



INDEPENDENT EVALUATION GROUP

## **SOUND MUNICIPAL MANAGEMENT OF CITIES INCREASINGLY VITAL FOR DEVELOPMENT**

### **World Bank's Independent Evaluation Group releases comprehensive assessment of Bank support to municipalities**

**Washington, June 22, 2009.** The World Bank has been helping to strengthen planning, finance and service provision of about 3000 municipalities in developing countries, according to a new report of the Bank's Independent Evaluation Group (IEG). Bank support has contributed to stronger own-revenue flows, better financial management, improved municipal information systems, and better local management of procurement. According to IEG estimates up to 345 million people have likely benefitted from Bank support. The Special Study, "Improving Municipal Management for Cities to Succeed", released today, takes stock of the Bank's support to municipalities in Latin America, Africa and East Asia. The report covers 190 Bank projects and more than US\$ 14.5 billion in lending to developing countries between 1998 and 2008.

Cities are engines of growth and development. "They now host more than half the world's 6.6 billion people and produce \$42.4 trillion of GDP—70 percent of the world's total. Hence, good management of these important development centers is crucial," said Vinod Thomas, IEG's Director-General, "Bank assistance has been instrumental in helping many municipalities to respond *better* to the enormous challenges posed by rapid urban population growth which require services and infrastructure that far exceed the capacity of existing resources and systems."

Worldwide some 31,000 municipalities—each with more than 12,500 inhabitants—accommodate the world's urban population. Two thirds of these are in developing countries, the municipal client base for the World Bank. Each municipality typically manages a single city. Improving municipal management has become increasingly complex for several reasons: ever-larger cities to administer, continuous urban growth in many countries, rising costs of urban investment, and ever-higher expectations of the level and quality of municipal services on the part of local residents and business people. Large municipalities, such as the 325 in the developing world serving more than 1 million people each, call for compound management.

The level of Bank support to an individual municipality has varied greatly, from tailor-made technical assistance and significant investment funding to training of municipal staff.

The IEG study focuses on three key aspects of municipal management, namely *planning*, *finance* and *service provision*.

In the area of *planning* a notable success was the establishment and consolidation of Chile's web-based "National System for Municipal Information" which has reported about the situation and performance of all 345 municipalities since 2000, generating vital knowledge for better city

planning. Other high-impact projects included Municipal Development Projects (MDPs) in China which helped the cities of Ningbo and Tianjin to develop city planning in a way that served as a model for the whole country. An MDP in Sri Lanka enabled the capital Colombo to update its master plan, as Zimbabwe's did for the city of Victoria Falls. And MDPs in Chile, Colombia and Tunisia brought city planning to many smaller municipalities for the first time.

With regard to *finance*, project results were strong. Good outcomes came through technical assistance and on-the-job learning that enabled many small municipalities in Chile, Georgia, the Gambia, India, and Tanzania to adopt computerized accounting and financial systems for the first time. Larger municipalities such as Kazan (Russian Federation), Maputo (Mozambique), and Tianjin (China), unified accounts and integrated financial management across their large organizations.

*Management of service provision* was a priority in all MDPs evaluated by IEG. Projects in China, Ghana, India, Indonesia, Tanzania, and Zimbabwe made simple yet robust estimates of economic rates of return including accurate cost figures and realistic assessments of future benefits, often measured by the increased value of serviced land. The evaluation notes that few MDPs had substantial results in strengthening the municipal management of operations and maintenance which is necessary to ensure ongoing service provision. There were successful cases especially in Africa, where MDPs helped computerize municipal maintenance in Tanzania and establish and fund municipal maintenance accounts in The Gambia.

Overall, the IEG evaluation finds that wholesale MDPs serving seven or more municipalities have had stronger outcomes than retail MDPs serving six or fewer municipalities. "One of the possible reasons for this may be that wholesale projects create greater competition among municipalities, where municipalities that failed to meet performance criteria were no longer entitled to project support", said Roy Gilbert, lead-author of the evaluation, "In addition, wholesale MDPs allocate a significantly larger share of project spending to technical assistance and institutional development."

The study finds that relatively few MDPs—only 27 percent of the total portfolio— have objectives focused on assisting the poor, such as aiming to improve their living conditions through service provision to low-income areas. "Municipalities have an important role in helping the urban poor and MDPs need to focus on how they can serve them effectively," said Roy Gilbert.

Looking ahead, IEG suggests that a more frequent use of cost benefit analysis would help municipalities select the best investments and achieve outcomes efficiently. IEG also recommends that Bank projects put a stronger focus on monitoring and evaluation, make better analyses of local financial markets and provide a deeper understanding of demand to help municipalities gain the trust of private investors.

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