided additional analysis on accountability and governance aspects. IEG responded that it is planning to evaluate the implementation of the Governance and Anticorruption Strategy in a few years; that evaluation can incorporate some issues encountered in the urban sector. As noted by IEG, a member underlined the need to strengthen monitoring and evaluation.

Dissemination

The engagement of Regions in the IEG special study and the strong learning element of the process were welcomed. There was a question about the presentation of the findings in other forums in the future. IEG said that after the Committee's consideration of its study, the findings would be disseminated.

Giovanni Majnoni, Chairman