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Decree Law number (25) for the year 2016
Regarding the Municipalities development and Lending Fund

The President of the State of Palestine

Chairperson of the Executive Committee of the Palestine Liberation Organization.

Based on the provisions of the amended Basic Law for the year 2003 and its amendments, particularly the provisions of article (43) thereof,

and having reviewed the Local Authorities Law number (1)

for the year 1997 and its amendments,

and upon recommendation by the Council of Ministers on

17. November. 2011

and based on the powers vested in me by the law,

and to serve public interest,

and in the name of the Arab Palestinian People

We have issued the following Decree Law

Article (1)

Definitions

The following terms and phrases contained in this decree law shall have the specific meanings assigned below unless indicated otherwise by the context:

The Government: Government of the State of Palestine.

Council of Ministers: Council of Ministers of the State of Palestine.

MDLF: Municipal Development and Lending Fund (MDLF).

Local Authority (Local Government Unit): A local government unit with specific territorial and administrative jurisdiction, including municipalities and other local government units.

The Board: Board of Directors of MDLF.

Chairperson: Chairperson of MDLF Board.

Members: Members of MDLF Board of Directors.

Director General: Director General of MDLF.

Article (2)

Legal Personality

- 1- Under the provision of this decree law, a fund is hereby established under the name "Municipal Development and Lending Fund" and shall enjoy Legal Personality and financial and administrative independence, and is entitled to conduct all type of business to achieve its goals; it shall be under direct supervision of the Council of Ministers.
- 2- MDLF shall be headquartered in the city of Jerusalem, and shall have a temporary seat in Ramallah and Al-Biereh Governorate; It shall have the right to establish other branches in any other location in Palestine.

Article (3)

MDLF Goals and Objectives

MDLF aims to:

- 1- Contribute to the development of local authorities and building their capacities.
- 2- Providing grants and loans to local authorities for the financing of development projects and their facilities.
- 3- Assisting local authorities to overcome the financial and administrative and technical difficulties they may face when providing services within their territorial boundaries.

Article (4)

MDLF Mandate

MDLF shall have the following powers and responsibilities:

- 1- Managing MDLF assets in accordance with the provisions specified in this law and the regulations issued thereunder.
- 2- Channeling aid from the government and donor countries to finance development projects and to provide and develop the administrative and financial systems of local authorities to support and develop the services provided directly through its facilities, and to develop their credit and investment capacities.

- 3- Developing the capacities of local authorities in conformity with modern administration practices which will optimize services provided to the public.
- 4- Assisting and supporting local authorities to achieve sustainable development and to develop their capacities in this respect.
- 5- Encouraging local authorities to adopt developmental projects to realize their development plans.
- 6- Providing soft loans to local authorities, which they can repay through their revenues.
- 7- Conducting studies and providing the necessary information to the Ministry of Local Government for policies pertaining to the development of the local government sector.
- 8- Working to expand the range of financial resources made available to local authorities and developing their economies through promoting investment.
- 9- Publishing financial and administrative reports on MDLF activities in accordance with **proper** accounting standards and good governance, and adopting financial and administrative transparency in MDLF work, and enabling the public access to the results of its activities and of the allocation and spending of its funds.
- 10-Obtaining loans and credit lines from banks to enable MDLF perform its duties and activities, as approved by the Council of Ministers.
- 11-Monitoring local authorities' use of loans and grants referred to them, to ensure they are used for the purposes they were made.

Article (5)

MDLF Administration

- 1- Responsibility for general supervision of MDLF shall be undertaken by a board of directors comprising nine members as follows:
 - a- Minister of Local Government, chairperson.
 - b- A representative of the Ministry of Finance and Planning.
 - c- A representative of the Ministry of Public Works and Housing.
 - d- Chairperson of the Association of Palestinian Local Authorities.
 - e- Two heads of local authorities appointed by the Council of Ministers upon recommendation of the Minister of Local Government.
 - f- Chairperson of the Association of Engineers.
 - g- A representative of the Palestine Monetary Authority.
 - h- A representative of civil society appointed by the Council of Ministers upon recommendation of the Minister of Local Government.

- 2- Members of the BOD must have the necessary experience and expertise; representatives of competent ministries may not be in a grade of less than Director General.
- 3- The Board of Directors shall elect in its first meeting a vice chairperson from amongst its members to assume the duties of the chairperson in case of his/her absence.
- 4- The Council of Ministers shall issue a special regulation relevant to the remunerations of the members and chairpersons of the Board of Directors.

Article (6)

Board of Directors' Mandate

The Board of Directors shall be tasked with the following duties:

- 1- Devising the general policies for the Fund and supervising their implementation.
- 2- Drafting MDLF policies on MDLF own loans and the loans it grants to local authorities.
- 3- Ratifying and amending MDLF financial and administrative system and submit it to the Ministerial Council for endorsement
- 4- Ratifying and amending Procedural Manuals, consistent with MDLF internal bylaws
- 5- Set the standards and mechanisms relevant to funds and loans allocation and financial transfers to local authorities in a manner that guarantees fair distribution of funds and loans to achieve public interest.
- 6- Auditing and ratifying MDLF accounts and budget.
- 7- Establishing committees as needed for the conduct of its business.
- 8- Contracting an independent external auditor to audit MDLF financial statements and reports.
- 9- Adopting the annual activity and progress reports and submitting them to the Ministerial Council.

Article (7)

Term of Membership

- 1- Term of membership in the BOD shall be four years, and shall not be renewable with the exception provisions of sections (d and f) of paragraph (1) of article (5); in case of resignation of a member or termination of his/her membership on the BOD or in the event of vacancy of any BOD seat prior to the elapse of the membership term stated herein, another member shall be appointed to replace the departing member from the same entity this latter represented.

- 2- Notwithstanding the provisions in paragraph (1) above, the entity recommending its representative member shall have the right to replace this member whenever it sees fit.

Article (8)

Membership Vacancy

The membership seat is considered vacant in the following situations:

- 1- Resignation.
- 2- Loss of representative character.
- 3- Loss of legal capacity.
- 4- Death.
- 5- Member's absence from three consecutive sessions without a legitimate excuse acceptable to the board.
- 6- Conviction of the member by a competent court for felony, misdemeanor or act against honor or integrity.

Article (9)

Board Sessions

- 1- The board shall convene its regular sessions once every three months upon invitation of its chairperson, who shall chair the sessions.
- 2- The board shall convene its extraordinary sessions whenever necessary upon invitation of the chairperson, or request submitted by one third of its members or by the Director General.

Article (10)

Board Meetings and Decision Making

- 1- Quorum for BOD meetings shall be achieved with the presence of simple majority of its members provided that the chairperson or his/her vice-chairperson is present.
- 2- Board decisions shall be made by majority of votes of the attending members, should there be a tie, the chairperson shall then have the casting vote.
- 3- Notwithstanding the provisions in paragraph (2) of this article, the decisions of the board are made by the majority of two thirds of its members in the following matters:
 - a- The approval and amendment of MDLF financial and administrative system or any other system, submission to the Council of Ministers for ratification.
 - b- The approval and amendment of the internal bylaws.
 - c- To facilitate and provide loans to the local authorities.

- d- Placement and appointment or dismissal of the Director General.

Article (11)

Invitation of Experts and Specialists

The BOD has right to invite any experts and specialists it deems fit to attend its sessions to seek their opinion on any matter presented to the Board without them having the right to vote.

Article (12)

Duties of the Chairperson

- 1- The Chairperson of the Board is assigned the following duties:
 - a- Publication of any reports or procedures pertaining to the Fund's policy.
 - b- Signature of MDLF agreements and contracts including any agreements with donor countries.
 - c- Supervision over the work of the committees appointed by the BOD.
 - d- Representation of MDLF at conferences and official meetings.
 - e- Ensuring implementation of MDLF policies and strategies, as approved by BOD, pertaining to the sector of local government.
- 2- Delegation of any of his/her authorities to his/her deputy or any BOD member.
- 3- Seconding, in writing, any person he/she deems fit to represent BOD before courts and other official entities.

Article (13)

MDLF Staff

- 1- The Council of Ministers shall issue the financial and administrative system applicable to MDLF staff upon the recommendations of the BOD.
- 2- Staff's salaries shall be deducted from the Fund's budget.

Article (14)

Appointing the Director General

The Director General shall be appointed by decision of the Council of Ministers upon recommendation of the BOD for a period of four years, renewable for one additional term, and must fulfill the following conditions:

- 1- To be a Palestinian.

- 2- To be of good conduct and reputation and not convicted by a competent court for felony, misdemeanor or act against honor or integrity.
- 3- Have the necessary experience and qualifications in the MDLF area of business.

Article (15)

Duties of the Director General

The Director General shall have the following duties:

- 1- Propose MDLF policy and strategy, and submit it to the BOD for approval.
- 2- Communicate and follow-up with local authorities to clarify MDLF policies and work procedures.
- 3- Enforce the regulations issued in accordance with this law, and implement the directives and decisions issued by the Board of Directors; he/she shall be accountable to the BOD.
- 4- Monitor MDLF administrative cadre.
- 5- Nominate heads of departments for the approval of the BOD.
- 6- Participate in BOD meetings, but without having the right to vote, while enjoying the right to present his/her opinion and reservations.
- 7- Issue instructions, procedures and rules to regulate MDLF activities and relations with stakeholders within the scope of the policies ratified by the BOD.
- 8- Prepare the statement of account for the elapsed fiscal year and submit to the BOD before the end of March of the next fiscal year.
- 9- Draft the annual plan and the estimated annual budget for the next year and present it to the Board of Directors sixty days before the start of the new fiscal year.
- 10- Submit a report to the BOD prior to any of its sessions.
- 11- Follow-up on the implementation of MDLF action plan and its budget, as approved by the Board of Directors.
- 12- Any other duties or tasks designated to MDLF by the financial and administrative system, or any other authorities delegated to him/her by the Board of Directors.

Article (16)

MDLF Financial Resources

- 1- MDLF financial resources shall comprise the following:
 - a- Annual financial aid provided by the government.
 - b- Lines of credit and loans approved by the Council of Ministers.
 - c- Aid and non-conditional grants.

- d- Any other financial resources approved by the Council of Ministers.
- e- Proceeds derived from management of MDLF assets.
- 2- A share of MDLF financial resources shall be allocated, as approved by the BOD and agreed upon with donors.
- 3- MDLF assets shall be deemed as public funds.

Article (17)

MDLF Oversight

In the exercise of its financial and administrative works, MDLF shall be subject to oversight regimes applicable in the State of Palestine.

Article (18)

Capacity to borrow and debt management

- 1- Upon approval of the Council of Ministers, MDLF may borrow funds from banks or financial institutions in accordance with the banking rules and regulations in force in Palestine.
- 2- The Board of Directors through its chairperson or the person delegated thereby, shall be the sole entity authorized to sign the MDLF borrowing agreements, and shall follow-up on the MDLF debt following the approval of the Council of ministers.

Article (19)

MDLF Budget

- 1- MDLF fiscal year starts on the first day of January and ends on the thirty first day of December each year.
- 2- The budget must be submitted to the Board of Directors for approval sixty days before the start of the new fiscal year.
- 3- The Board of Directors shall approve the final budget thirty days from the start of the new fiscal year, and if approved, it shall be included in the annual report presented to the Council of Ministers.
- 4- The Director General may not transfer allocations from one chapter to another or from one article to another unless by a decision or authorization of the Board of Directors.
- 5- The budget must reflect the true status of the Fund up until the last day of the fiscal year, and must contain the following:
 - a- Matrix of MDLF projected revenues and expenses for the current and next fiscal years.
 - b- Matrix of projected budget for the next fiscal year, showing revenues and expenses.
 - c- A table showing the financial status of MDLF accounts.

- d- A table showing MDLF internal and external debts or short or long term loans, and the proposed plans to collect or repay these debts.
- e- A table showing the contributions of the Palestinian Authority (PA) and donor countries to MDLF revenues.
- f- Any further clarifications the BOD sees fit to add.

Article (20)

Budget Surplus

MDLF shall use the budget surplus to fund the carried over deficit or to increase the reserve.

Article (21)

Fund's assets and bank accounts

- 1- All MDLF revenues and receivables shall be deposited in a special account at one of the chartered banks based on the decision of the board of directors.
- 2- MDLF shall open and maintain a consolidated account named "MDLF Account" to which all revenues and loans and grants and remittances from the government and donors shall flow, and from which all disbursement shall be made.
- 3- MDLF account is composed of the total of assets allocated to MDLF by virtue of the provisions of this law; all disbursements and expenditures approved by the BOD shall be made out of MDLF account.
- 4- The necessary procedures to administer and maintain, and how to receive and disburse, book-keeping and accounting records, and drafting the annual budget and balance sheets and other related matters, shall be regulated by a special financial regulation issued by the Council of Ministers and recommended by the Board of Directors.
- 5- Following the approval of the Board of Directors, the chairperson of the board shall present the Council of Ministers with a balance sheet for the ending fiscal year within a period not exceeding four months of its end.

Article (22)

Taxes

- 1- MDLF shall enjoy the same tax exemptions granted to government bodies.
- 2- MDLF shall be registered with the VAT Department and shall be subject to VAT regulations and instructions in the conduct of its business.

Article (23)

Dissolving the Fund

- 1- MDLF may not be dissolved or liquidated unless by decision of the Council of Ministers.

2- In the case of MDLF dissolution, all its assets shall be transferred to the Public Treasury.

Article (24)

Annulment

This Council of Ministers shall issue the necessary regulations to implement the provisions of this decree law upon recommendation of the Board of Directors.

Article (25)

Any provisions contradicting with this decree law shall be repealed.

Article (26)

Submission to the Legislative Council

This decree law shall be submitted to the Legislative Council for ratification on the first session it convenes.

Entry into force and publication

All competent authorities, each in their respective area of competence, shall implement the provisions of this decree law, which shall enter into effect thirty days after publication in the Official Gazette.

Issued in the city of Ramallah on 10.November.2016

Mahmoud Abbas

President of the State of Palestine

Chairperson of the Executive Committee of the Palestine Liberation Organization

