

**Local Government Units Development and Lending  
Fund**

**Financial Statements  
For the Year Ended December 31, 2022**

**Together with Independent Auditors' Report**

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## Independent Auditors' Report

**The Board of Directors  
Local Government Units Development and Lending Fund  
Ramallah**

### *Opinion*

We have audited the accompanying financial statements of the Local Government Units Development and Lending Fund (MDLF) which comprise the statement of financial position as at December 31, 2022, the statement of activities and change in net assets and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MDLF as of December 31, 2022, the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis of Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of MDLF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing MDLF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate MDLF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MDLF's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDLF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MDLF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the



financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MDLF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Mazars**  
(Permit No. 203/2012)



**Musa Abu Dieh**  
(Permit No. 223/1994)

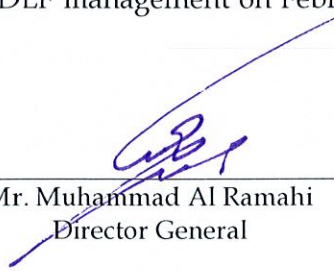
Ramallah, Palestine  
February 13, 2023

**Local Government Units Development and Lending Fund**  
**Statement of Financial Position**  
**As at December 31, 2022**  
*(Currency: USD)*

	<u>Note</u>	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>			
<b>Non-current Assets</b>			
Property and Equipment, Net	4	572,196	146,534
<b>Total Non-current Assets</b>		<b>572,196</b>	<b>146,534</b>
<b>Current Assets</b>			
Pledges Receivable	5	40,862,515	64,208,383
Prepaid Expenses and Other Current Assets	6	659,830	1,865,403
Cash and Cash Equivalents	7	45,945,316	55,201,382
<b>Total Current Assets</b>		<b>87,467,661</b>	<b>121,275,168</b>
<b>Total Assets</b>		<b>88,039,857</b>	<b>121,421,702</b>
<b><u>NET ASSETS AND LIABILITIES</u></b>			
<b>Net Assets</b>			
Restricted	8	63,748,213	94,196,162
Unrestricted		7,713,721	7,095,349
<b>Total Net Assets</b>		<b>71,461,934</b>	<b>101,291,511</b>
<b>Non-current Liabilities</b>			
Provision for Provident Fund	9	1,672,513	1,659,340
Provision for End of Service Benefits	10	1,882,215	1,945,212
<b>Total Non-current Liabilities</b>		<b>3,554,728</b>	<b>3,604,552</b>
<b>Current Liabilities</b>			
Accrued Expenses and Other Current Liabilities	11	13,023,195	16,525,639
<b>Total Current Liabilities</b>		<b>13,023,195</b>	<b>16,525,639</b>
<b>Total Liabilities</b>		<b>16,577,923</b>	<b>20,130,191</b>
<b>Total Net Assets and Liabilities</b>		<b>88,039,857</b>	<b>121,421,702</b>

- These financial statements were approved for issuance by MDLF management on February 13, 2023 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Mr. Eyad Othman  
 Financial Manager

  
 \_\_\_\_\_  
 Mr. Muhammad Al Ramahi  
 Director General

*The Accompanying Notes form an Integral Part of these Financial Statements*

**Local Government Units Development and Lending Fund**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2022**  
*(Currency: USD)*

	<u>Note</u>	<u>2022</u>	<u>2021</u>
<b><u>Changes in Unrestricted Net Assets</u></b>			
MDLF Management Fees	12	3,826,051	5,284,479
Interest Income		250,748	579,448
Other Revenues	13	241,925	6,349
<b>Total Revenues, Gains and Other Support</b>		<b>4,318,724</b>	<b>5,870,276</b>
Released from Restricted Net Assets	8	54,637,973	75,529,311
<b>Total Revenues</b>		<b>58,956,697</b>	<b>81,399,587</b>
<b>Expenses</b>			
Projects' Expenses and Management Fees	12	54,811,640	75,593,584
General and Administrative Expenses	14	3,121,483	2,964,222
ICUD Paid End of Service Benefits		57,532	
Depreciation Expenses	4	59,231	53,863
Currency Variance Loss	15	288,439	2,129,175
<b>Total Expenses</b>		<b>58,338,325</b>	<b>80,740,844</b>
<b>Net Change in Unrestricted Net Assets</b>		<b>618,372</b>	<b>658,743</b>
<b><u>Changes in Restricted Net Assets</u></b>			
Grants and Donations	8	28,665,134	63,870,300
Net Assets Released from Restriction - Management Fees	8	(3,826,051)	(5,284,479)
Net Assets Released from Restriction - Projects' Expenses	8	(50,811,922)	(70,244,832)
Grants Written-off During the Year	8	(65,441)	(349,981)
Currency Variance	8	(4,409,669)	(6,394,337)
<b>Net Changes in Restricted Net Assets</b>		<b>(30,447,949)</b>	<b>(18,403,329)</b>
<b>Change in Net Assets</b>		<b>(29,829,577)</b>	<b>(17,744,586)</b>
<b>Net Assets, Beginning of Year</b>		<b>101,291,511</b>	<b>119,036,097</b>
<b>Net Assets, End of Year</b>		<b>71,461,934</b>	<b>101,291,511</b>

*The Accompanying Notes form an Integral Part of these Financial Statements*

**Local Government Units Development and Lending Fund**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2022**  
*(Currency: USD)*

	<b>2022</b>	<b>2021</b>
<b><u>Cash Flows from Operating Activities</u></b>		
<b>Change in Net Assets</b>	<b>(29,829,577)</b>	<b>(17,744,586)</b>
<b><u>Adjustments:</u></b>		
Depreciation	59,231	53,863
End of Service Benefits and Provident Fund Expenses	(813)	574,986
<b>Adjustments to Reconcile Changes in Net Assets to Net Cash Flow from Operating Activities:</b>		
Decrease in Pledges Receivable	23,345,868	10,401,174
Decrease in Prepaid Expenses and Other Current Assets	1,205,573	78,062
(Decrease) increase in Accrued Expenses and Other Current Liabilities	(3,502,444)	4,646,859
Paid Provident Fund Benefits	(25,861)	(161,687)
Paid End of Service Benefits	(23,150)	(212,442)
<b>Net Cash Flow (Used in) Operating Activities</b>	<b>(8,771,173)</b>	<b>(2,363,771)</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of Property and Equipment	(484,893)	(29,341)
<b>Net Cash (Used in) Investing Activities</b>	<b>(484,893)</b>	<b>(29,341)</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(9,256,066)</b>	<b>(2,393,112)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>55,201,382</b>	<b>57,594,494</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>45,945,316</b>	<b>55,201,382</b>

*The Accompanying Notes form an Integral Part of these Financial Statements*



**Local Government Units Development and Lending Fund**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2022**  
*(Currency: USD)*

## **1. MDLF and its Activities**

The Local Government Units Development and Lending Fund (MDLF) had been established according to Cabinet Decree No. 05/13/12 dated August 2007. MDLF is a semi-governmental juridical independent organization aiming at accelerating Palestine's drive toward self-sustained, decentralized, prosperous and creditworthy local government units. The main objective of MDLF is to encourage the flow of financial resources to Local Government Units (LGU). According to Decree by Law No. 25 dated November 10, 2016, MDLF shall undertake the following missions: -

- Management of funds received through support from the Palestinian National Authority (PNA) or provided by donor countries or any other sources in compliance with the terms and conditions specified in MDLF's internal bylaws.
- Assist local authorities develop their capacities in compliance with the bases of modern management practices to help them provide better services to the public.
- Guide assistance from donor countries and provide modern fiscal services to support and develop the services offered to local authorities and to improve their credit abilities.
- Encourage local authorities to adopt developmental projects to expand their geographic jurisdiction so as to serve their developmental plans.
- Facilitate and provide loans to local authorities and follow up the expenditures thereof from their revenues.

MDLF is structured to ensure an efficient, transparent, and professional institution capable of fulfilling its mission and objectives, and comprises a Board of Directors, executive departments, and other advisory committees.

The Board of Directors is the policy and strategy setting authority responsible for the direction and performance of MDLF. The Board comprises nine voting directors and includes representatives of the core ministries involved in utilizing the fund including the Ministry of Local Government (the Minister is the Chairman of the Board), the Ministry of Finance, and the Ministry of Public Works and Housing, in addition to the Head of Association of Palestinian Local Authorities (APLA), two members from the local authorities, the Captain of Palestinian Engineers, the Palestine Monetary Authority and a member from the civil society.

## **2. Accounting Policies**

### **2.1 Basis of Preparation**

The financial statements have been prepared on a going concern basis using the historical cost convention and presented in USD. Currently, International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board ("IASB"), do not include specific standards for the Not-for Profit sector, especially in connection with revenue recognition and financial statements

presentation. Therefore, MDLF management developed and applied accounting policies, in the preparation of the accompanying financial statements, in line with IFRS standards applicable to transactions similar to those of MDLF and with consideration of general IFRS principles included in IASB framework. The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the entity's accounting policies.

These financial statements were approved for issuance by MDLF management on February 13, 2023.

## **2.2 IFRS and Related Amendments**

### **Issued Accounting Standards/Pronouncements Which Became Effective in 2022**

#### ***Amendments to IFRS 3: Reference to the Conceptual Framework***

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (1989) with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, *Levies*, if incurred separately. The amendments also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The new guidance is effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. These amendments had no material impact on the accompanying financial statements.

#### ***Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use***

In May 2020, the IASB issued an amendment to IAS 16 *Property, Plant and Equipment (PP&E)* which seeks to clarify the way entities should account for the proceeds from sale, and the related production costs, of items produced by the relevant plant or equipment prior to it being available for its intended use. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. The amendment did not have an impact on the accompanying financial statements.

#### ***Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract***

In May 2020, the IASB issued amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The new guidance is effective for annual periods beginning on

or after January 1, 2022 and applied to contracts that have unfulfilled obligations as at the beginning of that period. This amendment had no impact on the accompanying financial statements.

### ***Annual Improvements to IFRS Standards 2018–2020***

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS. In May 2020, the IASB issued the following amendments to IFRS:

- *IFRS 1: First-time Adoption of International Financial Reporting Standards*– The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRS. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment did not have an impact on the accompanying financial statements.
- *IFRS 9: Financial Instruments*–The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment did not have material impact on the accompanying financial statements.
- *IFRS 16 Leases*– The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment had no impact on the accompanying financial statements.
- *IAS 41 Agriculture*– The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted. The amendment had no impact on the accompanying financial statements.

### **Issued But Not Yet Effective Accounting Pronouncements**

MDLF has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### ***Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date***

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- Specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the entity has a right to defer settlement of a liability by at least twelve months;
- Provide that management's expectations are not a relevant consideration as to whether the entity will exercise its rights to defer settlement of a liability; and
- Clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual periods beginning on or after January 1, 2023 and is to be applied retrospectively. MDLF has not yet determined the impact of these amendments on its financial statements.

#### ***Amendments to IAS 8: Definition of Accounting Estimate***

In February 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in which it introduces a new definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify the measurement techniques and inputs used to develop accounting estimates. The new guidance will be effective for annual periods beginning on or after January 1, 2023, with earlier application permitted, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date.

#### ***Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies***

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgments*, to provide guidance in the application of materiality judgments to accounting policy disclosures. These amendments also replaced the requirement for disclosures around 'significant' accounting policies with a requirement to disclose 'material' accounting policies.

The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted as long as this fact is disclosed. MDLF expects the impact of these amendments on its financial statements to not be material.

#### ***Amendments to IFRS 17 Insurance Contracts***

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts. In June 2020, the IASB issued amendments to IFRS 17. These amendments included changing the effective date to 2023.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The amendment is effective for annual periods beginning on or after January 1, 2023. MDLF expects the impact of these amendments on its financial statements to not be material.

## 2.3 Estimates and Assumptions

The preparation of the financial statements involves certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the statement of financial position date, and the reporting of revenue, expenses, gains, and losses during the year. As these estimates are used, actual results may differ from estimates and may require an adjustment to the carrying amounts of future assets or liabilities.

Key estimates and assumptions used in the preparation of the financial statements are as follows:

- **Collectability of Pledges Receivable-** A periodic review is performed on the carrying balance of pledges receivable to assess its collectability. Provisions are established whenever events or changes in circumstances indicate that the carrying value of these receivables may not be collectable. Established provisions, if any, are reflected in the statement of activities and changes in net assets.
- **Employees End of Service Benefits Provision;** Provision for employees end of service benefits is maintained and calculated in accordance with Palestinian Labour Law.

## 2.4 Summary of Significant Accounting Policies

The accounting policies applied in the preparation of the financial statements have been consistently applied among all years. The significant accounting policies are set out below.

### *General*

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as unrestricted and restricted. Unrestricted net assets are those whose use by MDLF is not subject to donor-imposed stipulations. Restricted net assets are those whose use by MDLF has been limited by donors' specific time period or purpose.

### *Restricted net assets*

Unconditional promises to give cash, with no donor-imposed restriction on use, are recognized as revenues at the date promises to give are made. Unconditional promises to give cash, with donor-imposed restriction on use, are recorded as restricted net assets at the date promises to give are made, and recognized as revenues when the related costs are incurred. Unconditional promises with donor-imposed restriction are promises that depend only on passage of time and certain performance requested by the promising donors. Conditional promises to give and indications of intention to give are recorded at the fair market value at the date contribution is received by MDLF.

### *Property and equipment*

Property and equipment are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:



	<u>%</u>
Vehicles	10-15%
Office equipment	10-20%
Furniture and fixtures	10-20%
Computer software	7-20%

The cost of the property and equipment includes all the expenditures incurred so as to make the assets ready for use. Any subsequent expenditure is capitalized only when they increase the future economic benefits of the related asset.

***Pledges receivable***

Pledges receivable are stated at the original amount of the signed agreement less the amount received, uncollectable amount (if any) and currency variances resulting from the fact that original agreements with the donors may be in currencies other than USD.

***Cash and cash equivalents***

Cash and cash equivalents include cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

***Provision for provident fund***

MDLF established a provident fund plan for its employees whereby MDLF deducts 5% from employees' salaries and contributes 10% from its own funds.

***Provision for end of service benefits***

End of service benefits are provided for in accordance with the local labour laws (law number 7 of the year 2000) and MDLF's bylaw.

***Accruals and other current liabilities***

Accruals and other current liabilities are recognized for the amounts to be paid in the future for goods and services received, whether or not a bill is received from the supplier.

***Revenue recognition***

Donations and contributions with donor-imposed restriction on use are recorded as pledges receivable and restricted net assets upon signing of the agreement with the donor. During the yearly close out process, the amount of expenses incurred is recognized as revenue under net assets released from restrictions and the restricted net assets account is reduced thereof.

***Expenses***

Expenses are recorded by MDLF when incurred in accordance with the accrual basis of accounting, regardless of the date of actual payment.

***Foreign currencies***

MDLF's basic functional currency is the U.S. Dollar (USD). Transactions which are expressed or denominated in other currencies were translated to USD using exchange rates in effect at the time of each transaction. Assets and liabilities which are denominated in other currencies are translated to USD using exchange rates prevailing at the date of the statement of financial position. Gains and losses arising from the translation are reflected in the statement of activities.

Exchange rates against USD as at the statement of financial position date were as follows:

<u>Currency</u>	<u>2022</u>	<u>2021</u>
One New Israeli Shekel (ILS)	0.284	0.321
One Euro (EUR)	1.064	1.132
One Swiss Franc (CHF)	1.081	1.092

### 3. Financial Risk Management

#### • Credit risk:

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Analysis of this risk is presented in the following section by quality of credit.

<u>Item</u>	<u>Carrying amount</u>
Pledges receivable	40,862,515
Cash and cash equivalents	45,945,316

- MDLF has a total amount of USD 40,862,515 as pledges receivable from the donors. MDLF management believes that the risk of default of its donors is low.
- MDLF has an amount of USD 45,945,316, mainly as cash at local banks with moderate credit rating.

#### • Liquidity risk:

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The schedule below presents expected cash outflows resulting from financial liabilities broken down by time brackets:

<u>Item</u>	<u>Expected timing of cash outflow</u>		
	<u>Carrying Amount</u>	<u>0 - 6 Months</u>	<u>7 Months - 1 Year</u>
Accrued expenses and other current liabilities	13,023,195	13,023,195	-
	<u>13,023,195</u>	<u>13,023,195</u>	<u>-</u>

- MDLF expect to pay an amount of USD 13,023,195 during the first 6 months of the year 2023. MDLF will use the available cash to settle these obligations.

#### • Market risk:

Market risk is defined as the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

The main market risk faced by MDLF is foreign exchange risk. Currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Fluctuations in the exchange rates against USD resulted in a loss of USD 288,439 and USD 2,129,175 for the years ended December 31, 2022 and 2021 respectively.

#### 4. Property and Equipment, Net

Composition of property and equipment and movement thereon during the year follow: -

	2022					Total
	Building	Vehicles	Office Equipment	Furniture & Fixtures	Computer Software	
<b>Cost</b>						
Balance as of Jan. 1, 2022	-	225,500	328,232	156,145	64,962	774,839
Additions	* 40,676	285,000	149,572	2,407	7,238	484,893
Disposals	-	(119,000)	-	-	-	(119,000)
<b>Balance as of Dec. 31, 2022</b>	<b>40,676</b>	<b>391,500</b>	<b>477,804</b>	<b>158,552</b>	<b>72,200</b>	<b>1,140,732</b>
<b>Accumulated Depreciation</b>						
Balance as of Jan. 1, 2022	-	162,968	293,754	110,744	60,839	628,305
Additions	-	21,437	25,936	10,827	1,031	59,231
Disposals	-	(119,000)	-	-	-	(119,000)
<b>Balance as of Dec. 31, 2022</b>	<b>-</b>	<b>65,405</b>	<b>319,690</b>	<b>121,571</b>	<b>61,870</b>	<b>568,536</b>
<b>Net Book Value as of December 31, 2022</b>	<b>40,676</b>	<b>326,095</b>	<b>158,114</b>	<b>36,981</b>	<b>10,330</b>	<b>572,196</b>

\* This amount represents the building permit fees and engineering consultancy fees for MDLF's building under construction.

	2021				Total
	Vehicles	Office Equipment	Furniture & Fixtures	Computer Software	
<b>Cost</b>					
Balance as of Jan. 1, 2021	225,500	305,912	149,124	64,962	745,498
Additions	-	22,320	7,021	-	29,341
Disposals	-	-	-	-	-
<b>Balance as of Dec. 31, 2021</b>	<b>225,500</b>	<b>328,232</b>	<b>156,145</b>	<b>64,962</b>	<b>774,839</b>
<b>Accumulated Depreciation</b>					
Balance as of Jan. 1, 2021	141,668	273,619	99,085	60,070	574,442
Additions	21,300	20,135	11,659	769	53,863
Disposals	-	-	-	-	-
<b>Balance as of Dec. 31, 2021</b>	<b>162,968</b>	<b>293,754</b>	<b>110,744</b>	<b>60,839</b>	<b>628,305</b>
<b>Net Book Value as of December 31, 2021</b>	<b>62,532</b>	<b>34,478</b>	<b>45,401</b>	<b>4,123</b>	<b>146,534</b>

## 5. Pledges Receivable

Composition of pledges receivable and movement thereon during the year follow: -

Program	Donor / Detail	Balance, Beginning of Year	Addition during the Year	Received during the Year	Currency Variance	Write-Off	Balance, End of Year
MDP Phase III	Palestinian National Authority (PNA)	7,624,925	-	-	(456,687)	-	7,168,238
	The European Union (EU)	7,358,000	-	(6,564,250)	270,450	-	1,064,200
	Multi-Donor Trust Fund (MDTF) -COVID 19 - Component 6	6,306,997	-	(6,073,482)	-	-	233,515
	The Swiss Federal Department of Foreign Affairs (FDFA)	246,776	-	-	(14,780)	-	231,996
	The International Development Association (IDA) -COVID 19 - Component 6	9,117,725	-	(8,965,751)	-	-	151,974
	Agence Française de Development (AFD)	3,266,998	-	(3,222,191)	(33,227)	-	11,580
	IDA	472,891	-	(468,083)	-	-	4,808
	Kreditanstalt für Wiederaufbau (KfW)-COVID 19 – Component 6	8,622,766	-	(9,311,369)	688,603	-	-
	Agence Française de Development (AFD)-COVID 19 - Component 6	8,490,000	-	(9,167,997)	677,997	-	-
	MDTF	520,072	-	(520,072)	-	-	-
	Multi-Donor Trust Fund (MDTF)	328,981	-	(322,119)	-	(6,862)	-
	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	288,682	77,842	(360,398)	(4,663)	(1,463)	-
	Kreditanstalt für Wiederaufbau (KfW)	75,300	-	(74,548)	(752)	-	-
	The International Development Association (IDA)- Component 5	8,093	-	(8,093)	-	-	-
MDP Phase II	PNA	7	-	-	-	-	7
Other Programs/ projects	MDPIV-Danish	-	15,974,213	-	145,947	-	16,120,160
	Jericho Multi Site Regeneration Project (MSR) - AFD	4,914,976	-	(913,384)	(201,820)	-	3,799,772
	SVC-area C	-	4,000,000	(700,000)	-	-	3,300,000
	GVCDD-Phase 2	-	3,400,000	(370,000)	-	-	3,030,000
	JS Area C Danish	-	1,711,523	-	15,637	-	1,727,160
	EU-DPW-area C Package 6	-	2,146,800	(741,951)	(12,041)	-	1,392,808
	EU Area C 5	1,134,262	-	-	(67,935)	-	1,066,327
	ENABLE-LGRDP II	-	950,563	(285,169)	47,997	-	713,391
	Gaza Solid Waste Management Project (GSWMP - IDA)	2,979,093	-	(2,465,633)	-	-	513,460
	LGSIP- MDTF	660,001	-	(410,019)	-	-	249,982
	GIZ - RPS-GAZA	-	404,193	(323,354)	2,297	-	83,136
	Gaza Solid Waste Management Project (GSWMP – AFD)	1,228,464	-	(1,340,967)	169,619	(57,116)	-
	Integrated Cities and Urban Development Project (ICUD) - IDA	563,374	-	(563,373)	-	-	1
		<b>64,208,383</b>	<b>28,665,134</b>	<b>(53,172,203)</b>	<b>1,226,642</b>	<b>(65,441)</b>	<b>40,862,515</b>

## 6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise: -

	<u>2022</u>	<u>2021</u>
Advances to LGUs & contractors	596,471	1,784,183
Prepaid expenses	61,888	76,602
Due from employees	1,471	4,618
	<u><b>659,830</b></u>	<u><b>1,865,403</b></u>

## 7. Cash and Cash Equivalents

Cash and cash equivalents comprise: -

<u>Program</u>	<u>Donor / Detail</u>	<u>2022</u>	<u>2021</u>
	Petty cash	3,398	5,133
MDLF	Current accounts	3,114,766	4,206,751
	ESB and provident fund accounts	4,283,161	4,039,685
	KfW -COVID 19 - Component 6	11,865,270	10,699,663
MDP Phase III Cycle II	IDA-COVID 19 - Component 6	7,180,323	2,934,185
	AFD -COVID 19 - Component 6	4,470,901	849,991
	MDTF-COVID 19- Component 6	4,396,027	1,546,908
	AFD	1,313,971	1,116,176
	KfW	1,055,173	8,997,565
	EU	770,144	15,708
	IDA- Component 5	16	2,542,325
	GIZ	1	193,828
	MDTF	-	1,422,716
	MDP Phase III Cycle I	MDTF	1,219,287
IDA		766,985	2,752,746
FDFA		49,779	1,206,396
PNA		1,228	1,305
VNG		3	4
KfW		1	157,486
MDP Phase II	PNA	3,348	13,977
MDP Phase I	PNA	5	5
Other Programs/ projects	GSWMP - IDA	1,376,200	1,987,186
	EU Area C 5	1,308,048	4,218,289
	EU-DPW-area C Package 6	718,008	-
	SVC-area C	704,530	-
	GIZ - RPS-GAZA	332,458	-
	GVCD-Phase 2	305,923	-
	ENABLE-LGRDP II	305,739	-
	ICUD - IDA	209,771	1,661,386
	MSR - AFD	190,626	217,135
	LGSIP - MDTF	232	(2,689)
	LGSIP - KfW	-	1,109,515
	GSWMP - AFD	-	118,739
	Area C Infrastructure - FDFA	-	65,659
	GVCD - FDFA	-	45,530
Other donors	-	96	
LGSIP- IDA	(6)	(7)	
		<u><b>45,945,316</b></u>	<u><b>55,201,382</b></u>



## 8. Restricted Net Assets

Composition of restricted net assets and movement thereon during the year follow: -

Program	Donor / Detail	Balance, Beginning of Year	Additions- Grants and Donations	Released from Restriction			Currency Variance	Write off	Balance, End of Year
				Projects' Expenses	Management Fees	Total			
MDP Phase III	KfW-COVID 19 – Component 6	18,193,643	-	(7,678,481)	(576,392)	(8,254,873)	(1,209,523)	-	8,729,247
	IDA-COVID 19 - Component 6	10,876,120	-	(4,702,469)	(356,459)	(5,058,928)	-	-	5,817,192
	MDTF-COVID 19- Component 6	7,304,753	-	(3,693,143)	(275,473)	(3,968,616)	-	-	3,336,137
	AFD-COVID 19 - Component 6	8,574,404	-	(4,768,402)	(350,454)	(5,118,856)	(618,565)	-	2,836,983
	PNA	1,602,623	-	(4,320)	(10,235)	(14,555)	(97,091)	-	1,490,977
	MDTF	3,040,901	-	(1,854,429)	(138,635)	(1,993,064)	-	-	1,047,837
	EU	4,533,182	-	(3,045,621)	(208,733)	(3,254,354)	(309,568)	-	969,260
	AFD	2,970,001	-	(1,764,851)	(80,772)	(1,845,623)	(215,805)	-	908,573
	IDA	3,447,774	-	(2,531,573)	(185,415)	(2,716,988)	-	-	730,786
	KfW	6,689,282	-	(5,091,305)	(375,630)	(5,466,935)	(514,631)	-	707,716
	MDTF	1,504,873	-	(1,455,073)	(118,359)	(1,573,432)	75,421	(6,862)	-
	FDFA	1,162,380	-	(1,007,965)	(71,727)	(1,079,692)	(82,688)	-	-
	GIZ	480,926	77,842	(485,011)	(33,145)	(518,156)	(39,149)	(1,463)	-
	IDA	162,848	-	(151,450)	(11,398)	(162,848)	-	-	-
KfW	75,216	-	(59,744)	-	(59,744)	(15,472)	-	-	
MDP Phase II	PNA	3,590,269	-	(280,059)	(55,591)	(335,650)	(555,912)	-	2,698,707
MDP Phase I	PNAP	934,935	-	-	-	-	(107,019)	-	827,916
Other Programs/ Projects	MDP IV-Danish	-	15,974,213	-	-	-	145,947	-	16,120,160
	FDFA SVC-Area C	-	4,000,000	(1,894)	-	(1,894)	-	-	3,998,106
	FDFA GVCD-Phase 2	-	3,400,000	(71,152)	(5,356)	(76,508)	-	-	3,323,492
	MSR - AFD	5,081,040	-	(1,446,112)	(187,787)	(1,633,899)	(336,466)	-	3,110,675
	EU-DPW-Area C Package 6	-	2,146,800	(18,142)	(1,328)	(19,470)	(19,284)	-	2,108,046
	EU Area C 5	4,872,400	-	(2,536,485)	(175,697)	(2,712,182)	(336,699)	-	1,823,519
	JS Area C Danish	-	1,711,523	-	-	-	15,637	-	1,727,160
	ENABLE-LGRDP II	-	950,563	-	-	-	68,568	-	1,019,131
	GIZ - RPS-GAZA	-	404,193	-	(82)	(82)	11,482	-	415,593
	GSWMP - IDA	4,810,265	-	(4,503,684)	(328,654)	(4,832,338)	23,073	-	1,000
	ICUD - IDA	2,031,242	-	(1,825,555)	(205,687)	(2,031,242)	-	-	-
	GSWMP - AFD	1,361,868	-	(1,148,123)	(73,035)	(1,221,158)	(83,594)	(57,116)	-
	LGSIP - KfW	735,190	-	(686,879)	-	(686,879)	(48,311)	-	-
LGSIP - MDTF	160,027	-	-	(7)	(7)	(160,020)	-	-	
		<b>94,196,162</b>	<b>28,665,134</b>	<b>(50,811,922)</b>	<b>(3,826,051)</b>	<b>(54,637,973)</b>	<b>(4,409,669)</b>	<b>(65,441)</b>	<b>63,748,213</b>

## 9. Provision for Provident Fund

The movement on the provision for provident fund during the year follows: -

	<u>2022</u>	<u>2021</u>
<b>Balance, Beginning of Year</b>	<b>1,659,340</b>	<b>1,484,167</b>
Add: provision made during the year	283,304	274,151
Less: payments made during the year	(25,861)	(161,687)
Currency variance	(244,270)	62,709
<b>Balance, End of Year</b>	<b><u>1,672,513</u></b>	<b><u>1,659,340</u></b>

## 10. Provision for End of Service Benefits

The movement on the provision for end of service benefits during the year follows: -

	<u>2022</u>	<u>2021</u>
<b>Balance, Beginning of Year</b>	<b>1,945,212</b>	<b>1,919,528</b>
Add: provision made during the year	257,286	163,010
Less: payments made during the year	(23,150)	(212,442)
Currency variance	(297,133)	75,116
<b>Balance, End of Year</b>	<b><u>1,882,215</u></b>	<b><u>1,945,212</u></b>

## 11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise: -

	<u>2022</u>	<u>2021</u>
Due to contractors	12,885,480	16,363,564
Accrued expenses and other payables	137,715	162,075
	<b><u>13,023,195</u></b>	<b><u>16,525,639</u></b>

## 12. Projects' Expenses and Management Fees

Projects' expenses and management fees comprise: -

Program	Donor	Related Reference in Appendix 1	2022			2021		
			Projects' Expenses	MDLF Management Fees	Total	Projects' Expenses	MDLF Management Fees	Total
MDP Phase III	KfW -COVID 19 – Component 6	1.1.a	7,678,481	576,392	8,254,873	6,332,818	469,726	6,802,544
	KfW - Cycle II	1.1.b	5,091,305	375,630	5,466,935	12,017,688	866,644	12,884,332
	AFD -COVID 19 - Component 6	1.1.c	4,768,402	350,454	5,118,856	3,148,599	234,059	3,382,658
	IDA -COVID 19 - Component 6	1.1.d	4,702,469	356,459	5,058,928	3,839,366	284,514	4,123,880
	MDTF -COVID 19 – Component 6	1.1.e	3,693,143	275,473	3,968,616	2,507,883	187,364	2,695,247
	EU	1.1.f	3,045,621	208,733	3,254,354	6,487,406	446,582	6,933,988
	IDA	1.1.g	2,531,573	185,415	2,716,988	3,367,782	255,042	3,622,824
	MDTF	1.1.h	1,854,429	138,635	1,993,064	4,686,077	358,484	5,044,561
	AFD	1.1.i	1,764,851	80,772	1,845,623	5,280,627	453,297	5,733,924
	MDTF	1.1.j	1,455,073	118,359	1,573,432	2,653,807	239,108	2,892,915
	FDFA	1.1.k	1,038,920	71,727	1,110,647	682,024	54,030	736,054
	GIZ	1.1.L	486,727	33,145	519,872	164,657	17,570	182,227
	IDA- Component 5	1.1.m	151,450	11,398	162,848	5,648,860	431,585	6,080,445
	KfW- Cycle I	1.1.n	120,274	-	120,274	487,055	44,990	532,045
	PNA	1.1.o	4,320	10,235	14,555	1,522,483	122,196	1,644,679
	AFD			-	-	-	133,561	11,273
VNG			-	-	-	707,570	49,934	757,504
MDP Phase II Cycle II	PNA	1.1.p	280,059	55,591	335,650	172,923	-	172,923
Other Programs / projects	GSWMP - IDA	1.2.a	4,503,732	328,654	4,832,386	827,825	64,910	892,735
	GSWMP - AFD	1.2.b	1,170,681	73,035	1,243,716	159,473	-	159,473
	Development of Area “C” 5 - EC	1.2.c	2,536,485	175,697	2,712,182	1,551,150	110,569	1,661,719
	ICUD - IDA	1.2.d	1,825,555	205,687	2,031,242	1,075,386	94,471	1,169,857
	MSR - AFD	1.2.e	1,446,112	187,787	1,633,899	33,778	14,422	48,200
	LGSIP - KfW	1.2.f	744,739	-	744,739	3,479,473	319,207	3,798,680
	FDFA- GVCD-Phase 2	1.2.g	71,152	5,356	76,508	-	-	-
	EU-DPW-Area C Package 6	1.2.h	18,142	1,328	19,470	-	-	-
	FDFA-SVC-Area C	1.2.i	1,894	-	1,894	-	-	-
	GIZ - RPS-GAZA		-	82	82	-	-	-
	LGSIP - MDTF		-	7	7	1,148,091	14	1,148,105
	Area C Infrastructure - FDFA		-	-	-	900,567	65,659	966,226

Program	Donor	Related Reference in Appendix 1	2022			2021		
			Projects' Expenses	MDLF Management Fees	Total	Projects' Expenses	MDLF Management Fees	Total
	FDFA- GVCD-Phase 1		-	-	-	828,594	49,802	878,396
	SRGVC - GIZ		-	-	-	463,582	39,027	502,609
	<b>Total</b>		<b>50,985,589</b>	<b>3,826,051</b>	<b>54,811,640</b>	<b>70,309,105</b>	<b>5,284,479</b>	<b>75,593,584</b>
	Amount covered from unrestricted net assets*		(173,667)	-	(173,667)	(64,273)	-	(64,273)
			<b>50,811,922</b>	<b>3,826,051</b>	<b>54,637,973</b>	<b>70,244,832</b>	<b>5,284,479</b>	<b>75,529,311</b>

\* This amount represents expenses covered by unrestricted net assets from the following projects/grants: -

Project/ grant	2022	2021
KfW- MDP III	60,530	-
LGSIP - KfW	57,860	-
FDFA- MDP III	30,955	-
GSWMP - AFD	22,558	-
GIZ- MDP III	1,716	-
GSWMP - IDA	48	-
Area C Infrastructure - FDFA	-	35,914
SRGVC - GIZ	-	21,729
GVCD - FDFA	-	6,630
<b>Total</b>	<b>173,667</b>	<b>64,273</b>

### 13. Other Revenues

Other revenues comprise: -

	<u>2022</u>	<u>2021</u>
Fixed assets acquired from restricted donations	206,846	-
Consultancy fees from restricted donations	28,969	-
Bid fees	3,528	6,349
Other	2,582	-
	<u>241,925</u>	<u>6,349</u>

### 14. General and Administrative Expenses

General and administrative expenses comprise:

	<u>2022</u>	<u>2021</u>
Salaries and related benefits*	2,715,725	2,553,667
Rent	101,084	100,431
Telephone, postage and internet	41,519	39,802
Consultants and professional fee	42,836	46,518
Utilities expense	33,182	34,475
Fuel expenses	51,927	40,813
Car rental	9,748	22,945
Hospitality and cleaning	29,006	25,354
Software expenses	10,328	9,376
Vehicle expenses	22,218	15,896
Office supplies and maintenance	14,992	31,791
Insurance expenses	10,911	11,810
Board of Directors remuneration	11,800	8,400
Printing and stationery	6,529	6,088
Travel and transportation expenses	9,569	4,188
Training and workshops	3,273	5,562
Bank charges	1,365	1,578
Advertisement and newspaper	4,843	4,886
Other	628	642
	<u>3,121,483</u>	<u>2,964,222</u>

\* Salaries and related benefits details follow:

	<u>2022</u>	<u>2021</u>
Salaries and wages	1,898,265	1,879,260
End of service expenses	257,286	163,010
Provident fund expenses	188,869	182,767
Bonus	148,848	108,265
Transportation allowance	92,573	91,722
Health insurance	84,970	82,538
Family allowances	44,914	46,105
	<u>2,715,725</u>	<u>2,553,667</u>



## 15. Currency Variance (Gain)/Loss

Currency variances have resulted from the revaluation of MDLF's monetary assets and liabilities in foreign currencies (mainly bank balances and pledges receivable) to USD using exchange rates prevailing at the date of the statement of financial position. The fluctuations in the exchange rates against USD resulted in a loss of USD 288,439 and USD 2,129,175 as of December 31, 2022 and 2021 respectively.

Major items resulted in currency variances are as follows:

	<u>2022</u>	<u>2021</u>
Restricted net assets – year end revaluation (Note 8)	4,409,669	6,394,337
Pledges receivable – year end revaluation (Note 5)	1,226,642	(5,542,563)
Currency variances from daily transactions and year end revaluation of other monetary assets and liabilities balances	(5,347,872)	1,277,401
<b>Loss included in changes of unrestricted net assets</b>	<b><u>288,439</u></b>	<b><u>2,129,175</u></b>

## 16. Related Parties

This item represents transactions and balances with related parties, i.e., directors, senior management and projects being managed by MDLF, over which they exercise control.

- Transactions with related parties include:

	<u>2022</u>	<u>2021</u>
Director General salary and related benefits	75,417	58,726
Board of directors' remuneration	11,800	8,400
MDLF management fees	3,826,051	5,284,479

-Balances with related parties comprise:

	<u>2022</u>	<u>2021</u>
Director General - End of service benefits and provident fund	28,903	13,924

## 17. Pandemic Uncertainty

On March 10, 2020, the World Health Organization declared the 2019 Novel Coronavirus (Covid-19) outbreak to be a pandemic. Actions were taken around the world to help mitigate the spread including restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. Covid-19 has adversely affected and may continue to adversely affect economic activity globally, nationally, and locally. While it is unknown how long these conditions will last and what the complete financial effect will be to MDLF.

The extent and duration of these impacts remain uncertain and dependent on future developments that cannot be accurately predicted at the present time. The management of MDLF has adopted an emergency plan, and mechanisms have been put in place to continue its works as needed. Note that future developments may have an impact on future financial results, cash flows and the financial position of MDLF and its projects/programs.

## **Appendix 1: Details of Projects' Expenses & Management Fees by Donor**

### ***1.1. Municipal Development Program - Phase III (MDP III)***

Municipal Development Program - Phase III (MDP III) objective is to enhance the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery.

The MDP III is aligned with the PNA's long-term strategy to consolidate and strengthen service delivery in the local governance sector towards financially sustainable LGUs, as specified in the MoLG's Sector Strategy 2017-2022.

The MDP III is at the center of a series of interlocking interventions by the multi donors in collaboration with the central government to strengthen the institutional development, accountability and financial sustainability of local governance and service delivery in Palestine. The MDP III will consolidate and scale up past gains under MDP I and MDP II in municipal performance and accountability enhancement and will start enabling the environment for municipal partnerships with the private sector to improve the efficiency and sustainability of municipal services.

MDP III has been launched in 2017 with four original components (Components 1 to 4 below). Subsequently, and up to December 31, 2022 two new components have been added to MDP III (Components 5 and 6 below). Details of these components are follows:

<b>Component</b>	<b>Details</b>
<b>Component 1 - Municipal Performance and Service Delivery</b>	Previous MDP phases financed municipal infrastructure and service delivery through the provision of basic block and performance-based grants, and provided demand-driven capacity development support for municipalities. This approach was very innovative at design and has shown to be highly effective. The MDP III will continue this overall approach while focusing more on improving financial sustainability and accountability in municipal service provision.
<b>Component 2 - Capacity Development</b>	This component will continue to strengthen municipal capacity in MDP three performance areas: i) financial sustainability, ii) institutional performance, and iii) transparency, accountability and participation. In addition, specific attention will be directed to higher order needs of municipalities that will enable municipalities to improve their financial sustainability and credit worthiness, strengthening other core municipal functions as well as strengthening of their social accountability to their citizens and stakeholders.  Municipal capacity development activities will continue to be identified by municipalities and MDLF to enable municipalities to achieve results and improve

Component	Details
	<p>their performance. The performance measuring system will be applied to identify relevant capacity building activities to the municipality, which will be delivered to improve capacity and sustain results achieved.</p>
<p><b>Component 3 - Municipal Partnership Projects</b></p>	<p>This component will provide technical assistance and project financing to municipalities to engage more effectively with the private sector, and work across administrative boundaries to develop joint and/or innovative investments for municipal service delivery and local economic development.</p> <ul style="list-style-type: none"> <li>• <b>Sub-Component A: Private Sector Partnership Support.</b> In order to better leverage private sector engagement, this component will support municipalities to identify, develop, and structure opportunities for private sector participation in municipal service delivery and local economic development on a demand-driven basis.</li> <li>• <b>Sub-Component B.</b> This sub-component will finance top-up payments complementary to the grant allocations under Component 1 to incentivize municipal joint and/or innovative investments based on municipal demands to leverage economies of scale for municipal investments and facilitate financially sustainable municipal investments.</li> </ul>
<p><b>Component 4: Project Implementation Support and Management</b></p>	<p>This component will finance goods and consultant services for monitoring and evaluation, outreach and communication and local technical consultants for the engineering supervision of Component 1 and the MDLF management fee.</p>
<p><b>Component 5: Support to Gaza Municipalities</b></p>	<p>This component will finance the costs associated with the scaling-up of MDP III support to Gaza municipalities to enable them to expand local services provision through labor-intensive Operation and Maintenance (O&amp;M) and municipal infrastructure development activities.</p>
<p><b>Component 6: Emergency Municipal Response to COVID-19 pandemic</b></p>	<p>This component will scale up MDP III support as an emergency municipal response to the COVID-19 pandemic through carrying out temporary labor-intensive public works related to O&amp;M and infrastructure projects, that will enable municipalities to sustain a minimum level of services and provide employment support for lost incomes.</p>

MDP III is supported by the Palestinian National Authority (PNA) and certain financing partners (Financing Partners); the World Bank-International Development Association (IDA), the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF) through the World Bank, Kreditanstalt für Wiederaufbau (KfW), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Netherlands (through VNG International), the Switzerland (through the Swiss Federal Department of Foreign Affairs (FDFA)), the European Union (EU) and, the Agence Française de Development (AFD).

The following table presents the agreements signed with Financing Partners under MDP III along with relevant financing amount, date of signature, completion date and current status as of December 31, 2022: -

<b>Donor Agreements in Effect During 2022- MDP III</b>				
<b>Financing Partner</b>	<b>Fund Amount</b>	<b>Signature Date</b>	<b>Completion Date</b>	<b>Current Status December 31, 2022</b>
AFD	EUR 10,000,000	June 17, 2019	December 31, 2023	Ongoing
	EUR 10,500,000	April 1, 2021	December 31, 2026	Ongoing
IDA	USD 16,000,000	September 18, 2017	August 31, 2023	Ongoing
	USD 10,000,000	June 17, 2019	December 31, 2022	Closed
	USD 15,000,000	April 1, 2021	August 31, 2023	Ongoing
MDTF	USD 20,000,000	November 27, 2017	August 31, 2023	Ongoing
	USD 5,000,000	June 17, 2019	June 30, 2022	Closed
	USD 10,000,000	April 1, 2021	August 31, 2023	Ongoing
KfW	EUR 40,000,000	December 12, 2018	February 28, 2023	Ongoing
	EUR 22,000,000	April 1, 2021	December 30, 2023	Ongoing
EU	EUR 10,000,000	November 8, 2020	November 8, 2023	Ongoing
FDFA	EUR 4,818,000	November 1, 2017	December 31, 2022	Closed
GIZ	EUR 669,876	November 28, 2019	December 31, 2022	Closed

\* In addition to the funds of these agreements, at least 10% of the total of these funds has been committed to be contributed by PNA plus the residual fund from PNA contribution in MDP II.

Details of the MDP III by each donor are presented from sub-note (1.1.a) to sub-note (1.1.p) below:

### 1.1.a. Kreditanstalt für Wiederaufbau (KfW) Phase III- COVID 19

On April 1, 2021 an agreement (the Agreement) was signed between the Kreditanstalt für Wiederaufbau (KfW) and MDLF, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III) in the amount of EUR 13,000,000. Subsequent to the date of signing the Agreement one amendment to the Agreement has been approved by KfW to increase the financial contribution of KfW under the Agreement to be EUR 22,000,000. The completion date of KfW contribution as per the Agreement is December 30, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

	<b>Budget</b>	
	<b>EUR</b>	<b>USD</b>
Component 6: (A) Cash for Work	12,255,000	14,502,735
Component 6: (B) Recurrent Expenditures	8,170,000	9,668,491
Component 6: (C) Management Cost	1,575,000	1,863,874
<b>Total</b>	<b>22,000,000</b>	<b>26,035,100</b>

Details of expenses are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
Component 6: (A) Cash for Work	4,953,429	176,769
Component 6: (B) Recurrent Expenditures	2,721,734	6,151,808
Component 6: (C) Management Cost	579,710	473,967
<b>Total</b>	<b>8,254,873</b>	<b>6,802,544</b>

### 1.1.b. Kreditanstalt für Wiederaufbau (KfW) Cycle II

On December 12, 2018 an agreement (the Agreement) was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Finance and MDLF, to contribute into the finance of Phase III of the Municipal Development Program (MDP III) in the amount of EUR 40,000,000 (EUR 20 Million for each cycle). This sub-note pertains only to Cycle II of the contribution, Cycle I is disclosed under (1.1.n) sub-note. The expected completion date of KfW contribution is February 28, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant under Cycle II and the allocations of the amounts of the grant to each component:

*Continuation to 1.1.b*

<b>Budget</b>		
	<b>EUR</b>	<b>USD</b>
Component 1: Municipal Grants for Capital Investments & Operation	18,294,288	20,502,409
Component 2: Capacity Building for Municipalities and MDLF	223,212	250,154
Component 4: Project Implementation Support & Management Cost	1,482,500	1,661,437
<b>Total</b>	<b>20,000,000</b>	<b>22,414,000</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 1: Municipal Grants for Capital Investments & Operation	4,974,310	12,002,676
Component 2: Capacity Building for Municipalities and MDLF	66,677	6,099
Component 4: Project Implementation Support & Management Cost	425,948	875,557
<b>Total</b>	<b>5,466,935</b>	<b>12,884,332</b>

**1.1.c. AFD Phase III- COVID 19 CPS 1253 01 E**

On April 1, 2021 an agreement was signed between the Agence Française de Développement (AFD) and Palestine, represented by the Ministry of Finance, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 10,500,000. The expected closing date of CPS 1253 01 E is December 31, 2026.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

<b>Budget</b>		
	<b>EUR</b>	<b>USD</b>
Component 6: (A) Cash for Work	5,835,725	7,133,590
Component 6: (B) Recurrent Expenditures	3,890,484	4,755,728
Component 6: (C) Management Cost	773,791	945,882
<b>Total</b>	<b>10,500,000</b>	<b>12,835,200</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 6: (A) Cash for Work	3,466,957	271,211
Component 6: (B) Recurrent Expenditures	1,301,445	2,874,621
Component 6: (C) Management Cost	350,454	236,826
<b>Total</b>	<b>5,118,856</b>	<b>3,382,658</b>

#### 1.1.d. IDA Phase III- COVID 19 TF0B5173

On April 1, 2021 an agreement was signed between the International Development Association (IDA), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III), in the amount of USD 15,000,000. The expected closing date of TF0B5173 is August 31, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

<b>Budget</b>	
	<b>USD</b>
Component 6: (A) Cash for Work	8,370,000
Component 6: (B) Recurrent Expenditures	5,580,000
Component 6: (C) Management Cost	1,050,000
<b>Total</b>	<b>15,000,000</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 6: (A) Cash for Work	3,326,817	221,180
Component 6: (B) Recurrent Expenditures	1,376,229	3,615,956
Component 6: (C) Management Cost	355,882	286,744
<b>Total</b>	<b>5,058,928</b>	<b>4,123,880</b>

#### 1.1.e. MDTF Phase III- COVID 19 TF0B5172

On April 1, 2021 an agreement was signed between the International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III), in the amount of USD 10,000,000. The expected closing date of TF0B5172 is August 31, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

<b>Budget</b>	
	<b>USD</b>
Component 6: (A) Cash for Work	4,980,000
Component 6: (B) Recurrent Expenditures	3,320,000
Component 6: (C) Management Cost	1,700,000
<b>Total</b>	<b>10,000,000</b>

Continuation to 1.1.e

Details of expenses are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
Component 6: (A) Cash for Work	2,688,305	101,208
Component 6: (B) Recurrent Expenditures	1,003,847	2,385,828
Component 6: (C) Management Cost	276,464	208,211
<b>Total</b>	<b>3,968,616</b>	<b>2,695,247</b>

**1.1.f. The European Union (EU), Represented by the European Commission (EC)**

The European Union (EU), represented by the European Commission (EC) and MDLF signed a grant contract (the Grant Contract) dated November 8, 2020 in respect of “EU contribution to the Municipal Development Programme, Phase III- MDP III” (ENI/2020/416-269) (the Action), whereby EU undertook to finance a maximum amount of EUR 10,000,000 for 36 months. The Action completion date is November 8, 2023.

The table below presents the cost categories to be financed by EC:

	<b>Budget</b>	
	<b>EUR</b>	<b>Equivalent in USD</b>
5.3 Expenditure verification/ Audit	15,000	17,903
5.4 Evaluation costs	50,000	59,675
5.8. Visibility actions	50,000	59,675
6.1 Municipal Performance and Service Delivery	9,200,000	10,980,200
6.2 studies and Surveys	32,950	39,326
8. Indirect costs 6.98%	652,050	778,221
<b>Total</b>	<b>10,000,000</b>	<b>11,935,000</b>

Details of expenses are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
6.1 Municipal Performance and Service Delivery	2,989,417	6,468,835
6.2 studies and Surveys	52,737	18,571
8. Indirect costs 6.98%	212,200	446,582
<b>Total</b>	<b>3,254,354</b>	<b>6,933,988</b>

**1.1.g. International Development Association (IDA) TF0A4800**

On September 18, 2017 an agreement was signed between the International Development Association (IDA), acting as administrator of the Trust Fund for Gaza and West Bank and the Palestinian Liberation Organization, for the benefit of Palestinian Authority (PA), to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 16,000,000, through enhancing the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery. The expected closing date of TF0A4800 is August 31, 2023.



*Continuation to 1.1.g*

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

<b>Budget</b>	
	<b>USD</b>
Component 1: Municipal Grants for Capital Investments & Operation	13,311,702
Component 2: Capacity Building for Municipalities and MDLF	531,915
Component 3: Municipal Partnership Projects:	
(A) Private Sector Partnership Support	930,000
Component 4: Project Implementation Support & Management Cost	1,226,383
<b>Total</b>	<b>16,000,000</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 1: Municipal Grants for Capital Investments & Operation	2,366,088	3,252,664
Component 2: Capacity Building for Municipalities and MDLF	99,243	53,176
Component 3: Municipal Partnership Projects:		
(A) Private Sector Partnership Support	49,229	58,856
Component 4: Project Implementation Support & Management Cost	202,428	258,128
<b>Total</b>	<b>2,716,988</b>	<b>3,622,824</b>

**1.1.h. Multi-Donor Trust Fund (MDTF) TF0A6154**

On November 27, 2017 an agreement was signed between the International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 20,000,000. The expected closing date of TF0A6154 is August 31, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

<b>Budget</b>	
	<b>USD</b>
Component 1: Municipal Grants for Capital Investments & Operation	16,642,553
Component 2: Capacity Building for Municipalities and MDLF	531,915
Component 4: Project Implementation Support & Management Cost	2,825,532
<b>Total</b>	<b>20,000,000</b>

Continuation to 1.1.h

Details of expenses are as follows:

	Expenses USD	
	2022	2021
Component 1: Municipal Grants for Capital Investments & Operation	1,634,535	4,386,862
Component 3: Municipal Partnership Projects: (A) Private Sector Partnership Support	88,892	-
Component 4: Project Implementation Support & Management Cost	269,637	657,699
<b>Total</b>	<b>1,993,064</b>	<b>5,044,561</b>

**1.1.i. The Agence Française de Development (AFD) CPS 1197 01**

On June 17, 2019 an agreement was signed between the Agence Française de Development (AFD) and Palestine, represented by the Ministry of Finance, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 10,000,000. The expected closing date of CPS 1197 01 is December 31, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

	Budget	
	EUR	USD
Component 1: Municipal Grants for Capital Investments & Operation	8,235,000	9,228,965
Component 2: Capacity Building for Municipalities and MDLF	1,000,000	1,120,700
Component 4: Project Implementation Support & Management Cost	765,000	857,335
<b>Total</b>	<b>10,000,000</b>	<b>11,207,000</b>

Details of expenses are as follows:

	Expenses USD	
	2022	2021
Component 1: Municipal Grants for Capital Investments & Operation	1,558,761	4,504,009
Component 2: Capacity Building for Municipalities and MDLF	190,347	769,661
Component 4: Project Implementation Support & Management Cost	96,515	460,254
<b>Total</b>	<b>1,845,623</b>	<b>5,733,924</b>

### 1.1.j. Multi-Donor Trust Fund (MDTF) TF0B0101

On June 17, 2019 an agreement was signed between the International Bank for Reconstruction and Development and International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 5,000,000. The closing date of TF0B0101 was June 30, 2022. The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

<b>Budget USD</b>	
Component 1: Municipal Grants for Capital Investments & Operation	2,450,000
Component 2: Capacity Building for Municipalities and MDLF	2,200,000
Component 4: Project Implementation Support & Management Cost	350,000
<b>Total</b>	<b>5,000,000</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 1: Municipal Grants for Capital Investments & Operation	369,268	1,603,125
Component 2: Capacity Building for Municipalities and MDLF	1,033,684	1,046,013
Component 4: Project Implementation Support & Management Cost	170,480	243,777
<b>Total</b>	<b>1,573,432</b>	<b>2,892,915</b>

### 1.1.k. Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA)

On November 1, 2017 an agreement (the Agreement) was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office- Gaza and West Bank, and the MDLF to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 4,818,000. The closing date of the Agreement was December 31, 2022. The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

<b>Budget</b>		
	<b>EUR</b>	<b>USD</b>
Component 1: Municipal Grants for Capital Investments & Operation	4,030,000	4,835,193
Component 2: Capacity Building for Municipalities and MDLF	450,740	540,798
Component 4: Project Implementation Support & Management Cost	337,260	404,645
<b>Total</b>	<b>4,818,000</b>	<b>5,780,636</b>

Continuation to 1.1.k

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 1: Municipal Grants for Capital Investments & Operation	786,364	538,633
Component 2: Capacity Building for Municipalities and MDLF	248,679	142,685
Component 4: Project Implementation Support & Management Cost	75,604	54,736
<b>Total</b>	<b>1,110,647</b>	<b>736,054</b>

**1.1.L. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)**

On November 28, 2019 an agreement was signed between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the MDLF, Contract No. 81250257 to contribute into the finance of Phase III (cycle II) of the Municipal Development Program (MDP III), (the Project), in the amount of EUR 600,001. The implementation of the Project begins on December 1, 2019 and ends on December 31, 2022.

Subsequent to the date of signing the agreement, GIZ approved 2 amendments to the agreement. According to these amendments, the total contribution of GIZ to the finance of MDP III has been increased to EUR 669,876 and the completion date remains December 31, 2022. The following table specifies the eligible expenditure to be financed by GIZ Contribution:

<b>Budget EUR</b>		
	<b>Original</b>	<b>Amended</b>
External Experts	377,180	386,364
Training Costs	12,000	10,395
Procurement of Goods	120,000	194,176
Other Cost	48,960	32,206
Administration costs (up to 7.5%)	41,861	46,735
<b>Total</b>	<b>600,001</b>	<b>669,876</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
External Experts	330,542	62,373
Training Costs	10,918	-
Procurement of Goods	113,329	102,284
Other Cost	31,836	-
Administration costs (up to 7.5%)	33,247	17,570
<b>Total</b>	<b>519,872</b>	<b>182,227</b>

### 1.1.m. International Development Association (IDA) TF0A8699

On June 17, 2019 an agreement was signed between the International Development Association (IDA), acting as administrator of the Trust Fund for Gaza and West Bank and the Palestinian Liberation Organization, for the benefit of Palestinian Authority (PA), to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 10,000,000. The expected closing date of TF0A8699 is February 28, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

<b>Budget USD</b>	
Component 4: Project Implementation Support and Management Cost	800,000
Component 5: Support to Gaza Municipalities	9,200,000
<b>Total</b>	<b>10,000,000</b>

Details of expenses are as follows:

<b>Expenses USD</b>		
	<b>2022</b>	<b>2021</b>
Component 4: Project Implementation Support and Management Cost	32,743	431,585
Component 5: Support to Gaza Municipalities	130,105	5,648,860
<b>Total</b>	<b>162,848</b>	<b>6,080,445</b>

### 1.1.n. Kreditanstalt für Wiederaufbau (KfW) Cycle I

As further disclosed in (1.1.b) sub-note, EUR 20 Million of KfW grant is allocated for each cycle. This sub-note pertains only to Cycle I of the grant. The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant under Cycle I and the allocations of the amounts of the grant to each component:

<b>Cycle I Budget</b>		
	<b>EUR</b>	<b>USD</b>
Component 1: Municipal Performance and Service Delivery	18,240,712	20,918,449
Component 2: Capacity Development	276,788	317,420
Component 4: Project Implementation Support & Management Cost	1,482,500	1,700,131
<b>Total</b>	<b>20,000,000</b>	<b>22,936,000</b>

Continuation to 1.1.n

Details of expenses are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
Component 1: Municipal Performance and Service Delivery	-	458,682
Component 2: Capacity Development	120,274	28,373
Component 4: Project Implementation Support & Management Cost	-	44,990
<b>Total</b>	<b>120,274</b>	<b>532,045</b>

**1.1.o. Palestinian National Authority (PNA)**

The Palestinian National Authority (PNA) will contribute into the finance of MDP III in the amount of EUR 9,000,800 representing 10% of the contributions committed by MDP III donors.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

	<b>Budget</b>	
	<b>EUR</b>	<b>USD</b>
Component 1: Municipal Grants for Capital Investments & Operation	8,370,744	9,781,215
Component 4: Project Implementation Support & Management Cost	630,056	736,220
<b>Total</b>	<b>9,000,800</b>	<b>10,517,435</b>

Details of expenses are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
Component 1: Municipal Grants for Capital Investments & Operation	4,320	1,522,483
Component 4: Project Implementation Support & Management Cost	10,235	122,196
<b>Total</b>	<b>14,555</b>	<b>1,644,679</b>

### 1.1.p. Palestinian National Authority (PNA)

On July 1, 2013, an agreement was signed between the Palestinian National Authority (PNA) and the MDLF to contribute into the finance of the Municipal Development Program - Phase II (MDP II) Cycle I in the amount of ILS 20,000,000 (PNA Additional Contribution) in addition to 10% of the contributions committed by MDP II donors other than BTC (PNA Contribution to MDP II).

The following table specifies the window/categories of eligible expenditures that may be financed out of the proceeds of the grant under Cycle I and the allocations of the amounts of the grant to each window:

	PNA Budget in USD		
	Contribution to MDP II Cycle I	Additional Contribution to MDP II Cycle I	Total
Window 1: Municipal Grants for Capital Investments	4,273,320	4,770,454	9,043,774
Window 4: Project Implementation Support and Management Costs	321,648	359,066	680,714
<b>Total</b>	<b>4,594,968</b>	<b>5,129,520</b>	<b>9,724,488</b>

In addition, PNA will contribute into the finance of MDP II Cycle II in the amount of EUR 4,810,000 representing 10% of the contributions committed by MDP II Cycle II donors.

The following table specifies the window/categories of eligible expenditures that may be financed out of the proceeds of the grant under Cycle II and the allocations of the amounts of the grant to each window:

	Budget	
	EUR	USD
Window 1: Municipal Grants for Capital Investments	4,173,300	4,740,034
Window 4: Project Implementation Support and Management Costs	636,700	723,164
<b>Total</b>	<b>4,810,000</b>	<b>5,463,198</b>

Details of expenses under the two cycles are as follows:

	Expenses USD	
	2022	2021
MDP III - Component 2: Capacity Development	335,650	172,923
<b>Total</b>	<b>335,650</b>	<b>172,923</b>

## 1.2 Other Programs/ Projects

In addition to MDP III, MDLF implements several other programs and projects funded by donors and aims to support and improve the quality of local services and work to create a better life for citizens in in the West Bank and Gaza.

The following table presents the agreements signed with Financing Partners to finance the other programs and projects implemented by MDLF, along with relevant financing amount, date of signature, completion date and current status as of December 31, 2022: -

<b>Donor Agreements in Effect During 2022- Other Programs/Projects</b>				
<b>Financing Partner</b>	<b>Fund Amount</b>	<b>Signature Date</b>	<b>Completion Date</b>	<b>Current Status December 31, 2022</b>
IDA	USD 13,250,000	July 09, 2014	December 31, 2022	Closed
	USD 5,000,000	October 13, 2016	December 31, 2022	Closed
AFD	EUR 14,750,000	August 24, 2013	September 30, 2022	Closed
	EUR 6,200,000	April 26, 2017	June 30, 2023	Ongoing
KfW	EUR 8,000,000	March 6, 2017	December 31, 2022	Closed
EU	EUR 5,775,142	July 14, 2020	October 1, 2023	Ongoing
	EUR 2,000,000	June 6, 2022	December 6, 2024	Ongoing
FDFA	USD 3,400,000	January 1, 2022	December 31, 2024	Ongoing
	USD 4,000,000	May 1, 2022	December 31, 2024	Ongoing
GIZ	EUR 390,600	October 20, 2022	November 20, 2023	Ongoing
Enable LGRDPII	EUR 957,650	October 13, 2022	December 31, 2023	Ongoing
Danish Ministry of foreign affairs	DKK 112,000,000	December 21, 2022	December 31, 2025	Ongoing
	DKK 12,000,000	December 21, 2022	December 31, 2025	Ongoing

*Details of other programs and projects by donor are presented from sub-note (1.2.a) to sub-note (1.2.i) below:*

### **1.2.a. International Development Association (IDA)- Gaza Solid Waste Management Project (GSWMP)**

On April 24, 2014 an agreement (the Agreement) was signed between the International Development Association (IDA) and MDLF, to finance part of GSWMP in a maximum grant amount of USD 10,000,000. "TF 16835, the expected closing date is December 31, 2022". In addition, on September 16, 2020, three subsidiary agreements have been signed between IDA and Palestine Liberation Organization (PLO) for the benefit of the PNA for the purpose of furthering the objectives of the GSWMP in the total amount of USD 3,250,000 as additional financing to GSWMP. Details of the three Subsidiary Agreements with related closing date follow:



Continuation to 1.2.a

<b>Subsidiary Agreement Number</b>	<b>Agreement Amount in USD</b>	<b>Closing date</b>
TF0B3582	1,000,000	June 30, 2022
TF0B3583	1,000,000	June 30, 2022
TF0B3584	1,250,000	December 31, 2022

GSWMP aims to improve solid waste management services in the Gaza Strip through the provision of efficient and environmentally and socially sound waste disposal schemes, and initiating measures to improve overall solid waste management systems.

**GSWMP Objectives are to:**

- Increase the capacity and performance of municipal solid waste services through:
  - Waste treatment;
  - Waste collection and cleansing;
  - Waste recovery (recycling/composting).
- Optimize waste management through institutional strengthening of the joint services council.
- Create temporary local jobs during the construction and operation phases.
- Limit greenhouse gases emissions in the atmosphere.

The table below describes the components of GSWMP to be financed by IDA:

<b>Component</b>	<b>Budget USD</b>
	<b>IDA/GSWMP</b>
Component 1: Solid Waste Transfer and Disposal Facilities	8,610,123
Component 2: Institutional Strengthening	702,875
Component 3: Primary Collection and Resource Recovery	40,887
Component 4: Project Management	3,896,115
	<b>13,250,000</b>

Details of expenses under IDA contribution into GSWMP are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
Component 1: Solid Waste Transfer and Disposal Facilities	2,331,565	152,889
Component 2: Institutional Strengthening	20,000	3,791
Component 4: Project Management	2,480,821	736,055
<b>Total</b>	<b>4,832,386</b>	<b>892,735</b>

GSWMP is also co-financed by the Agence Francaise De Development (AFD) as disclosed in sub-note 1.2.b below.

### 1.2.b. The Agence Française de Development (AFD)- Gaza Solid Waste Management Project (GSWMP)

On August 24, 2013 an agreement (the Agreement) was signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA), to finance part of GSWMP in a maximum grant amount of EUR 14,750,000 (equivalent to USD 19,002,425) made of EUR 10,000,000 from AFD and EUR 4,750,000 from the European Union (EU). *The closing date of the Agreement was September 30, 2022.*

Description of GSWMP and its objectives are disclosed in sub-note 1.2.a above. The table below describes the components of GSWMP to be financed by AFD:

<b>Component</b>	<b>Budget</b>
	<b>USD</b>
	<b>AFD/GSWMP</b>
Component 1: Solid Waste Transfer and Disposal Facilities	13,774,915
Component 2: Institutional Strengthening	577,223
Component 3: Primary Collection and Resource Recovery	2,469,169
Component 4: Project Management	2,181,118
	<b>19,002,425</b>

Details of expenses under AFD contribution into GSWMP are as follows:

	<b>Expenses USD</b>	
	<b>2022</b>	<b>2021</b>
Component 1: Solid Waste Transfer and Disposal Facilities	1,170,681	49,287
Component 2: Institutional Strengthening	-	-
Component 3: Primary Collection and Resource Recovery	-	110,186
Component 4: Project Management	73,035	-
<b>Total</b>	<b>1,243,716</b>	<b>159,473</b>

### 1.2.c. The European Union (EU), Represented by the European Commission (EC)- Area C Development Programme in the West Bank- Package V

The European Union (EU), represented by the European Commission (EC) and MDLF signed a grant contract (the Grant Contract) dated June 23, 2020 in respect of "Development of Area "C" Package V in the West Bank Project" (EIN/2019/410-568) (the Action), whereby EU undertook to finance a maximum amount of EUR 5,775,142 for 40 months. The Action completion date is October 1,2023.

The overall objective of the Action is to improve the social and economic condition of Palestinian communities in Area "C" which is critical for maintaining Palestinian presence in Area "C" and for the development of the Palestinian economy. The specific objectives of the Action are to improve access to essential and public infrastructure in Area C and strengthening the Palestinian institutions' capacity to deliver essential social and public infrastructure in Area C.

*Continuation to 1.2.c*

The table below presents the grant description to be financed by EC:

	<b>Budget</b>	
	<b>EUR</b>	<b>Equivalent USD</b>
<b>Direct eligible cost:</b>		
<b>Other costs and services</b>		
Expenditure verification/audit	10,000	11,788
Evaluation cost	15,000	17,682
Visibility action	30,000	35,364
<b>Subtotal-Other costs and services</b>	<b>55,000</b>	<b>64,834</b>
<b>Other</b>		
Legal fees	15,000	17,682
Cost of infrastructure projects	4,890,000	5,764,332
Local technical consultant	240,000	282,912
Technical support expert	125,000	147,350
Consultancy for civic engagement	70,000	82,516
<b>Subtotal-Other</b>	<b>5,340,000</b>	<b>6,294,792</b>
<b>Subtotal-Direct eligible cost</b>	<b>5,395,000</b>	<b>6,359,626</b>
MDLF management fees (indirect costs maximum 7% of direct eligible cost)	377,650	445,174
Provision for contingency reserve (maximum 5% of direct eligible cost)	2,492	2,938
	<b>5,775,142</b>	<b>6,807,738</b>

Details of expenses are as follows:

	<b>USD</b>	
	<b>2022</b>	<b>2021</b>
Cost of infrastructure projects	2,440,292	1,424,418
Local technical consultant	65,409	98,233
Technical support expert	22,125	28,500
Expenditure verification/audit	7,000	-
MDLF management fees (7% of direct cost)	177,356	110,568
	<b>2,712,182</b>	<b>1,661,719</b>

**1.2.d. International Development Association (IDA)- Integrated Cities and Urban Development project (ICUD)**

On October 13, 2016, an agreement (the Agreement) was signed between the International Development Association (IDA), as Administrator of the Trust Fund for Gaza and West Bank, and the Local Government Units Development and Lending Fund (MDLF), in connection with the Trust Fund Grant Agreement of same date signed between the Palestine Liberation Organization (for the benefit of the Palestinian Authority) and IDA, to extend a grant in an amount of USD 5,000,000 to assist in financing a project entitled "Integrated Cities and Urban Development project (ICUD)".

Continuation to 1.2.d

The objective of ICUD is to enhance the capacity of Participating Urban Areas to plan for sustainable urban growth. The planned closing date of ICUD was June 30, 2021. On April 8, 2021, IDA approved the ICUD restructuring documents which aimed mainly at changing the ICUD implementation period and amending the scope of Component 1 activities of the ICUD to include additional works, revising the results framework to incorporate previously undefined targets and capture additional project results and modifying the ICUD budget without additional costs. As a result of this restructuring, the ICUD closing date is amended to be December 31, 2022 and the ICUD budget has been modified/reallocated as follows:

<u>Activity</u>	<u>Budget in USD</u>	
	<u>Original</u>	<u>Modified</u>
Component 1: Planning for Sustainable Urban Growth	4,550,000	3,850,000
Component 2: Project Implementation Support and Management Cost	450,000	1,150,000
<b>Total</b>	<b><u>5,000,000</u></b>	<b><u>5,000,000</u></b>

Details of expenses are as follows:

	<u>USD</u>	
	<u>2022</u>	<u>2021</u>
Component 1: Planning for Sustainable Urban Growth	1,782,982	930,768
Component 2: Project Implementation Support and Management Cost	248,260	239,089
	<b><u>2,031,242</u></b>	<b><u>1,169,857</u></b>

**1.2.e. The Agence Française de Development (AFD)- Jericho Multi Site Regeneration Project (MSR)**

A Financing agreement was signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on April 26, 2017 to finance the Jericho Multi Site Regeneration Project “MSR” in the amount of EUR 6,200,000. The expected closing date is June 30, 2023.

MSR aims to enhancing the economic development of the city through the re-localization and rehabilitation of key infrastructures. MSR, prepared under the Urban Project Finance Initiative (UPFI), promotes an integrated urban approach to optimize public land management, upgrade key infrastructures, and strengthen the management capacities of the municipality related to the enforcement of national health policies and improvement of its financial accountability. The rehabilitated infrastructures are the slaughterhouse, the Spanish Garden and the Municipal garage, which shall contribute to support the main city’s economic activities (tourism and farming).

Continuation to 1.2.e

In addition to the financing of the Slaughterhouse and Municipal Garage, AFD contribution shall be given to a technical assistance program, which includes not only the supervision of work and management fees to MDLF, but also training and capacity building to support the implementation of the municipal action plan on mitigating illegal slaughtering processes. The table below describes the components to be financed by AFD:

	Budget	
	EUR	USD
Advances (management fees & consultancy work)	910,000	1,077,622
Construction of slaughterhouse and remediation of the old site in Jericho	4,100,000	4,855,220
Construction of the garage and remediation of the old site in Jericho	1,190,000	1,409,198
	<u>6,200,000</u>	<u>7,342,040</u>

Details of expenses are as follows:

	USD	
	2022	2021
Advances (management fees & consultancy work)	184,561	48,200
Construction of slaughterhouse and remediation of the old site	1,449,338	-
	<u>1,633,899</u>	<u>48,200</u>

**1.2.f. Kreditanstalt für Wiederaufbau (KfW)- Local Government and Services Improvement Program (LGSIP)**

On March 6, 2017 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Finance and Planning and MDLF, to contribute into the finance of "Local Governance and Services Improvement Program" (LGSIP, the Program) in the amount of EUR 8,000,000.

The objective of LGSIP is to strengthen the local government financing system and improve local service delivery in Program Villages. LGSIP is a part of the PA's public-sector reform program as outlined in the National Development Plan 2014-2016 and in the supplemental sector strategies developed by MoLG.

LGSIP consists of the following parts:

**Part 1:** Supporting local services delivery through provision of Annual Capital Investment Grants to eligible Village Councils (VCs) for carrying out activities identified in the Annual Capital Investment Plans (ACIPs).

**Part 2:** Supporting community infrastructure development through the provision of Conditional Capital Investment Grants to eligible Joint Service Councils (JSCs) for carrying out projects identified in the ACIPs jointly developed by two or more VCs (Joint Projects).

**Part 3:** Strengthening the capacity of VCs and JSCs to improve their local governance functions, service delivery, and prepare and implement ACIPs; and strengthening the capacity of relevant agencies at the central level, including, inter alia, MoLG and MDLF, to effectively implement the Program.

The following table specifies LGSIP budget breakdown:

<b>Component</b>	<b>Budget</b>		<b>Fund Transfer Modality</b>
	<b>EUR</b>	<b>USD</b>	
Infrastructure Service Delivery through Joint Projects (DLI 4 and 5)	6,920,000	8,045,884	
Program Management:			
Management fee	560,000	651,112	KfW to MDLF directly
Local technical consultant (LTC) for Joint Project	420,000	488,334	
Technical audit	50,000	58,135	
Procurement audit	50,000	58,135	
	<b>1,080,000</b>	<b>1,255,716</b>	
	<b>8,000,000</b>	<b>9,301,600</b>	

Details of expenses are as follows:

	<b>USD</b>	
	<b>2022</b>	<b>2021</b>
Infrastructure Service Delivery through Joint Projects	744,739	3,479,473
Program Management	-	319,207
	<b>744,739</b>	<b>3,798,680</b>

**1.2.g. The Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA)- Gaza Vulnerable Communities Development (GVCD) Phase 2**

On May 25, 2022, an agreement (the Agreement) was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office - Gaza and West Bank, and the MDLF to finance the 2<sup>nd</sup> phase of the project entitled "Gaza Vulnerable Communities Development" (GVCD), in the amount of USD 3,400,000.

Continuation to 1.2.g

The following table specifies the amended GVCD budget breakdown:

<u>Component/ Sub-component</u>	<u>Budget USD</u>
<b>1. Improving accountable service delivery for vulnerable communities through small infrastructure projects</b>	
1.1. 7 Infrastructure Projects in New Areas	1,690,000
1.2. 5 top up infrastructure projects for municipalities from phase 1	800,000
1.3. Recruitment of Coordinator {Project Engineer}	86,000
1.4. Local Technical Consultant (LTC)	84,000
<b>2. Capacity building and community development projects</b>	
2.1. Civic Engagement and Community Participation (contracting CBOs and relevant consultancies)	200,000
2.2. Civic Engagement and SA Initiatives	100,000
2.3. Recruitment of Social and Community Mobilization Specialist	75,000
<b>3. Policy Dialogue</b>	
3.1. Studies and surveys	40,000
3.2. Workshop’s facilitation, communications activities and Results Dissemination	30,000
<b>4. Program Management</b>	
4.1 Monitoring and evaluation	50,000
4.2 Management fees	238,000
4.3 External audit	7,000
<b>Total</b>	<b><u>3,400,000</u></b>

Details of expenses under GVCD are as follows:

	<u>USD</u>	
	<u>2022</u>	<u>2021</u>
1.1. 7 Infrastructure Projects in New Areas	28,321	-
1.4. Local Technical Consultant (LTC)	42,831	-
4.2. Management fees	5,356	-
	<b><u>76,508</u></b>	<b><u>-</u></b>

**1.2.h. The European Union (EU), Represented by the European Commission (EC)- Area C Development Programme in the West Bank- Package VI**

The European Union (EU), represented by the European Commission (EC) and MDLF signed a grant contract (the Grant Contract) dated June 9, 2022 in respect of “Development of Area “C” Package VI in the West Bank Project” (EIN/2022/425-654) (the Action), whereby EU undertook to finance a maximum amount of EUR 2,000,000 for 30 months.

The overall objective of the Action is to improve the social and economic condition of Palestinian communities in Area “C” which is critical for maintaining Palestinian presence in Area “C” and for the development of the Palestinian economy. The specific objectives of the Action are to improve access to essential and public infrastructure in Area C and strengthening the Palestinian institutions’ capacity to deliver essential social and public infrastructure in Area C.

Continuation to 1.2.h

The table below presents the grant description to be financed by EC:

	<u>Budget</u> <u>EUR</u>
<b>Direct eligible cost:</b>	
<b>5. Other costs and services</b>	
5.3 Expenditure verification/audit	5,000
5.4 Evaluation cost	10,000
5.8 Visibility action	20,000
<b><i>Subtotal-Other costs and services</i></b>	<b><u>35,000</u></b>
<b>6. Other</b>	
6.1 Legal fees	10,000
6.2 Cost of infrastructure projects	1,570,000
6.3 Local technical consultant	120,000
6.4 Technical support expert	50,000
6.5 Consultancy for civic engagement	24,000
6.6 Potential claims by contractors	60,170
<b><i>Subtotal-Other</i></b>	<b><u>1,834,170</u></b>
<b><i>Subtotal-Direct eligible cost</i></b>	<b><u>1,869,170</u></b>
8. Indirect costs maximum 7% of direct eligible cost	130,830
	<b><u>2,000,000</u></b>

Details of expenses are as follows:

	<u>USD</u>	
	<u>2022</u>	<u>2021</u>
Local technical consultant	2,648	-
Technical support expert	15,494	-
MDLF management fees (indirect costs maximum 7% of direct eligible cost)	1,328	-
	<b><u>19,470</u></b>	<b><u>-</u></b>

**1.2.i. The Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA)- Support to Village Councils - Area C Infrastructure**

On May 5, 2022 a contract was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office - Gaza and West Bank, and the MDLF concerning the granting of a contribution to the project entitled "Support to Village Councils - Area C", (SVC-Area C), in the amount of USD 4,000,000 for the period of 32 months.

The main objective of SVC-Area C is to improve the social and economic conditions of Palestinian communities in Area C which is crucial for maintaining Palestinian presence in Area C.



Continuation to 1.2.i

The following table specifies SVC-Area C budget breakdown:

<b>Component/ Sub-component</b>	<b>Budget USD</b>
<b>1. Improving Services Delivery</b>	
1.1. Infrastructure Projects in New Areas	2,900,000
1.2. Complementary Works for previously targeted Areas (phase 1)	321,800
1.3. Recruitment of Coordinator {Project Engineer}	83,200
1.4. Local Technical Consultant (LTC)	145,000
1.5. Legal Fee	25,000
<b>2. Community Mobilization and Civic Engagement</b>	
2.1. Contracting CBOs and relevant consultancies for enhancement of SA and civic engagement in addition to implement some SA and Communities Development Initiatives	190,000
<b>3. Program Management</b>	
3.1 Beneficiaries Impact Assessment	48,000
3.2 Management fees	280,000
3.3 External audit	7,000
<b>Total</b>	<b>4,000,000</b>

Details of expenses are as follows:

	<b>USD</b>	
	<b>2022</b>	<b>2021</b>
1.4. Local Technical Consultant (LTC)	1,894	-
	<b>1,894</b>	<b>-</b>