

INDEPENDENT EVALUATION GROUP

The Effectiveness of Bank Support for Improving Municipal Management – An IEG Special Study

Approach Paper

(April 24 2008)

Why the Need for Better Management of Cities?

As the 2000 WDR noted, well managed cities are engines of growth. Today there are some 31,000 cities across the planet with populations ranging from 12,500 to megacities with more than ten million inhabitants. During this year 2008, cities will be home to more than half the world's population, three quarters of world GDP and four fifths of global capital assets. Good management of them, therefore, is a key to global economic and social development, something highlighted by the focus of the latest 2009 WDR (on economic geography and spatial economics) upon managing an efficient transformation from a rural to an urban economy. Developing country clients of the World Bank, where this transformation most counts, today host 20,000 cities where 2.3 billion people live. As the countries develop, urbanization accelerates and cities' shares of public investment increases, placing a development premium upon improved municipal management at the city level.

This special IEG study will review Bank efforts to help municipalities and mayors improve the management of cities, focusing upon three essential elements of it: (i) city planning—including land use and city development strategies; (ii) finances—including controls, budgeting, own revenues, fiscal balance, debt, and the fiscal federalism context; and (iii) service provision—including project selection and evaluation, operation and maintenance (O&M) and procurement. Better city management can help poverty alleviation, too. Some 750 million poor people currently live in cities and the numbers are rising as more poor rural migrants arrive. The study focuses upon reviewing existing IEG evaluations, their findings and ratings, as a practical means to assemble important conclusion quickly and at low cost through a desk review. Where time constraints prevent a more detailed investigation, this study could still point to specific areas where more intensive evaluation and research need to be carried out.

Examples of good municipal management identified by IEG evaluations thus far include: systematic urban planning, balanced budgeting and competitive procurement in service provision. Examples of poor management include: no strategy, budget deficits and poor project evaluation. This study will gather examples of such results from existing IEG evaluations of Bank assistance across all city sizes and all Regions. Where information exists, the study will try to identify the fiscal federalism context of the results, namely the degree of revenue sharing by central governments through conditional and unconditional fiscal transfers to the municipalities under review. All information and data will be assembled into a relation database to permit easy access for review.

The management of most of today's 31,000 cities is in the hands of one municipal administration headed by a mayor or similar lead official. Some very large cities, especially large metropolitan areas, are managed by more than one municipality. At the other end of the scale, when several very small cities are located close to each other, they might be managed collectively by just one municipal administration municipality. This study will focus upon the simplest cases that also constitute the large majority, namely where there is a 1:1 correspondence between cities and municipalities. Among the 24 MDP projects reviewed by IEG PPARs that covered some 1,000 cities altogether, only one of which, Shanghai, China was a megacity. In this study we shall use the term "city" in this review to refer to the built environment of the urban settlement that local administration is responsible for operating and maintaining. We shall use the term "municipality" to describe the administrative unit of local government responsible for managing the city, even though the term used for this function may vary across countries.

Over nearly 30 years, the Bank has helped a large (but unknown) number of municipalities and their mayors improve their management of cities. This special study will review existing IEG assessments of the performance of this assistance during the past ten years, pointing to positive actions that can be upscaled and to weaknesses where greater effort is needed to overcome them. Through this review, IEG hopes to disseminate insights into what the Bank can best do for project interventions to most effectively strengthen municipal management, thereby helping growth and development. Such insights would be particularly relevant to the framework of promoting the efficient transformation from a rural to an urban economy proposed by the 2009 WDR.

Bank Support for Better City Management

The Bank's first operational attempt to help improve city management was through the 1980 Jordan Cities and Villages Development Project (Ln1826). It set the design standard for more than 200 operations that were to become known as "Municipal Development Projects" (MDP), codified by the Bank as "municipal management", "municipal finance", or "sub-national government administration" activities. MDPs typically fund investments in a city's service provision in return for reforming municipal management, itself helped by MDP technical assistance. Through a "wholesaling" arrangement, Bank funding typically went to higher level financial intermediaries that, in turn, retailed the funding by on lending to many municipalities. Sometimes, more "retailing" support was given to a small number of municipalities. A few other Bank financed projects for solid waste and water, for instance, explicitly aimed at strengthening municipal management will also be treated as MDPs for the purpose of this study.

Bank policies have explicitly encouraged strengthening municipal management and still do. The Bank's 1991 Urban Policy Paper called for stronger municipal institutions, for instance, and the 2001 Urban Strategy, *Cities in Transition*, made municipal strengthening the base of its fourth strategic pillar of *Good Governance and Management*. This study can review the ongoing relevance of Bank MDPs in support of these policies.

But in helping municipalities and mayors, the Bank faced some policy and technical constraints of its own. They included: (i) the sovereign lending requirement that precluded Bank loans directly to cities; (ii) concern (expressed in the 1989 Levy Report) about financial market inefficiencies of earmarked MDFs; (iii) the uncertain corporate

“home” of MDPs within the Bank Group’s organization (Urban, PREM, IFC). This study will assemble findings about how these and other constraints may have affected the performance of Bank assistance.

IEG itself has done important evaluation work in this area over the years. IEG’s ongoing PPAR assessments of MDPs and other assistance to municipalities have reported many positive results from the operations reviewed, while identifying a number of weaknesses too. IEG’s 1991 study of MDPs in Brazil and the Philippines found positive impacts of the operations upon municipal finances and reform. IEG’s 2004 Urban Review found that 71 percent of MDPs had satisfactory outcomes. The assembly of these findings by the present study will be directly relevant to ensuring the adequate capacity at subnational governments, recently recommended by IEG’s Decentralization study.

Aim, Scope and Method of this IEG Special Study

Objective

This special study will aim to assemble and collate existing IEG findings and ratings of the performance of MDPs during 1998-2008, highlighting the effectiveness of Bank assistance to strengthen municipal management through 113 MDPs completed and 77 MDPs ongoing during this period. It would highlight positive outcomes, such as stronger management of municipal finances, and also negative outcomes, such as continuing lack of capacity to undertake rigorous investment project evaluations. Such findings should enable the study to recommend good results to scale up and weaker results needing further attention to overcome any shortcomings in the future.

Evaluation Questions

The study will be driven by a search for answers to the following (see also Annex A Evaluation Design Matrix):

- How relevant have MDPs been to the Bank’s 2001 urban development strategy for strengthening municipal management?
- How many cities received Bank support for strengthening municipal management through MDPs?
- Which institutional development (ID) instruments—technical assistance, training, exchange of experiences, study visits—most effectively strengthened: (i) city planning; (ii) municipal finances; and (iii) service provision, as measured by outcome performance ratings?
- Measured by Bank and Borrower performance ratings, how effective did IEG find contributions to improved municipal management by: (i) Bank staff and consultants; (ii) municipal government staff; (iii) higher level government staff; and (iv) others such as communities, staff of private firms and NGOs? (An answer may require disaggregating ‘borrower’ performance assessments into the national level element and the municipal level element).

- Which project mixes of institutional development and infrastructure investments were most effective in improving municipal management?
- Where and how did M&E best inform project results?

Approach and Scope

This special study will be a “meta-evaluation”, since it will rely upon reviewing existing IEG evaluation material including ratings, particularly from PPARs and ICR Reviews, as well as existing self-evaluation in ICRs. It will be analogous to a literature review. No additional surveys or data collection beyond the Bank’s Business Warehouse (BW) and Imagebank are proposed at this time.

The study will cover the period from 1998, when IEG’s last work on this theme was completed, until 2008. Following a search of BW and Imagebank, and benefiting from intense feedback from the Regions, IEG identified a portfolio of 113 projects that were completed and 77 that were still ongoing during this 1998-2008 period. This portfolio will constitute the evaluation universe of this study. The data on it is currently being held in a MS Access database. At the present time, the portfolio will not include operations of the Bank Group Municipal Fund (housed in IFC), since they are still too recent to be evaluated.

This special study’s review will be at three levels. At the *first*, the level of the MDP portfolio as a whole, the review will gather descriptive information and broad data on municipal management strengthening. This might include the number and size of the operations, their geographical distribution, the number and size of the municipalities assisted the design focus upon planning, finance and service delivery, and standard consolidated IEG performance ratings (relevance, efficiency, efficacy, Bank and Borrower Performance). At the *second*, the level of the Bank’s operational Regions, the review would disaggregate the same portfolio data by Region. At the *third*, the level of some 24 individual operations already reviewed in detail by IEG through Project Performance Assessment Reports (PPARs), the review examine the objectives, components and lessons of the projects, as well as all the (existing) performance findings of each of the three elements of municipal management (city planning, finance, and service provision), compiling, where possible, more general conclusions from them.

The study will always focus upon assembling *existing* IEG findings on the extent to which MDPs achieved their stated objectives (within a results-based framework of evaluation). The meta-evaluation will take the projects’ own objectives as given, without imposing a normative model of achievements that lie beyond the original explicit intent of the operation. The present study will not re-examine IEG performance ratings. It will take them as given measures of success or failure of the operations reviewed. Reliance upon assembling existing performance ratings is also a practical response to the lack of a centralized database of baseline information about prior municipal management performance against which improvements can be measured. For a desk study, dependence upon existing assessments can be a practical way of teasing out the causal relationship between Bank interventions and outcomes on the ground when new surveys of primary data are not possible.

Table 1: IEG PPARs of MDP operations 1998-2008

Region:	Completed PPARs	Planned and ongoing PPARs
AFR	Zimbabwe, Mozambique, Ghana	Tanzania, Gambia
EAP	China (3), Indonesia (3)	
ECA	Russia	Georgia (3), Uzbekistan
LCR	Argentina, Colombia (2), Chile, Brazil	
MNA	Tunisia	
SAR	India, Sri Lanka	

There are some important constraints upon the scope of this study imposed by the tight timeframe. It will not address, for instance, the complex issues of municipal management of megacities and large metropolitan areas, where several municipalities may come together to manage a large contiguous city. As mentioned earlier, only Shanghai came up as the only megacity reviewed by a PPAR. At the other end of the scale, the study will not examine the case of municipalities with fewer than 12,500 inhabitants, the vast majority of which are home to rural municipal administrations. At best, they would have very small urban centers, with municipal management too weak to be strengthened by the kind of support to urban municipalities reviewed here. In addition, time constraints of this study preclude a review of related AAA or policy work. Without a remit at this stage to examine the work of other donors at this stage, the present study focuses exclusively upon Bank assistance for improved municipal management. Finally, this study will not examine municipal compliance with Bank safeguards beyond what has already reported in the existing IEG evaluations.

Evaluation Instruments

As a meta-evaluation analogous to a literature review, the instruments of this review are few and simple, including:

- Review of Bank policy toward municipalities and sub-national government.
- Keyword search in BW to identify MDP portfolio.
- Assembly of descriptive data on portfolio from BW into a relational database.
- Assembly of evaluation statistics of portfolio from BW.
- Compiling evaluation findings from PPARs, GPRs, ICR Reviews and ICRs (also held in a MS Access database).
- Interactions/interviews with Bank anchor and Regional staff and IEG colleagues.

Most of this information collected through these instruments has been assembled into MS Access database. The Evaluation Design Matrix in Annex A shows which evaluation question(s) each evaluation instrument is designed to answer.

Likely Findings

The study's main contribution is likely to be the assembly and synthesis of IEG evaluation findings that already exist, but are little known collectively, given their dispersed dissemination through ICR Reviews and PPARs. This study's own synthesis is likely to include findings related to each of the three elements of city management reviewed by this special study. Under *city planning*, it could mean that more attention needs to be given to broader city development strategies than to localized land use planning. Under *municipal finances*, there could be more evidence of greater financial controls and growth of own revenues, and less of conditional and unconditional transfers that could be significantly more important. Where possible, these findings would refer to the fiscal federalism context in which the observed results were obtained. Under *service provision*, there could be more municipal progress with procurement management than investment planning and appraisal or operations and maintenance. More generally, we can expect the study to show some lag of Bank response and support to municipalities, especially to their growing responsibilities for poverty alleviation and creating an attractive investment climate. The study might come up with other, altogether different findings, too. Where the study identifies principles of good municipal management, attempts will be made through the regional chapters of the report to differentiate how such principles were effectively applied in the specific conditions of a particular Region.

Findings such as these will be very timely and consistent with the 2009 WDR's attention to spatial concentration and the economics of agglomeration, and the importance the WDR gives to efficiently managing the rural:urban transition. Within this framework, the present study's findings on strengthening municipal management may provide some insights into how the Bank can take this new agenda forward.

In addition, the study might point to areas of further evaluation and research, especially those that will not be covered here. These might include a special study of municipal management through case studies of complex metropolitan areas and megacities. There could also be focused case studies with original data collection of selected countries from each Region.

Outreach and Dissemination

The findings of this meta-evaluation—hopefully including for the first time a notion of the scale and scope of Bank MDP assistance across cities—will be especially relevant for Bank operational and anchor staff, working with municipalities in different regions. For that reason, the study findings could be disseminated through a series of workshops for each Region. Internally, (preliminary) study findings will be available as potential input into the forthcoming 2009 World Development Report (WDR) on Spatial Disparities and development policy. Externally, (definitive) study findings could be presented to the Sustainable Cities Conference to be held in September 2008 in Greece and the World Urban Forum to be held in Nanjing, China in October 2008.

Team, Timeline and Budget

The evaluation will be conducted by the Sector Evaluation Division (IEGSE) of IEG, under the overall guidance of Monika Huppi, Manager. The study team will consist of

Roy Gilbert (Task Manager), Kavita Mathur and Nilakshi de Silva (Cons). The Peer Reviewer for his study is the internationally recognized expert on municipal development, Dr. George Peterson, now retired from the Urban Institute.

For delivery to CODE in July 2008, the study will be undertaken over an eight month period between December 2007 and July 2008, with the following milestones:

- Feb 2008 portfolio search and analysis done;
- Mar 2008 assembly of evaluation findings complete;
- Mid-June 2008 draft report for Peer Review;
- End-June 2008 revised draft report to IEG management for One-Stop Review;
- Early-July 2008 report to Operations
- End July 2008 final report to CODE.

Excluding the costs of the associated PPARs, the study budget for FY08 is estimated at US\$75,000 (US\$55,000 staff time; US\$20,000 consultants) and for FY09 at US\$12,500 (US\$10,000 staff time; US\$2,500 consultants). Total cost of US\$87,500.

Annex A: Evaluation Design Matrix

	Evaluation Instruments:				
Evaluation Questions:	Portfolio search in BW/Image Bank	Assembly of descriptive data on portfolio	Assembly of evaluation data of portfolio from BW	Compiling evaluation findings from PPARs, GPRs, ICR Reviews and ICRs.	Interactions/interviews with Bank anchor and Regional staff.
How relevant have MDPs been to the Bank's 2001 urban development strategy?				✓	
How many cities received Bank support for strengthening municipal management through MDPs?	✓	✓			✓
Which institutional development (ID) instruments—technical assistance, training, exchange of experiences, study visits—most effectively strengthened: (i) city planning; (ii) municipal finances; and (iii) service provision, as measured by outcome performance ratings?	✓		✓	✓	✓
Measured by Bank and Borrower performance ratings, how effective did IEG find contributions to improved municipal management by: (i) Bank staff and consultants; (ii) municipal government staff; (iii) higher level government staff; and (iv) others such as communities, staff of private firms and NGOs? (An answer may require disaggregating 'borrower' performance assessments into the national level element and the municipal level element).				✓	✓
Which project mixes of ID and infrastructure investments were most effective in improving municipal management?	✓	✓	✓	✓	
Where and how did M&E best inform project results?			✓	✓	

Annex B: Summary Report Outline

Possible title: Managing Cities—home to half of humanity—Better

(two possible formats: (i) single 48 page report; (ii) 22 page report with 24 pages of regional annexes)

Chapters:

- 1. Why the need, in 2008, for better municipal management of cities? (4 pages)**
- 2. How the Bank has helped municipalities manage cities better (4 pages)**
- 3. Improved city planning (4 pages)**
- 4. Stronger municipal finances (4 pages)**
- 5. Better service provision (4 pages)**
- 6. Results by Region (could be self-standing annexes):**
 - a. Africa (4 pages)**
 - b. East Asia (4 pages)**
 - c. Europe and Central Asia (4 pages)**
 - d. Latin America (4 pages)**
 - e. Middle East/North Africa (4 pages)**
 - f. South Asia (4 pages)**
- 7. Lessons. (2 pages)**

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