

**Local Government Units Development and Lending
Fund**

**Financial Statements
For the Year Ended December 31, 2023**

Together with Independent Auditors' Report

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-24
Appendix 1: Details of Projects' Expenses & Management Fees by Donor...	25-45

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, 2023, 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, 2023, 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.

Emphasis of Matter

As described in Note 17 to the financial statements, we draw attention to the effects of the war ongoing in Gaza and its related security restrictions on the financial statements of MDLF and its activities and projects. As of the date of this audit report, the extent of the war and its current and future possible effects can't be determined with certainty. Our opinion is not modified in respect of this matter.

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

Management of MDLF 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)



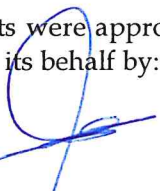
Musa Abu Dieh
(Permit No. 223/1994)

Ramallah, Palestine
February 1, 2024


Local Government Units Development and Lending Fund
Statement of Financial Position
As at December 31, 2023
(Currency: USD)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>			
Non-current Assets			
Property and Equipment, Net	4	1,745,359	572,196
Total Non-current Assets		1,745,359	572,196
Current Assets			
Pledges Receivable	5	91,085,935	40,862,515
Prepaid Expenses and Other Current Assets	6	289,559	659,830
Cash and Cash Equivalents	7	31,740,069	45,929,349
Total Current Assets		123,115,563	87,451,694
Total Assets		124,860,922	88,023,890
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets			
Restricted	8	112,973,128	63,748,213
Unrestricted		7,349,843	7,713,721
Total Net Assets		120,322,971	71,461,934
Non-current Liabilities			
Provision for Provident Fund	9	1,313,050	1,672,513
Provision for End of Service Benefits	10	2,057,454	1,882,215
Total Non-current Liabilities		3,370,504	3,554,728
Current Liabilities			
Accrued Expenses and Other Current Liabilities	11	1,167,447	13,007,228
Total Current Liabilities		1,167,447	13,007,228
Total Liabilities		4,537,951	16,561,956
Total Net Assets and Liabilities		124,860,922	88,023,890

- These financial statements were approved for issuance by MDLF management on February 1, 2024 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, 2023
(Currency: USD)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
<u>Changes in Unrestricted Net Assets</u>			
MDLF Management Fees	12	2,150,702	3,826,051
Interest Income		178,878	250,748
Other Revenues	13	3,802	241,925
Currency Variance Gain	15	505,251	-
Total Revenues, Gains and Other Support		2,838,633	4,318,724
Released from Restricted Net Assets	8	28,727,621	54,637,973
Total Revenues		31,566,254	58,956,697
Expenses			
Projects' Expenses and Management Fees	12	28,845,661	54,811,640
General and Administrative Expenses	14	2,879,776	3,121,483
Depreciation Expenses	4	138,211	59,231
Loss of Gaza Office Fixed Assets	4	66,484	-
ICUD Paid End of Service Benefits		-	57,532
Currency Variance Loss	15	-	288,439
Total Expenses		31,930,132	58,338,325
Net Change in Unrestricted Net Assets		(363,878)	618,372
<u>Changes in Restricted Net Assets</u>			
Grants and Donations	8	76,156,720	28,665,134
Net Assets Released from Restriction - Management Fees	8	(2,150,702)	(3,826,051)
Net Assets Released from Restriction - Projects' Expenses	8	(26,576,919)	(50,811,922)
Grants Written-off During the Year	8	-	(65,441)
Currency Variance	8	1,795,816	(4,409,669)
Net Changes in Restricted Net Assets		49,224,915	(30,447,949)
Change in Net Assets		48,861,037	(29,829,577)
Net Assets, Beginning of Year		71,461,934	101,291,511
Net Assets, End of Year		120,322,971	71,461,934

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, 2023
(Currency: USD)

	2023	2022
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	48,861,037	(29,829,577)
<u>Adjustments:</u>		
Depreciation	138,211	59,231
End of Service Benefits and Provident Fund Expenses	395,871	(813)
Adjustments to Reconcile Changes in Net Assets to Net Cash Flow from Operating Activities:		
(Increase) decrease in Pledges Receivable	(50,223,420)	23,345,868
Decrease in Prepaid Expenses and Other Current Assets	370,271	1,205,573
(Decrease) in Accrued Expenses and Other Current Liabilities	(11,839,781)	(3,518,411)
Paid Provident Fund Benefits	(580,095)	(25,861)
Paid End of Service Benefits	-	(23,150)
Net Cash Flow (Used in) Operating Activities	(12,877,906)	(8,787,140)
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	(1,382,343)	(484,893)
Disposal of Property and Equipment	4,485	-
Write-off of Property and Equipment	66,484	-
Net Cash (Used in) Investing Activities	(1,311,374)	(484,893)
Net (Decrease) in Cash and Cash Equivalents	(14,189,280)	(9,272,033)
Cash and Cash Equivalents, Beginning of Year	45,929,349	55,201,382
Cash and Cash Equivalents, End of Year	31,740,069	45,929,349

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, 2023
(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 1, 2024.

2.2 IFRS and Related Amendments

Issued Accounting Pronouncements Which Became Effective in 2023

Amendments to IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, which requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023. IFRS 17 is effective for annual periods beginning on or after January 1, 2023.

These amendments had no material impact on the accompanying financial statements.

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*. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. These amendments are effective for annual periods beginning on or after January 1, 2023.

These amendments had no material impact on the accompanying 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. These amendments are effective for annual periods beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023.

These amendments had no material impact on the accompanying financial statements.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the IASB issued amendments to IAS 12, : *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

These amendments had no material 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.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted. MDLF has not yet determined the impact of these amendments on its financial statements.

Amendments to IFRS 16: Leases

In September 2022, the IASB issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) (the amendment). The amendment to IFRS 16 Leases specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains. A sale and leaseback transaction involves the transfer of an asset by an entity (the seller-lessee) to another entity (the buyer-lessor) and the leaseback of the same asset by the seller-lessee. The amendment is intended to improve the requirements for sale and leaseback transactions in IFRS 16. It does not change the accounting for leases unrelated to sale and leaseback transactions. The amendment applies retrospectively to annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. MDLF expects the impact of these amendments on its financial statements to not be material.

Amendments to IAS 7: Statement of Cash Flows and IFRS 7: Financial Instruments: Disclosures- Regarding Supplier Finance Arrangements

In May 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. Supplier finance arrangements are often referred to as supply chain finance, trade payables finance or reverse factoring arrangements. The amendments supplement requirements already in the IFRS Accounting Standards and require a company to disclose:

- The terms and conditions;
- The amount of the liabilities that are part of the arrangements, breaking out the amounts for which the suppliers have already received payment from the finance providers, and stating where the liabilities sit on the balance sheet;
- Ranges of payment due dates; and
- Liquidity risk information.

The amendments to IAS 7 are effective for annual periods beginning on or after January 1, 2024 with earlier application permitted, and the amendments to IFRS 7 when the amendments to IAS 7 are applied. There is a certain amount of transition relief provided, including relief regarding comparative information and interim period information. MDLF has not yet determined the impact of these amendments on its financial statements.

Amendments to IAS 21: Lack of Exchangeability

In August 2023, the IASB issued amendments to IAS 21 "*Lack of Exchangeability*". The amendment specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted but will need to be disclosed. MDLF has not yet determined the impact of these amendments on its financial statements.

Amendments to IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalized any amendments that result from its research project on the equity method. The amendments address the conflict between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The amendments must be applied prospectively. Early application is permitted and must be disclosed. 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 Material Accounting Policies

The accounting policies applied in the preparation of the financial statements have been consistently applied among all years. The material 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:

	%
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>USD</u>	
	<u>2023</u>	<u>2022</u>
One New Israeli Shekel (ILS)	0.277	0.284
One Euro (EUR)	1.104	1.064
One Swiss Franc (CHF)	1.189	1.081

3. 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	91,085,935
Cash and cash equivalents	31,740,069

- MDLF has a total amount of USD 91,085,935 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 31,740,069, 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>
Due to contractors	994,930	994,930	
Accrued expenses & other payables	177,584	177,584	-
Total	1,167,447	1,167,447	-

- MDLF expect to pay an amount of USD 1,167,447 during the first 6 months of the year 2024. 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 currency 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. To mitigate currency risk between source and use of funds pertaining to main stakeholders, MDLF concludes contracts with suppliers, contractors and beneficiary LGUs in the same currency as of the funding grant.

In addition to the above, MDLF is affected by the following risks:

- Country Risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by the government in the relevant country.
- Political Risk is the risk that existing political situations make it difficult for MDLF to function.

In Palestine, because of the present circumstances, and as further disclosed in Note 17 to the financial statements, country risk and political risk are very high.

4. Property and Equipment, Net

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

	2023					Total
	Building	Vehicles	Office Equipment	Furniture & Fixtures	Computer Software	
Cost						
Balance as of Jan. 1, 2023	40,676	391,500	474,818	143,138	90,605	1,140,737
Additions	* 1,375,536	-	4,623	2,184	-	1,382,343
Disposals	-	-	(108,940)	(9,793)	-	(118,733)
Write-off **	-	(58,999)	(60,573)	(3,676)	-	(123,248)
Balance as of Dec. 31, 2023	1,416,212	332,501	309,928	131,853	90,605	2,281,099
Accumulated Depreciation						
Balance as of Jan. 1, 2023	-	65,410	319,690	121,572	61,869	568,541
Additions	-	78,437	48,192	9,775	1,807	138,211
Disposals	-	-	(105,733)	(8,515)	-	(114,248)
Write-off **	-	(12,783)	(41,376)	(2,605)	-	(56,764)
Balance as of Dec. 31, 2023	-	131,064	220,773	120,227	63,676	535,740
Net Book Value as of December 31, 2023	1,416,212	201,437	89,155	11,626	26,929	1,745,359

* This amount represents the building costs (payments during 2023 to the supervisor engineer and the contractor) for MDLF's building under construction.

** Represent write-off of certain Property and Equipment items pertaining to MDLF's rented offices in Gaza City in the net book value of US 66,484 as of December 31, 2023 in response to damage occurred to these items due to the war ongoing in Gaza.

	2022					Total
	Building	Vehicles	Office Equipment	Furniture & Fixtures	Computer Software	
Cost						
Balance as of Jan 1, 2022	-	225,500	325,246	140,731	83,367	774,844
Additions	40,676	285,000	149,572	2,407	7,238	484,893
Disposals	-	(119,000)	-	-	-	(119,000)
Balance as of Dec. 31, 2022	40,676	391,500	474,818	143,138	90,605	1,140,737
Accumulated Depreciation						
Balance as of Jan. 1, 2022	-	162,973	293,754	110,745	60,838	628,310
Additions	-	21,437	25,936	10,827	1,031	59,231
Disposals	-	(119,000)	-	-	-	(119,000)
Balance as of Dec. 31, 2022	-	65,410	319,690	121,572	61,869	568,541
Net Book Value as of December 31, 2022	40,676	326,090	155,128	21,566	28,736	572,196

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 IV	Kreditanstalt für Wiederaufbau (KfW)- BMZ No. 202168060	-	30,536,800	-	366,800	-	30,903,600
	The International Development Association (IDA)-TF0C0651	-	15,000,000	(3,527,194)	-	-	11,472,806
	Danish -Ministry of Foreign Affairs (Danish-MoFA)	16,120,160	-	(5,705,076)	244,161	-	10,659,245
	Agence Française de Development (AFD)	-	8,485,600	(3,182,100)	215,000	-	5,518,500
	The Swiss Federal Department of Foreign Affairs (FDFA)	-	5,637,000	(880,000)	-	-	4,757,000
	Multi-Donor Trust Fund (MDTF)-TF0C0645	-	5,000,000	(2,049,827)	-	-	2,950,173
	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	-	662,220	-	-	-	662,220
Multi-Donor Trust Fund (MDTF)- TF0C0644	-	2,000,000	(1,733,188)	-	-	266,812	
MDP Phase III	Palestinian National Authority (PNA)	7,168,238	-	-	266,064	-	7,434,302
	The European Union (EU)	1,064,200	-	-	39,500	-	1,103,700
	Agence Française de Development (AFD)	11,580	-	-	430	-	12,010
	Multi-Donor Trust Fund (MDTF) -COVID 19 - Component 6	233,515	-	(181,974)	(51,541)	-	-
	IDA -COVID 19 - Component 6	151,974	-	(151,974)	-	-	-
	IDA	4,808	-	(4,808)	-	-	-
The Swiss Federal Department of Foreign Affairs (FDFA)	231,996	-	(261,553)	29,557	-	-	
MDP Phase II	PNA	7	-	-	-	-	7
Other Programs/ projects	Enable EY – Green WB	-	5,251,766	(1,575,530)	(62,537)	-	3,613,699
	FDFA- SVC-Area C	3,300,000	-	-	-	-	3,300,000
	FDFA- GVCD-Phase 2	3,030,000	-	(590,000)	-	-	2,440,000
	Enable EY – Green GAZA	-	3,371,194	(1,011,358)	8,153	-	2,367,989
	EU- Area C Development Program- Package VI	1,392,808	-	-	51,697	-	1,444,505
	EU- Area C Development Program- Package V	1,066,327	-	-	39,579	-	1,105,906
	AFD-Jericho Multi Site Regeneration Project (MSR)	3,799,772	-	(3,628,929)	387,725	-	558,568
	MDTF- LGSIP	249,982	-	-	-	-	249,982
	Republic of Cyprus- Building of Ein Qinya Local Council	-	212,140	(106,070)	4,300	-	110,370
	GIZ- RPS-GAZA	83,136	-	-	3,086	-	86,222
	Enable-LGRDP II	713,391	-	(608,994)	(41,684)	-	62,713
	Gaza Solid Waste Management Project (GSWMP – IDA)	513,460	-	(507,855)	-	-	5,605
	IDA- Integrated Cities and Urban Development (ICUD)	1	-	-	-	-	1
Danish MoFA- Joint Support to Area C Project	1,727,160	-	(1,711,523)	(15,637)	-	-	
		40,862,515	76,156,720	(27,417,953)	1,484,653	-	91,085,935

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise: -

	<u>2023</u>	<u>2022</u>
Advances to LGUs & contractors	237,153	596,471
Prepaid expenses	51,071	61,888
Due from employees	1,335	1,471
	<u>289,559</u>	<u>659,830</u>

7. Cash and Cash Equivalents

Cash and cash equivalents comprise: -

<u>Program</u>	<u>Donor / Detail</u>	<u>2023</u>	<u>2022</u>
	Petty cash	2,600	3,398
MDLF	Current accounts	2,965,337	3,098,799
	ESB and provident fund accounts	4,122,516	4,283,161
		5,723,877	-
MDP Phase IV	Danish MoFA	3,492,142	-
	IDA MDPIV-Resilient TFG	3,311,100	-
	AFD	2,029,485	-
	MDTF-MDPIV-Resilient PID	1,715,979	-
	MDTF-MDPIV-Resilient PID 2	880,000	-
	FDFA	290,464	11,865,270
MDP Phase III	KfW -COVID 19 - Component 6	104,915	1,055,173
	KfW	25,893	4,470,901
	AFD -COVID 19 - Component 6	2,447	1,228
	PNA	2,226	770,144
	EU	1	1
	GIZ	-	7,180,323
	IDA-COVID 19 - Component 6	-	4,396,027
	MDTF-COVID 19- Component 6	-	1,313,971
	AFD	-	16
	IDA- Component 5	-	1,219,287
	MDTF	-	766,985
	IDA	-	49,779
	FDFA	-	3
	VNG	-	1
KfW	-	-	
MDP Phase II	PNA	8,518	3,353
Other Programs/ projects	Danish MoFA-	1,805,016	-
	Enable EY - Green WB	1,548,728	-
	Enable EY - Green GAZA	1,014,852	-
	EU-DPW-area C Package 6	691,562	718,008
	SVC-area C	570,486	704,530
	GVCD-Phase 2	547,856	305,923
	ENABLE-LGRDP II	473,432	305,739
	GIZ - RPS-GAZA	209,961	332,458
	Republic of Cyprus	110,370	-
	MSR - AFD	90,080	190,626
	LGSIP - MDTF & IDA	226	226
	GSWMP - IDA	-	1,376,200
	EU Area C 5	-	1,308,048
	ICUD - IDA	-	209,771
		<u>31,740,069</u>	<u>45,929,349</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 IV	KfW- BMZ No. 202168060	-	30,536,800	(761)	-	(761)	366,800	-	30,902,839
	Danish MoFA	16,120,160	-	(188,007)	(13,323)	(201,330)	668,114	-	16,586,944
	IDA-TF0C0651	-	15,000,000	(2,209)	(57)	(2,266)	-	-	14,997,734
	AFD	-	8,485,600	-	-	-	344,000	-	8,829,600
	FDFA	-	5,637,000	-	-	-	-	-	5,637,000
	MDTF-TF0C0645	-	5,000,000	-	(58)	(58)	-	-	4,999,942
	MDTF- TF0C0644	-	2,000,000	-	(58)	(58)	-	-	1,999,942
	GIZ	-	662,220	-	-	-	-	-	662,220
MDP Phase III	PNA	5,017,600	-	1,534,171	-	1,534,171	(122,993)	-	6,428,778
	KfW-COVID 19 - Component 6	8,729,247	-	(8,129,400)	(615,864)	(8,745,264)	101,818	-	85,801
	EU	969,260	-	(851,558)	(63,271)	(914,829)	13,691	-	68,122
	AFD	908,573	-	(844,002)	(65,184)	(909,186)	12,601	-	11,988
	IDA-COVID 19 - Component 6	5,817,192	-	(5,518,897)	(454,095)	(5,972,992)	155,800	-	-
	MDTF-COVID 19- Component 6	3,336,137	-	(3,100,738)	(294,847)	(3,395,585)	59,448	-	-
	AFD-COVID 19 - Component 6	2,836,983	-	(2,659,281)	(218,088)	(2,877,369)	40,386	-	-
	MDTF	1,047,837	-	(829,451)	(105,681)	(935,132)	(112,705)	-	-
	IDA	730,786	-	(387,885)	(49,051)	(436,936)	(293,850)	-	-
	KfW	707,716	-	(669,957)	(49,865)	(719,822)	12,106	-	-
Other Programs / projects	Enable EY - Green WB	-	5,251,766	-	-	-	(89,338)	-	5,162,428
	FDFA SVC-Area C	3,998,106	-	(237,856)	(2,989)	(240,845)	-	-	3,757,261
	Enable EY - Green GAZA	-	3,371,194	-	-	-	11,647	-	3,382,841
	FDFA GVCD-Phase 2	3,323,492	-	(284,443)	(20,710)	(305,153)	-	-	3,018,339
	EU- Area C Package VI	2,108,046	-	(48,077)	(2,907)	(50,984)	76,867	-	2,133,929
	Danish MoFA-	1,727,160	-	-	-	-	72,061	-	1,799,221
	EU- Area C Package V	1,823,519	-	(1,032,222)	(59,956)	(1,092,178)	41,341	-	772,682
	AFD- MSR-	3,110,675	-	(2,613,514)	(96,195)	(2,709,709)	55,556	-	456,522
	Enable-LGRDP II	1,019,131	-	(640,889)	(32,458)	(673,347)	28,019	-	373,803
	GIZ - RPS-GAZA	415,593	-	(71,943)	(6,045)	(77,988)	11,991	-	349,596
	IDA- GSWMP	1,000	-	-	-	-	333,856	-	334,856
	Republic of Cyprus	-	212,140	-	-	-	8,600	-	220,740
		63,748,213	76,156,720	(26,576,919)	(2,150,702)	(28,727,621)	1,795,816	-	112,973,128

9. Provision for Provident Fund

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

	<u>2023</u>	<u>2022</u>
Balance, Beginning of Year	1,672,513	1,659,340
Add: provision made during the year	266,132	283,304
Less: payments made during the year	* (580,095)	(25,861)
Currency variance	(45,500)	(244,270)
Balance, End of Year	<u>1,313,050</u>	<u>1,672,513</u>

* Represents 35% of the provident fund balance as of June 30, 2023, paid to certain employees who completed three or more years of service. During the year 2015, the Board of Directors of MDLF (BoD) allowed the disbursement, every four years of 35% of the provident fund balance due to employees who worked at MDLF for three or more years. Accordingly, in 2023, MDLF settled this percentage to certain employees and continued additions to the provision according to the adopted provident fund policy.

10. Provision for End of Service Benefits

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

	<u>2023</u>	<u>2022</u>
Balance, Beginning of Year	1,882,215	1,945,212
Add: provision made during the year	228,710	257,286
Less: payments made during the year	-	(23,150)
Currency variance	(53,471)	(297,133)
Balance, End of Year	<u>2,057,454</u>	<u>1,882,215</u>

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise: -

	<u>2023</u>	<u>2022</u>
Due to contractors	994,930	12,885,480
Accrued expenses and other payables	172,517	121,748
	<u>1,167,447</u>	<u>13,007,228</u>

12. Projects' Expenses and Management Fees

Projects' expenses and management fees comprise: -

Program	Donor	Related Reference in Appendix 1	2023			2022		
			Projects' Expenses	MDLF Management Fees	Total	Projects' Expenses	MDLF Management Fees	Total
MDP Phase IV	Danish MoFA	1.1.a	188,007	13,323	201,330	-	-	-
	IDA-TF0C0651	1.1.b	2,209	57	2,266	-	-	-
	KfW- BMZ No. 202168060	1.1.c	761	-	761	-	-	-
	MDTF-TF0C0645		-	58	58	-	-	-
	MDTF- TF0C0644		-	58	58	-	-	-
MDP Phase III	KfW -COVID 19 – Component 6	1.2.a	8,129,400	615,864	8,745,264	7,678,481	576,392	8,254,873
	IDA -COVID 19 - Component 6	1.2.b	5,518,897	454,095	5,972,992	4,702,469	356,459	5,058,928
	MDTF -COVID 19 – Component 6	1.2.c	3,100,738	294,847	3,395,585	3,693,143	275,473	3,968,616
	AFD -COVID 19 - Component 6	1.2.d	2,659,281	218,088	2,877,369	4,768,402	350,454	5,118,856
	MDTF	1.2.e	829,477	105,681	935,158	1,854,429	138,635	1,993,064
	EU	1.2.f	851,558	63,271	914,829	3,045,621	208,733	3,254,354
	AFD	1.2.g	844,002	65,184	909,186	1,764,851	80,772	1,845,623
	KfW - Cycle II	1.2.h	787,971	49,865	837,836	5,091,305	375,630	5,466,935
	IDA	1.2.i	387,885	49,051	436,936	2,531,573	185,415	2,716,988
	PNA	1.2.j	(1,833,428)	-	(1,833,428)	4,320	10,235	14,555
	MDTF		-	-	-	1,455,073	118,359	1,573,432
	FDFA		-	-	-	1,038,920	71,727	1,110,647
	GIZ		-	-	-	486,727	33,145	519,872
	IDA- Component 5		-	-	-	151,450	11,398	162,848
KfW- Cycle I		-	-	-	120,274	-	120,274	
MDP Phase II Cycle II	PNA	1.2.k	299,257	-	299,257	280,059	55,591	335,650
Other Programs / projects	MSR - AFD	1.3.a	2,613,514	96,195	2,709,709	1,446,112	187,787	1,633,899
	Development of Area “C” 5 - EC	1.3.b	1,032,222	59,956	1,092,178	2,536,485	175,697	2,712,182
	Enable-LGRDP II	1.3.c	640,889	32,458	673,347	-	-	-
	FDFA- GVCD-Phase 2	1.3.d	284,443	20,710	305,153	71,152	5,356	76,508
	FDFA-SVC-Area C	1.3.e	237,856	2,989	240,845	1,894	-	1,894
	GIZ - RPS-GAZA	1.3.f	71,943	6,045	77,988	-	82	82
	EU-DPW-Area C Package 6	1.3.g	48,077	2,907	50,984	18,142	1,328	19,470
	GSWMP - IDA		-	-	-	4,503,732	328,654	4,832,386
	GSWMP - AFD		-	-	-	1,170,681	73,035	1,243,716

Program	Donor	Related Reference in Appendix 1	2023			2022		
			Projects' Expenses	MDLF Management Fees	Total	Projects' Expenses	MDLF Management Fees	Total
		ICUD - IDA	-	-	-	1,825,555	205,687	2,031,242
		LGSIP - KfW	-	-	-	744,739	-	744,739
		LGSIP - MDTF	-	-	-	-	7	7
		Total Project Expenses and Management Fees	26,694,959	2,150,702	28,845,661	50,985,589	3,826,051	54,811,640
		Expenses funded from unrestricted net assets*	(118,040)	-	(118,040)	(173,667)	-	(173,667)
		Total Released from Restricted Net Assets	26,576,919	2,150,702	28,727,621	50,811,922	3,826,051	54,637,973

* This amount represents expenses relating to the following projects/grants: -

Project/ grant	2023	2022
KfW- MDP III Cycle II	118,014	60,530
MDTF- MDP III Cycle II	26	-
LGSIP - KfW		57,860
FDFA- MDP III		30,955
GSWMP - AFD		22,558
GIZ- MDP III		1,716
GSWMP - IDA		48
Total	118,040	173,667

13. Other Revenues

Other revenues comprise: -

	<u>2023</u>	<u>2022</u>
Fixed assets acquired from restricted donations	-	206,846
Consultancy fees from restricted donations	-	28,969
Bid fees	-	3,528
Other	3,802	2,582
	<u>3,802</u>	<u>241,925</u>

14. General and Administrative Expenses

General and administrative expenses comprise:

	<u>2023</u>	<u>2022</u>
Salaries and related benefits*	2,496,923	2,715,725
Rent	100,998	101,084
Consultants and professional fee	45,766	42,836
Telephone, postage and internet	44,111	41,519
Fuel expenses	38,829	51,927
Hospitality and cleaning	27,379	29,006
Utilities expense	24,236	33,182
Travel and transportation expenses	14,490	9,569
Office supplies and maintenance	12,156	14,992
Software expenses	11,352	10,328
Car rental	9,770	9,748
Vehicle expenses	9,457	22,218
Board of Directors remuneration	9,200	11,800
Training and workshops	7,334	3,273
Printing and stationery	6,757	6,529
Insurance expenses	5,295	10,911
Advertisement and newspaper	808	4,843
Bank charges	519	1,365
Other	14,396	628
	<u>2,879,776</u>	<u>3,121,483</u>

* Salaries and related benefits details follow:

	<u>2023</u>	<u>2022</u>
Salaries and wages	1,774,215	1,898,265
End of service expenses	228,710	257,286
Provident fund expenses	177,421	188,869
Bonus	132,155	148,848
Transportation allowance	82,277	92,573
Health insurance	61,593	84,970
Family allowances	40,552	44,914
	<u>2,496,923</u>	<u>2,715,725</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 gain of USD 505,251 and a loss of USD 288,439 as of December 31, 2023 and 2022 respectively.

Major items resulted in currency variances are as follows:

	<u>2023</u>	<u>2022</u>
Restricted net assets – year end revaluation (Note 8)	(1,795,816)	4,409,669
Pledges receivable – year end revaluation (Note 5)	1,484,653	1,226,642
Currency variances from daily transactions and year end revaluation of other monetary assets and liabilities balances	<u>(194,088)</u>	<u>(5,347,872)</u>
(Gain)/loss included in changes of unrestricted net assets	<u>(505,251)</u>	<u>288,439</u>

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>2023</u>	<u>2022</u>
Director General salary and related benefits	71,532	75,417
Board of directors' remuneration	9,200	11,800
MDLF management fees	2,150,702	3,826,051

-Balances with related parties comprise:

	<u>2023</u>	<u>2022</u>
Director General - End of service benefits & provident fund	45,445	28,903

17. Significant Events

Following October 7, 2023 attack on certain Israeli posts bordering the Gaza Strip, the Government of Israel (GoI) declared a status of war and launched a major military operation in Gaza Strip and introduced significant security measures in the West Bank including severe restrictions on movement between and within the various West Bank governorates.

The war on Gaza resulted in the destruction of hundreds of projects and disruption of both MDLF and the LGUs plans. Significant physical damage was inflicted across Gaza, causing heavy damage to municipal facilities and assets. MDLF Gaza office property and equipment have been damaged as explained in Note 4. to the financial statements. West Bank Area "C" development program have witnessed substantial delay in implementation due to imposed restrictions including denial of access to the field; confiscation of equipment and stop working orders on projects.

MDLF has been working relentlessly since the start of the war; readjusted its plans and priorities, scaled up efforts to match LGU' evolving priorities, contributed to the revitalization of services provided by LGUs in both West Bank and Gaza, collaborated with partners to secure additional resources to meet emergency needs, developed integrated approaches applying combinations of solutions for greater impact and for the revitalization of the local government sector.

In the immediate, short term and long term, MDLF will focus on service delivery restoration with the repair and replacement of damaged and destroyed assets through the following proposed interventions:

- A) Long-term support Intervention (Recovery Plan):** A recovery plan will be developed comprehensively under the principle of building back better, aiming at reconstruction of all damaged municipalities infrastructure, guaranteeing the return of displaced individuals to their home municipalities, and re-establishing the economy's wheel of revenue and expenditure, all of which are connected to the restoration of stability across the board.

- B) Medium-term support Intervention (Reconstruction Plan):** A five-year reconstruction plan (which includes identifying channels and mobilizing necessary funding) will be developed for West Bank and Gaza, aiming at restoring municipalities services while adhering to the principle of leaving no one behind. It will be based on the damage and needs assessment, which has to be prepared shortly after the end of war.

- C) Short-term Support Intervention (Relief Support):**

- **Gaza Strip Municipalities:** Given the fact that institutional setup for the municipalities in Gaza is almost damaged with no means to restore basic services once the ceasefire takes place; a post-war- fast-track intervention that aims to restore basic public services remains a priority.

The reintegration of workers into Cash for Work (C4W) sub-projects should also be an entry point for municipalities to restore the basic municipal services while maintaining the support for municipalities recurrent expenditure to sustain such services. Re-employing part of the Gazan labor force should be designed in a way to rehabilitate public infrastructure and clean up war-damaged public assets and simultaneously to create rapid employment for those unemployed as a result of the war.

- **West Bank Municipalities:** This support will target the West Bank Municipalities with relief budgetary support to cover the recurrent expenditure to sustain basic operating services and to partially compensate for potential decline of revenues under the given circumstances. The support may include an optional C4W activities (if needed) to be formulated as labor-intensive projects to facilitate short term job creation for operation and maintenance of municipal services.

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

1.1 Municipal Development Program - Phase IV (MDP IV)

Municipal Development Program - Phase IV (MDP IV) objective is to enhance the capacities of municipalities in the West Bank and Gaza to deliver accountable, sustainable, inclusive and resilient service delivery to citizens. MDP IV is the fourth phase of the program and spans over the years 2023 to 2026. The participants of this phase are all 159 municipalities in the West Bank and Gaza. The beneficiaries are the population in all the municipalities estimated at 3.9 million representing 78 percent of the total population of the West Bank and Gaza.

MDP IV focuses on inclusion, climate, innovative projects, and enhanced revenue generation, as well as improved capacity of LGU's to implement these priorities. MDP IV has been launched in 2023 with four original components (Components 1 to 4 below) Details of these components follow:

Component	Details
Component 1 - Municipal Performance and Service Delivery	Through this component, MDP IV will provide participating municipalities with the Performance based financing needed to advance in the process of fulfilling their mandated service delivery responsibilities and will support alignment with the capacity building activities under component 2. Participating municipalities will receive grants determined based on the achievement of municipal KPIs.
Component 2 - Capacity Development	Over the years, MDLF was able to support all municipalities with different capacity building packages to help them institutionalize their work and to improve their graduation on the performance ranking ladder. Municipalities will be eligible to receive support under this component to strengthen their capacities in a number of areas, including, financial management, investment planning, operations and maintenance programming, social accountability, credit worthiness and e-governance. As with the predecessor MDP III project, the municipal capacity development activities under MDP IV will be identified by municipalities together with MDLF support. Activities will be aligned with key project performance indicators to facilitate their development and performance in targeted areas. In addition, this component will target the MDLF, MoF and MoLG with specific capacity development activities in the framework of local governance reform.
Component 3 - Competitive Grants for Natural hazard and Climate Change	This component will cover technical assistance as well as offer financing of small-medium scale physical works. More specifically this component will cover: <ul style="list-style-type: none"> • Sub-Component 3.1: Natural hazard and climate change risk assessments. • Sub-Component 3.2: Natural hazard and climate change adaptation investments.
Component 4 - Program Management	This component will finance the functioning of the teams which are part of the MDLF support in the implementation of MDP IV.

The following table presents the agreements signed with Financing Partners under MDP IV, which were in effect during the year 2023, along with relevant financing amount, date of signature, completion date and current status as of December 31, 2023: -

Donor Agreements in Effect During 2023- MDP IV				
Financing Partner	Fund Amount	Signature Date	Completion Date	Current Status December 31, 2023
Danish MoFA	DKK 112,000,000	December 21, 2022	December 31, 2025	Ongoing
KfW-	EUR 28,000,000	May 17, 2023	December 30, 2027	Ongoing
IDA	USD 15,000,000	May 17, 2023	June 30, 2027	Ongoing
MDTF	USD 5,000,000	May 17, 2023	June 30, 2027	Ongoing
	USD 2,000,000	May 17, 2023	June 30, 2024	Ongoing
FDFA	USD 5,637,000	July 19, 2023	June 30, 2027	Ongoing
AFD	EUR 8,000,000	October 1, 2023	December 31, 2027	Ongoing
GIZ	EUR 600,000	December 21, 2023	June 30, 2026	Ongoing

During the year 2023, MDP IV was in its early stages, and only certain expenses were disbursed from the above-mentioned financing agreements, as presented in sub-notes (1.1.a) to (1.1.c) below:

1.1.a. Danish MoFA- MDP IV

On December 21, 2022, an agreement was signed between the Danish Ministry of Foreign Affairs (Danish MoFA) and the Municipal Development and Lending Fund (MDLF) to support the implementation of Phase IV of the Municipal Development Program (MDP IV) in the amount of DKK 112,000,000 (equivalent to USD 15,974,213). The expected closing date of the agreement is December 31, 2025.

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 of MDP IV:

Budget- Equivalent USD

Component 1 - Municipal Performance and Service Delivery	13,484,606
Component 2 - Capacity Development	1,206,843
Component 4: Program Management	1,282,764
Total	<u>15,974,213</u>

Details of expenses follow:

Expenses USD

	2023	2022
Component 2 - Capacity Development	188,007	-
Component 4 - Program Management	13,323	-
Total	<u>201,330</u>	<u>-</u>

1.1.b. International Development Association (IDA) -TF0C0651 -MDP IV

On May 17, 2023, 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 the Municipal Development Program - Phase IV (MDP IV), in the amount of USD 15,000,000. The expected closing date of the agreement is June 30, 2027.

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

USD	
	Budget
Component 1 - Municipal Performance and Service Delivery	9,800,000
Component 2 - Capacity Development	2,450,000
Component 3 - Competitive Grants for Natural hazard and Climate Change	1,500,000
Component 4 - Program Management	1,250,000
Total	<u>15,000,000</u>

Details of expenses are as follows:

Expenses USD		
	2023	2022
Component 2 - Capacity Development	2,209	-
Component 4 - Program Management	57	-
Total	<u>2,266</u>	<u>-</u>

1.1.c. Kreditanstalt für Wiederaufbau (KfW)- BMZ No. 202168060- MDP IV

On May 17, 2023 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 the Municipal Development Program - Phase IV (MDP IV) in the amount of EUR 28,000,000 (EUR 28 Million). The expected closing date of the agreement is December 30, 2027.

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

Budget		
	EUR	Equivalent USD
Component 1 - Municipal Performance and Service Delivery	22,800,000	25,200,706
Component 2 - Capacity Development	2,000,000	2,475,859
Component 4 - Program Management	3,200,000	3,271,671
Total	<u>28,000,000</u>	<u>30,948,236</u>

Details of expenses are as follows:

Expenses USD		
	2023	2022
Component 2 - Capacity Development	761	-
Total	<u>761</u>	<u>-</u>

1.2 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, 2023 two new components have been added to MDP III (Components 5 and 6 below). Details of these components are follows:

Component	Details
Component 1 - Municipal Performance and Service Delivery	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.
Component 2 - Capacity Development	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 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.

Component	Details
Component 3 - Municipal Partnership Projects	<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"> • Sub-Component A: Private Sector Partnership Support. 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. • Sub-Component 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.
Component 4: Project Implementation Support and Management	<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>
Component 5: Support to Gaza Municipalities	<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&M) and municipal infrastructure development activities.</p>
Component 6: Emergency Municipal Response to COVID-19 pandemic	<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&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). 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.

The following table presents the agreements signed with Financing Partners under MDP III, which were in effect during the year 2023, along with relevant financing amount, date of signature, completion date and current status as of December 31, 2023: -

Donor Agreements in Effect During 2023- MDP III				
Financing Partner	Fund Amount	Signature Date	Completion Date	Current Status December 31, 2023
AFD	EUR 10,000,000	June 17, 2019	December 31, 2023	Closed
	EUR 10,500,000	April 1, 2021	December 31, 2023	Closed
IDA	USD 16,000,000	September 18, 2017	August 31, 2023	Closed
	USD 10,000,000	June 17, 2019	February 28, 2023	Closed
	USD 15,000,000	April 1, 2021	August 31, 2023	Closed
MDTF	USD 20,000,000	November 27, 2017	August 31, 2023	Closed
	USD 10,000,000	April 1, 2021	August 31, 2023	Closed
KfW	EUR 40,000,000	December 12, 2018	December 31, 2023	Closed
	EUR 22,000,000	April 1, 2021	December 31, 2023	Closed
EU	EUR 10,000,000	November 8, 2020	November 8, 2023	Closed

Details of the MDP III by each donor are presented from sub-note (1.2.a) to sub-note (1.2.k) below:

1.2.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 Agreement was closed on December 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:

	Budget	
	EUR	USD
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
Total	22,000,000	26,035,100

Details of expenses are as follows:

	Expenses USD	
	2023	2022
Component 6: (A) Cash for Work	7,848,903	4,953,429
Component 6: (B) Recurrent Expenditures	258,724	2,721,734
Component 6: (C) Management Cost	615,864	579,710
MDPIV-W2- 2.b.1 Developing PGMIS	21,773	-
Total	8,745,264	8,254,873

1.2.b. 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 agreement was closed on 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:

	USD	
	Original Budget	Revised Budget
Component 1: Support to Window One	-	1,400,000
Component 6: (A) Cash for Work	8,370,000	8,370,000
Component 6: (B) Recurrent Expenditures	5,580,000	4,180,000
Component 6: (C) Management Cost	1,050,000	1,050,000
Total	15,000,000	15,000,000

Details of expenses are as follows:

	Expenses USD	
	2023	2022
Component 1: Support to Window One	* 1,450,058	-
Component 6: (A) Cash for Work	3,907,570	3,326,817
Component 6: (B) Recurrent Expenditures	161,269	1,376,229
Component 6: (C) Management Cost	454,095	355,882
Total	5,972,992	5,058,928

* Includes the amount of USD 1,173,332 that has been reallocated, during the year 2023, from the expenses originally allocated to PNA contribution in years prior to 2023, to be paid from IDA contribution into MDP III (COVID 19 Response), as further explained in 1.2.j below.

IDA, through an official letter dated January 13, 2023, approved the reallocation of USD 1,400,000 from Component 6: (B) Recurrent Expenditures under IDA Phase III- COVID 19 TF0B5173 to Component 1: Support to Window One of Phase III of the MDP III and amended the closing date of TF0B5173 until August 31, 2023.

1.2.c. 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 agreement was closed on August 31, 2023.

Continuation to 1.2.c

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:

USD		
	Original Budget	Revised Budget
Component 1: Support to Window One	-	1,200,000
Component 6: (A) Cash for Work	4,980,000	4,980,000
Component 6: (B) Recurrent Expenditures	3,320,000	2,520,000
Component 6: (C) Management Cost	1,700,000	1,300,000
Total	10,000,000	10,000,000

Details of expenses are as follows:

Expenses in USD		
	2023	2022
Component 1: Support to Window One	* 1,358,735	-
Component 6: (A) Cash for Work	1,576,755	2,688,305
Component 6: (B) Recurrent Expenditures	165,248	1,003,847
Component 6: (C) Management Cost	294,847	276,464
Total	3,395,585	3,968,616

* Includes the amount of USD 1,082,854 that has been reallocated, during the year 2023, from the expenses originally allocated to PNA contribution in years prior to 2023, to be paid from MDTF contribution into MDP III (COVID 19 Response), as further explained in 1.2.j below.

IDA, through an official letter dated January 13, 2023, approved the reallocation of USD 1,200,000 from Component 6: (B) Recurrent Expenditures under MDTF Phase III- COVID 19 TF0B5172 to Component 1: Support to Window One of Phase III of the MDP III and amended the closing date of TF0B5172 until August 31, 2023.

1.2.d. 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. CPS 1253 01 E was closed on December 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:

Budget		
	EUR	USD
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
Total	10,500,000	12,835,200

Continuation to 1.2.d

Details of expenses are as follows:

	Expenses USD	
	2023	2022
Component 6: (A) Cash for Work	2,479,947	3,466,957
Component 6: (B) Recurrent Expenditures	161,849	1,301,445
Component 6: (C) Management Cost	235,573	350,454
Total	2,877,369	5,118,856

1.2.e. 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 agreement was closed on 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:

	Budget
	USD
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
Total	20,000,000

Details of expenses are as follows:

	Expenses USD	
	2023	2022
Component 1: Municipal Grants for Capital Investments & Operation	691,426	1,634,535
Component 3: Municipal Partnership Projects: (A) Private Sector Partnership Support	45,994	88,892
Component 4: Project Implementation Support & Management Cost	197,738	269,637
Total	935,158	1,993,064

1.2.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 was closed on November 8, 2023.

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

	Budget	
	EUR	Equivalent in USD
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
Total	10,000,000	11,935,000

Details of expenses are as follows:

	Expenses USD	
	2023	2022
6.1 Municipal Performance and Service Delivery	835,382	2,989,417
6.2 studies and Surveys	-	52,737
8. Indirect costs 6.98%	79,447	212,200
Total	914,829	3,254,354

1.2.g. 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 agreement was closed on 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
Total	10,000,000	11,207,000

Continuation to 1.2.g

Details of expenses are as follows:

	Expenses USD	
	2022	2021
Component 1: Municipal Grants for Capital Investments & Operation	* 704,712	1,558,761
Component 2: Capacity Building for Municipalities and MDLF	93,365	190,347
Component 4: Project Implementation Support & Management Cost	111,109	96,515
Total	909,186	1,845,623

* Includes the amount of USD 73,071 that has been reallocated, during the year 2023, from the expenses originally allocated to PNA contribution in years prior to 2023, to be paid from AFD contribution into MDP III, as further explained in 1.2.j below.

1.2.h. 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 was closed during 2022. KfW contribution into Cycle II was closed on December 31, 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:

	Budget	
	EUR	USD
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
Total	20,000,000	22,414,000

Details of expenses are as follows:

	Expenses USD	
	2023	2022
Component 1: Municipal Grants for Capital Investments & Operation	436,565	4,974,310
Component 2: Capacity Building for Municipalities and MDLF	288,173	66,677
Component 4: Project Implementation Support & Management Cost	113,098	425,948
Total	837,836	5,466,935

1.2.i. 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 agreement was closed on 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:

Budget	
	USD
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
Total	<u>16,000,000</u>

Details of expenses are as follows:

Expenses USD		
	2023	2022
Component 1: Municipal Grants for Capital Investments & Operation	29,741	2,366,088
Component 2: Capacity Building for Municipalities and MDLF	34,035	99,243
Component 3: Municipal Partnership Projects:		
(A) Private Sector Partnership Support	288,546	49,229
Component 4: Project Implementation Support & Management Cost	84,614	202,428
Total	<u>436,936</u>	<u>2,716,988</u>

1.2.j. 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:

Continuation to 1.2.j

	Budget	
	<u>EUR</u>	<u>USD</u>
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
Total	<u>9,000,800</u>	<u>10,517,435</u>

Details of expenses are as follows:

	Expenses in USD	
	<u>2023</u>	<u>2022</u>
Component 1: Municipal Grants for Capital Investments & Operation	69,616 ** (2,329,257)	4,320
Component 2: Capacity Building for Municipalities and MDLF	426,213	
Component 4: Project Implementation Support & Management Cost	-	10,235
Total	<u>(1,833,428)</u>	<u>14,555</u>

** This amount represents the expenses relating to PNA contribution into MDP III for the years prior to 2023, this amount has been reallocated to be paid from certain donors/financing contributions, as further detailed in 1.2.b, 1.2.c, and 1.2.g above.

1.2.k. 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		
	<u>Contribution to MDP II Cycle I</u>	<u>Additional Contribution to MDP II Cycle I</u>	<u>Total</u>
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
Total	<u>4,594,968</u>	<u>5,129,520</u>	<u>9,724,488</u>

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:

<i>Continuation to 1.2.k</i>		
	Budget	
	<u>EUR</u>	<u>USD</u>
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
Total	<u>4,810,000</u>	<u>5,463,198</u>
Details of expenses under the two cycles are as follows:		
	Expenses in USD	
	<u>2023</u>	<u>2022</u>
Window 4: Project Implementation Support and Management Costs	183,119	-
Component 3: Municipal Partnership Projects:		
(A) Private Sector Partnership Support	103,602	-
MDP III - Component 2: Capacity Development	12,536	335,650
Total	<u>299,257</u>	<u>335,650</u>

1.3 Other Programs/ Projects

In addition to MDP III and MDP IV, 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, which were in effect during the year 2023, along with relevant financing amount, date of signature, completion date and current status as of December 31, 2023: -

Donor Agreements in Effect During 2023- Other Programs/Projects				
Financing Partner	Fund Amount	Signature Date	Completion Date	Current Status December 31, 2023
AFD	EUR 6,200,000	April 26, 2017	June 30, 2024	Ongoing
EU	EUR 5,775,142	July 14, 2020	October 19, 2024	Ongoing
	EUR 2,000,000	June 6, 2022	December 6, 2024	Ongoing
FDFA	USD 3,400,000	May 25, 2022	December 31, 2024	Ongoing
	USD 4,000,000	May 5, 2022	December 31, 2024	Ongoing
GIZ	EUR 390,600	October 20, 2022	February 28, 2024	Ongoing
Enable LGRDPII	EUR 957,650	October 13, 2022	March 31, 2024	Ongoing
Danish MoFA	DKK 12,000,000	December 21, 2022	December 31, 2025	Ongoing
Enable Green- WB	EUR 4,677,383	July 17, 2023	July 31, 2026	Ongoing
Enable Green-Gaza	EUR 3,065,000	August 02, 2023	November 30, 2026	Ongoing
R.Cyprus	EUR 200,000	December 1, 2023	December 31, 2024	Ongoing

Details of other programs and projects by donor are presented from sub-note (1.3.a) to sub-note (1.3.g) below:

1.3.a. 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, 2024.

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).

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	
	2023	2022
Advances (management fees & consultancy work)	96,195	184,561
Construction of slaughterhouse and remediation of the old site	2,613,514	1,449,338
	<u>2,709,709</u>	<u>1,633,899</u>

1.3.b. 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 expected closing date of the Action is October 19, 2024.

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.

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

	Budget	
	EUR	Equivalent USD
Direct eligible cost:		
Other costs and services		
Expenditure verification/audit	10,000	11,788
Evaluation cost	15,000	17,682
Visibility action	30,000	35,364
Subtotal-Other costs and services	55,000	64,834
Other		
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
Subtotal-Other	5,340,000	6,294,792
Subtotal-Direct eligible cost	5,395,000	6,359,626
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
	5,775,142	6,807,738

Details of expenses are as follows:

	USD	
	2023	2022
Expenditure verification/audit	-	7,000
Visibility action	13,188	-
Legal fees	8,430	-
Cost of infrastructure projects	964,116	2,440,292
Local technical consultant	23,822	65,409
Technical support expert	22,664	22,125
MDLF management fees (7% of direct cost)	59,958	177,356
	1,092,178	2,712,182

1.3.c. Belgian Development Agency (Enable)-LGRDP II

On October 13, 2022, Belgian Development Agency (Enable), and MDLF signed a grant agreement (the Agreement) to finance the implementation of climate change initiatives under the Local Government Reform and Development Programme (LGRDP II), to contribute to develop more 'green, resilient and sustainable municipalities and territories, in a maximum amount of EUR 957,650 for 14 months. The expected closing date of the Agreement is March 31, 2024.

The table below presents the activities to be financed by Enable under the Agreement:

	<u>EUR</u>
Consultancy assignments LTC (Environment assessment & design)	45,000
Solar Pannel for the public head quarters	150,000
Supply of Solid Waste containers	100,000
Construction of drainage water system	120,000
Rehabilitation of the wastewater treatment plant	115,000
Rehabilitation of Haja Treatment plant and supplying wastewater truck	115,000
Supply of solid waste truck	120,000
Supply of wastewater truck pump	130,000
Structure cost (max 7% of the operational cost)	62,650
	<u><u>957,650</u></u>

Details of expenses are as follows:

	<u>Expenses USD</u>	
	<u>2023</u>	<u>2022</u>
Consultancy assignments LTC (Environment assessment & design)	24,112	-
Solar Pannel for the public head quarters	150,526	-
Supply of Solid Waste containers	129,059	-
Construction of drainage water system	147,875	-
Rehabilitation of the wastewater treatment plant	17,141	-
Supply of solid waste truck	172,177	-
Structure cost (max 7% of the operational cost)	32,457	-
	<u><u>673,347</u></u>	<u><u>-</u></u>

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

On May 25, 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 (the Contract), to finance the 2nd phase of the project entitled "Gaza Vulnerable Communities Development" (GVCD Phase 2), in the amount of USD 3,400,000. The Contract closing date is December 31, 2024.

The following table specifies the amended GVCD budget breakdown:

Component/ Sub-component	Budget USD
1. Improving accountable service delivery for vulnerable communities through small infrastructure projects	
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
2. Capacity building and community development projects	
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
3. Policy Dialogue	
3.1. Studies and surveys	40,000
3.2. Workshop's facilitation, communications activities and Results Dissemination	30,000
4. Program Management	
4.1 Monitoring and evaluation	50,000
4.2 Management fees	238,000
4.3 External audit	7,000
Total	3,400,000

Details of expenses under GVCD are as follows:

	USD	
	2023	2022
1.1. 7 Infrastructure Projects in New Areas	85,205	28,321
1.3. Recruitment of Coordinator (Project Engineer)	37,800	-
1.4. Local Technical Consultant (LTC)	18,371	42,831
2.1. Civic Engagement and Community Participation (contracting CBOs and relevant consultancies)	105,367	-
4.1 Monitoring and evaluation	35,000	-
4.2 Management fees	20,710	5,356
4.3 External audit	2,700	-
	305,153	76,508

1.3.e. 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 (the Contract) to finance 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 Contract closing date is December 31, 2024.

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.

The following table specifies SVC-Area C budget breakdown:

Component/ Sub-component	Budget USD
1. Improving Services Delivery	
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
2. Community Mobilization and Civic Engagement	
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
3. Program Management	
3.1 Beneficiaries Impact Assessment	48,000
3.2 Management fees	280,000
3.3 External audit	7,000
Total	4,000,000

Details of expenses are as follows:

	USD	
	2023	2022
1.1. Infrastructure Projects in New Areas	139,848	-
1.3 Recruitment of Coordinator {Project Engineer}	24,000	-
1.4. Local Technical Consultant (LTC)	74,008	1,894
3.2. Management fees	2,989	-
	240,845	1,894

1.3.f. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)- Recreational Public Space for Gaza City Sea Front (RPS Gaza)

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and MDLF signed a grant agreement (the Agreement) dated October 24, 2022, to finance the implementation of project entitled “Recreational Public Space for Gaza City Sea Front” (RPS Gaza) in the amount of EUR 390,600, for the period from October 20, 2022 to February 28, 2024.

The objective of RPS Gaza is to improve the access of Gaza's vulnerable population to recreational, multi-purpose, safe, inclusive, inspiring and sustainable green public spaces in Gaza city.

The table below presents the budget of RPS Gaza to be financed by GIZ:

	<u>Budget</u> <u>EUR</u>
1.1 Project Engineer	25,000
2.1 Promotion and Visibility	15,000
2.2 Local Technical Consultant for Design Review and Supervision	20,000
6.1 Construction Work of the Sea Front Green Public Space	300,000
Administration costs	30,600
	<u><u>390,600</u></u>

Details of expenses are as follows:

	<u>USD</u>	
	<u>2023</u>	<u>2022</u>
1.1 Project Engineer	8,650	-
2.2 Local Technical Consultant for Design Review and Supervision	8,571	-
6.1 Construction Work of the Sea Front Green Public Space	54,722	-
Administration costs	6,045	82
	<u><u>77,988</u></u>	<u><u>82</u></u>

1.3.g. 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 Action completion date is December 6, 2024.

The overall objective of the Action is to improve the social and economic conditions 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 to strengthen the Palestinian institutions' capacity to deliver essential social and public sustainable services in Area C.

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

	Budget
	EUR
Direct eligible cost:	
5. Other costs and services	
5.3 Expenditure verification/audit	5,000
5.4 Evaluation cost	10,000
5.8 Visibility action	20,000
Subtotal-Other costs and services	35,000
6. Other	
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
Subtotal-Other	1,834,170
Subtotal-Direct eligible cost	1,869,170
8. Indirect costs maximum 7% of direct eligible cost	130,830
	2,000,000

Details of expenses are as follows:

	USD	
	2023	2022
6.3 Local technical consultant	33,980	2,648
6.4 Technical support expert	14,098	15,494
8. Indirect costs maximum 7% of direct eligible cost	2,906	1,328
	50,984	19,470