

MUNICIPAL DEVELOPMENT AND LENDING FUND

Financial Statements
For the Year Ended December 31, 2015

Together with Independent Auditors' Report

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6- 42

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm

"MAZARS"

Abu Shosheh bldg., 1st floor, Opposite of
Arab Bank Al Balad Branch, Ramallah
P.O. Box: 2056 Ramallah
Tel: (+970 2) 2966210/1
Fax: (+970 2) 2966212
E-mail: musa.abudieh@el-wafa.ps

Independent Auditors' Report

**To: The Board of Directors
Municipal Development and Lending Fund
Ramallah**

We have audited the accompanying financial statements of the Municipal Development and Lending Fund (MDLF) which comprise the statement of financial position as at December 31, 2015, the statement of activities and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MDLF's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

El Wafa Company

For Financial Consulting & Accounting Services


Correspondents of the International firm
"MAZARS"

Abu Shosheh bldg., 1st floor, Opposite of
Arab Bank Al Balad Branch, Ramallah
P.O. Box: 2056 Ramallah
Tel: (+970 2) 2966210/1
Fax: (+970 2) 2966212
E-mail: musa.abudieh@el-wafa.ps

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of MDLF as of December 31, 2015, the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

El Wafa Company
(Permit No. 203/2012)


Musa Abu Dieh
(Permit No. 223/1993)

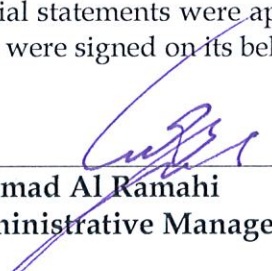
Ramallah, Palestine
March 31, 2016

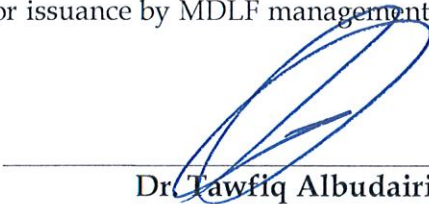


Municipal Development and Lending Fund
Statement of Financial Position
As at December 31, 2015
(Currency: USD)

	<u>Note</u>	<u>2015</u>	<u>2014</u> (Restated, Note 15)
ASSETS			
Non-current assets			
Property and equipment, net	3	312,121	253,639
Total non-current assets		<u>312,121</u>	<u>253,639</u>
Current assets			
Pledges receivable	4	78,554,368	79,623,190
Prepaid expenses and other current assets	5	84,506	95,827
Cash and cash equivalents	6	28,224,076	39,926,604
Total current assets		<u>106,862,950</u>	<u>119,645,621</u>
Total assets		<u>107,175,071</u>	<u>119,899,260</u>
NET ASSETS AND LIABILITIES			
Net assets			
Temporarily restricted net assets	7	97,644,482	108,700,423
Unrestricted net assets		254,795	154,495
Total net assets		<u>97,899,277</u>	<u>108,854,918</u>
Non-current liabilities			
Provision for provident fund	8	728,650	818,407
Provision for end of service benefits	9	729,965	631,940
Total non-current liabilities		<u>1,458,615</u>	<u>1,450,347</u>
Current liabilities			
Accrued expenses and other current liabilities	10	7,817,179	9,593,995
Total current liabilities		<u>7,817,179</u>	<u>9,593,995</u>
Total liabilities		<u>9,275,794</u>	<u>11,044,342</u>
Total net assets and liabilities		<u>107,175,071</u>	<u>119,899,260</u>

- These financial statements were approved for issuance by MDLF management on April 26, 2016 and were signed on its behalf by:


Mr. Muhammad Al Ramahi
 Finance and Administrative Manager


Dr. Tawfiq Albudairi
 Director General

The accompanying notes form an integral part of these financial statements

Municipal Development and Lending Fund
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2015
(Currency: USD)

	<u>Note</u>	<u>2015</u>	<u>2014</u> (Restated, Note 15)
Changes in unrestricted net assets			
MDLF management fees	7, 11	2,389,645	2,265,740
Interest income		244,157	187,242
Other revenues		78,717	141
Total revenues, gains and other support		2,712,519	2,453,123
Released from temporarily restricted net assets	7	34,584,637	29,438,684
Total revenues		37,297,156	31,891,807
 Expenses			
Projects' expenses	11	34,589,548	29,465,059
Depreciation expenses	3	75,129	87,770
General and administrative expenses	12	2,240,747	2,241,794
Currency variance	13	258,331	586,580
Loss on disposal of fixed assets		33,101	-
Total expenses		37,196,856	32,381,203
Net change in unrestricted net assets		100,300	(489,396)
 Changes in temporarily restricted net assets			
Grants and donations	7	30,252,273	106,624,447
Net assets released from restriction – management fees	7, 11	(2,389,645)	(2,265,740)
Net assets released from restriction – projects' expenses	7	(32,194,992)	(29,438,684)
Grants written off during the year	7	(801,830)	-
Refunded/ to be refunded to donor	7	(935,607)	-
Currency variance	7, 13	(4,986,140)	(5,560,815)
Net changes in temporarily restricted net assets		(11,055,941)	69,359,208
Change in net assets		(10,955,641)	68,869,812
Net assets, beginning of year		108,854,918	39,985,106
Net assets, end of year		97,899,277	108,854,918

The accompanying notes form an integral part of these financial statements

Municipal Development and Lending Fund
Statement of Cash Flows
For the Year Ended December 31, 2015
(Currency: USD)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	(10,955,641)	68,869,812
Adjustments:		
Depreciation	75,129	87,770
End of service benefits and provident fund expenses	351,142	180,444
Adjustments to reconcile changes in net assets to net cash flow from (used in) operating activities:		
Decrease (increase) in pledges receivable	1,068,822	(55,635,858)
Decrease (increase) in prepaid expenses and other current assets	11,321	(60,705)
(Decrease) increase in accrued expenses and other current liabilities	(1,776,816)	8,636,183
Provident fund benefits paid	(293,140)	(36,512)
End of service benefits paid	(49,734)	(24,086)
Net cash flow (used in) from operating activities	<u>(11,568,917)</u>	<u>22,017,048</u>
Cash flows from investing activities		
Purchase of property and equipment	(213,712)	(60,300)
Loss on disposal of fixed assets	33,101	-
Proceed from sale of fixed assets	47,000	-
Net cash (used in) investing activities	<u>(133,611)</u>	<u>(60,300)</u>
Net (decrease) increase in cash at bank	(11,702,528)	21,956,748
Cash at bank, beginning of year	<u>39,926,604</u>	<u>17,969,856</u>
Cash at bank, end of year	<u><u>28,224,076</u></u>	<u><u>39,926,604</u></u>

The accompanying notes form an integral part of these financial statements

Municipal Development and Lending Fund
Notes to the Financial Statements
For the Year Ended December 31, 2015
(Currency: USD)

1. MDLF and its Activities

The Municipal Development and Lending Fund (MDLF) is a semi-governmental juridical entity established by the Decree under the Council of Ministers, to accelerate Palestine's drive toward self-sustained, decentralized, prosperous and creditworthy local governments. The main objective of MDLF is to encourage the flow of financial resources to Local Government Units (LGU). According to Cabinet Decree No. 05/13/12 dated August 2007, MDLF shall undertake the following missions (Article 1 of the Decree):

- 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. MDLF consists of 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 the fund. The Board consists of eleven 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, the Ministry of Planning, the Ministry of National Economy, and the Ministry of Public Works and Housing, in addition to the Association of Palestinian Local Authorities (APLA), the Engineering Association, the Association of Banks in Palestine and three members from the local authorities and the civil society.

2. Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS) based on the historical cost convention and presented in USD. Currently, International Financial Reporting Standards do not include any specific requirements regarding not-for-profit organizations in connection with revenue recognition and financial statements presentation. 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.

Following is a summary of MDLF's significant accounting policies:

a. 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, temporarily restricted and permanently restricted. Unrestricted net assets are those whose use by MDLF is not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by MDLF has been limited by donors specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by MDLF in perpetuity. During the years 2015 and 2014, MDLF had no permanently restricted net assets.

b. Temporarily 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 temporarily donor-imposed restriction on use, are recorded as temporarily restricted net assets at the date promises to give are made, and recognized as revenues when the related costs are incurred. Unconditional promises with temporarily 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.

c. 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%
Computers	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.

d. 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.

e. Cash and cash equivalents

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

f. 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.

g. Provision for end of service benefits

End of service benefits are provided for in accordance with the local labour laws and MDLF's bylaw.

h. 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 a bill is received from the supplier or not.

i. Revenue recognition

Donations and contributions are recorded as pledges receivable and temporarily 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 temporarily restricted net assets account is reduced thereof.

j. Expenses

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

k. 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:

Currency	2015	2014
One NIS	0.256	0.292
One EUR	1.093	1.216

l. Changes in the accounting policies

The accounting policies used is the same as those used in the previous year, unless otherwise stated.

m. Financial Risk Management:

• **Credit risk:**

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

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

Item	Carrying amount
Pledges receivable	78,554,368
Cash and cash equivalents	28,224,076

- MDLF has a total amount of USD 78,554,368 as pledges receivable from the donors.

- MDLF has an amount of USD 28,224,076 as cash at local banks and on hand.

• **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:

Item	Expected timing of cash outflow		
	Carrying amount	0 - 6 Months	7 Months - 1 Year
Accrued expenses and other current liabilities	7,817,179	7,817,179	-
	7,817,179	7,817,179	-

- MDLF will pay an amount of USD 7,817,179 during the first 6 months of the year 2016. MDLF will use the available cash to settle these obligations.

- **Market risk:**

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

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

Fluctuations in the exchange rates against USD resulted in a loss of USD 258,331 and USD 586,580 for the years ended December 31, 2015 and 2014 respectively.

3. Property and Equipment, Net

Property and equipment comprises: -

2015					
<u>Cost</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Furniture and fixtures</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2015	293,229	308,470	182,245	65,282	849,226
Additions	119,000	55,110	39,602	-	213,712
Disposals	(199,768)	(127,568)	(88,191)	(5,700)	(421,227)
December 31, 2015	212,461	236,012	133,656	59,582	641,711
 <u>Accumulated depreciation</u>					
January 1, 2015	196,391	254,545	97,062	47,589	595,587
Additions	29,779	28,598	13,213	3,539	75,129
Disposals	(149,299)	(124,628)	(61,499)	(5,700)	(341,126)
December 31, 2015	76,871	158,515	48,776	45,428	329,590
Net book value as of December 31, 2015	135,590	77,497	84,880	14,154	312,121
 2014					
<u>Cost</u>	<u>Vehicles</u>	<u>Office equipment</u>	<u>Furniture and fixtures</u>	<u>Computer software</u>	<u>Total</u>
January 1, 2014	293,229	288,113	144,102	65,282	790,726
Additions	-	22,157	38,143	-	60,300
Disposals	-	(1,800)	-	-	(1,800)
December 31, 2014	293,229	308,470	182,245	65,282	849,226
 <u>Accumulated depreciation</u>					
January 1, 2014	160,312	222,050	83,206	44,049	509,617
Additions	36,079	34,295	13,856	3,540	87,770
Disposals	-	(1,800)	-	-	(1,800)
December 31, 2014	196,391	254,545	97,062	47,589	595,587
Net book value as of December 31, 2014	96,838	53,925	85,183	17,693	253,639

4. Pledges Receivable

Pledges receivable comprises: -

Program	Donor	2015					
		Balance, beginning of year	Addition during the year	Received during the year	Currency variance	Written off	Balance, end of year
MDP Phase II Cycle II	Kreditanstalt für Wiederaufbau - European Union (KfW - EU)	-	7,932,353	(194,723)	(301,369)	-	7,436,261
	Agence Française de Développement (AFD)	-	6,561,540	-	-	-	6,561,540
	Kreditanstalt für Wiederaufbau (KfW)	-	8,748,720	-	-	-	8,748,720
	The Belgian Development Agency (BTC)	200,262	-	(41,865)	(19,179)	-	139,218
MDP Phase II Cycle I	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	327,141	-	(239,570)	21,223	(108,794)	-
	KfW	1,834,250	-	(1,319,980)	(143,323)	-	370,947
	The International Development Association (IDA)	3,859,675	-	(112,518)	-	-	3,747,157
	Multi-Donor Trust Fund (MDTF)	15,631,715	-	(3,321,913)	-	-	12,309,802
	The International Agency of the Association of Netherlands Municipalities (VNG)	1,288,536	-	(277,428)	(78,746)	(240,817)	691,545
	The Swiss Federal Department of Foreign Affairs (FDFA)	1,215,600	881,397	(1,387,684)	(92,077)	-	617,236
	IDA Additional Contribution	3,000,000	-	(2,484,863)	-	-	515,137
	MDTF Additional Contribution	12,000,000	-	(9,518,111)	-	-	2,481,889
	AFD	1,215,600	-	(107,850)	(123,960)	-	983,790
	Palestinian National Authority (PNA)	9,724,488	-	(2,201,367)	(376,351)	-	7,146,770
	KfW -Additional Contribution Window 5	-	5,485,000	(5,485,000)	-	-	-
	Local Government Policy Development in Palestine - Danish Representative Office (DRO), (LG Policy- DRO)	19,346	-	-	-	(19,346)	-
Other Programs / Projects	Support to Local Government Reform and Development Programme (LGRDP) - BTC	1,954,956	-	(56,161)	(195,663)	-	1,703,132
	Local Development Programme Phase III (LDP III) - DRO	353,728	-	-	-	(353,728)	-

Program	Donor	2015					
		Balance, beginning of year	Addition during the year	Received during the year	Currency variance	Written off	Balance, end of year
Continued...							
Other Programs / Projects	Local Governance and Civil Society Development Program- GIZ (ILED - GIZ)	205,280	-	(179,392)	13,415	(39,303)	-
	Gaza Solid Waste Management Project (GSWMP - IDA)	9,621,240	-	-	-	-	9,621,240
	Gaza Solid Waste Management Project (GSWMP - AFD)	16,106,700	-	-	(1,623,125)	-	14,483,575
	The United Nations Human Settlements Programme (UN-Habitat)	32,000	-	-	-	(32,000)	-
	AFD - Service Agreement	8,536	-	-	(694)	(7,842)	-
	High Impact Infrastructure Project- (HIMI-SDC)	497,150	643,263	(705,530)	(16,200)	-	418,683
	Development of Area “C” in the West Bank Project - the European Commission (EC)	526,987	-	-	(53,106)	-	473,881
		<u>79,623,190</u>	<u>30,252,273</u>	<u>(27,633,955)</u>	<u>(2,989,155)</u>	<u>(801,830)</u>	<u>78,450,523</u>
	Water Supply System – AFD (Represents part of Montréal Municipality share, which is previously paid by AFD, and during 2015 the amount was refunded to AFD and will be paid by Montréal Municipality)	-	104,339	-	(494)	-	103,845
	<u>79,623,190</u>	<u>30,356,612</u>	<u>(27,633,955)</u>	<u>(2,989,649)</u>	<u>(801,830)</u>	<u>78,554,368</u>	

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise: -

	2015	2014
Prepaid expenses	54,718	48,302
Advances for training sessions	20,529	-
Advances to contractors	9,259	47,525
	84,506	95,827

6. Cash and Cash Equivalents

Cash and cash equivalents comprise: -

	2015	2014
Cash on hand	4,176	521
Cash at banks:		
MDLF- current accounts	273,520	310,920
BTC - MDP II Cycle I	1,252,192	1,762,128
GIZ - MDP II Cycle I	9	36,280
KfW - MDP II Cycle I	2,063,576	8,977,602
IDA - MDP II Cycle I	80,622	2,109,805
MDTF - MDP II Cycle I	1,218,999	2,696,415
VNG - MDP II Cycle I	195,979	169,210
FDFA - MDP II Cycle I	2,318,288	1,417,367
AFD - MDP II Cycle I	185,696	-
IDA Additional Contribution	2,529,294	-
MDTF Additional Contribution	51,248	-
PNA - MDP II Cycle I	462,367	-
KfW -Additional Contribution Window 5	3,580,776	-
KfW - EU	186,521	-
AFD - MDP I Cycle I	6,156	6,820
AFD - MDP I Cycle II	7,641	116,967
PNA - MDP I Cycle II	572,997	1,698,747
LG Policy - DRO	13	83,906
LGRDP - BTC	2,656,834	5,292,160
LDP III - DRO	4,406,129	6,990,273
Water Supply System – AFD	5,701	1,232,490
ILED - GIZ	-	169,316
GSWMP - IDA	114,721	210,468
GSWMP - AFD	1,529,879	1,751,665
UN Habitat	11	7,780
HIMI - SDC	1,357,405	1,491,445
Development of Area “C” - EC	1,665,368	1,904,213
	26,726,118	38,436,498
End of service benefits and provident fund accounts	1,497,958	1,490,106
	28,224,076	39,926,604

7. Temporarily Restricted Net Assets

Temporarily restricted net assets comprises: -

		2015							
Program	Donor	Balance, beginning of year (as restated)	Additions- grants and donations	Released from restriction - projects' expenses	Released from restriction - management fees	Currency variance	Written off	Refunded/ to be refunded to donor	Balance, end of year
MDP Phase II Cycle II	KfW - EU	-	7,932,353	(844)	(95)	(308,919)	-	-	7,622,495
	AFD	-	6,561,540	-	-	-	-	-	6,561,540
	KfW	-	8,748,720	-	-	-	-	-	8,748,720
MDP Phase II Cycle I	BTC	1,741,789	-	(431,843)	(41,865)	(172,311)	-	-	1,095,770
	GIZ	294,786	-	(150,716)	(27)	(24,760)	(108,794)	(10,489)	-
	KfW	7,831,154	-	(4,909,607)	(402,386)	(742,961)	-	-	1,776,200
	IDA	5,593,349	-	(1,297,903)	(111,019)	-	-	-	4,184,427
	MDTF	17,087,421	-	(3,817,013)	(280,720)	-	-	-	12,989,688
	VNG	1,457,249	-	(226,984)	(15,589)	(94,745)	(240,817)	-	879,114
	FDFA	2,537,019	881,397	(498,885)	(45,890)	(223,941)	-	-	2,649,700
	IDA Additional Contribution	2,013,915	-	(1,349,502)	(153,460)	-	-	-	510,953
	MDTF Additional Contribution	10,416,538	-	(5,557,304)	(511,717)	-	-	-	4,347,517
	AFD	1,215,600	-	(60,942)	(4,250)	(121,590)	-	-	1,028,818
	PNA	9,512,349	-	(2,453,938)	(185,932)	(434,331)	-	-	6,438,148
	KfW -Additional Contribution Window 5	-	5,485,000	(3,237,802)	(229,462)	(19,500)	-	-	1,998,236
MDP Phase I Cycle II	AFD	80,975	-	(74,222)	(5)	(6,748)	-	-	-
	PNA	1,554,283	-	(504,338)	(61)	(145,219)	-	-	904,665
Other Programs/ Projects	LG Policy - DRO	74,511	-	(16,710)	(16)	-	(19,346)	(38,439)	-
	LGRDP - BTC	6,721,937	-	(2,230,817)	(56,186)	(639,150)	-	-	3,795,784

2015

Program	Donor	Balance, beginning of year (as restated)	Additions- grants and donations	Released from restriction - projects' expenses	Released from restriction - management fees	Currency variance	Written off	Refunded/ to be refunded to donor	Balance, end of year
Continued...									
	LDP III - DRO	7,111,617	-	(3,114,680)	(160,070)	-	(353,728)	(882,245)	2,600,894
	Water Supply System - AFD	908,461	-	(646,796)	(83,204)	(71,380)	-	-	107,081
	ILED - GIZ	385,215	-	(288,551)	(22,612)	(33,265)	(39,303)	(1,484)	-
	GSWMP - IDA	9,841,211	-	(78,720)	-	-	-	-	9,762,491
Other Programs/ Projects	GSWMP - AFD	17,853,712	-	(53,800)	-	(1,798,333)	-	-	16,001,579
	UN Habitat	39,780	-	(4,819)	-	-	(32,000)	(2,950)	11
	AFD - Service Agreement	8,536	-	-	-	(694)	(7,842)	-	-
	HIMI - SDC	1,988,350	643,263	(1,134,898)	(85,079)	96,548	-	-	1,508,184
	Development of Area "C" - EC	2,430,666	-	(53,358)	-	(244,841)	-	-	2,132,467
		108,700,423	30,252,273	(32,194,992)	(2,389,645)	(4,986,140)	(801,830)	(935,607)	97,644,482

8. Provision for Provident Fund

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

	2015	2014
Balance, beginning of the year	818,407	730,145
Add: provision made during the year	198,379	201,945
Less: payments made during the year	(293,140)	(36,512)
Currency variance	5,004	(77,171)
Balance, end of the year	728,650	818,407

9. Provision for End of Service Benefits

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

	2015	2014
Balance, beginning of the year	631,940	600,356
Add: provision made during the year	149,225	151,598
Less: payments made during the year	(49,734)	(24,086)
Currency variance	(1,466)	(95,928)
Balance, end of the year	729,965	631,940

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise: -

	2015	2014
Due to contractors	6,882,347	9,580,084
Amount to be refunded to donor (DRO) under LDP III project, (note 7)	882,245	-
Accrued expenses and other payables	52,587	13,911
	7,817,179	9,593,995

11. Projects' Expenses

Projects' expenses comprise:-

Program	Donor	Sub-note	2015			2014		
			Projects' expenses	MDLF management fees	Total	Projects' expenses	MDLF management fees	Total
MDP Phase II Cycle II	KfW - EU	11.1.a	844	95	939	-	-	-
	BTC	11.1.b	431,843	41,865	473,708	1,023,685	26,681	1,050,366
	GIZ	11.1.c	150,716	27	150,743	244,475	33,890	278,365
	KfW	11.1.d	4,909,607	402,386	5,311,993	8,398,249	566,607	8,964,856
	IDA	11.1.e	1,297,903	111,019	1,408,922	3,718,063	294,457	4,012,520
	MDTF	11.1.f	3,817,013	280,720	4,097,733	8,126,118	586,461	8,712,579
MDP Phase II Cycle I	VNG	11.1.g	226,984	15,589	242,573	1,499	-	1,499
	FDFA	11.1.h	498,885	45,890	544,775	480,703	55,040	535,743
	IDA Additional Contribution	11.1.i	1,349,502	153,460	1,502,962	986,085	-	986,085
	MDTF Additional Contribution	11.1.j	5,557,304	511,717	6,069,021	1,583,462	-	1,583,462
	AFD	11.1.k	60,942	4,250	65,192	-	-	-
	PNA	11.1.l	2,453,938	185,932	2,639,870	212,139	-	212,139
	KfW -Additional Contribution Window 5	11.1.m	3,237,802	229,462	3,467,264	-	-	-
MDP Phase I Cycle I	KfW	-	-	-	-	300,153	1,121	301,274
MDP Phase I Cycle II	AFD	11.2.a	79,133	5	79,138	392,597	40,947	433,544
	KfW	-	-	-	-	334,416	202	334,618
	PNA	11.2.b	504,338	61	504,399	1,461,616	234,675	1,696,291

Program	Donor	Sub-note	2015			2014		
			Projects' expenses	MDLF management fees	Total	Projects' expenses	MDLF management fees	Total
Continued...								
Other Programs/ projects	LG Policy - DRO	11.3	16,710	16	16,726	118,712	23,230	141,942
	LGRDP - BTC	11.4	2,230,817	56,186	2,287,003	1,061,700	43,938	1,105,638
	LDP III - DRO	11.5	3,114,680	160,070	3,274,750	299,016	150,016	449,032
	Irish Aid	-	-	-	-	3,108	-	3,108
	Water Supply System – AFD	11.6	646,796	83,204	730,000	653,761	-	653,761
	ILED - GIZ	11.7	288,551	22,612	311,163	2,331	77	2,408
	GSWMP - IDA	11.8	78,720	-	78,720	29,389	129,400	158,789
	GSWMP - AFD	11.9	53,800	-	53,800	3,480	76,182	79,662
	UN Habitat	-	4,819	-	4,819	220	-	220
	AFD - Service Agreement	-	-	-	-	29,303	2,811	32,114
	HIMI - SDC	11.10	1,134,898	85,079	1,219,977	245	5	250
	Development of Area “C” - EC	11.11	53,358	-	53,358	534	-	534
			32,199,903	2,389,645	34,589,548	29,465,059	2,265,740	31,730,799
Amount covered from unrestricted net assets*			(4,911)			(26,375)		
			32,194,992			29,438,684		

* This amount represents expenses covered by unrestricted net assets from the following projects:

Project name	2015	2014
AFD - MDP I cycle II	4,911	-
KfW - MDP I cycle I	-	8,272
KfW - MDP I cycle II	-	17,576
Irish Aid	-	527
	<u>4,911</u>	<u>26,375</u>

11.1. Municipal Development Program - Phase II (MDP II)

Municipal Development Program - Phase II (MDP II), (the Project), is supported by the Palestinian National Authority along with the Danish International Development Assistance (DANIDA), the Swedish International Development Cooperation Agency (SIDA), the World Bank, Kreditanstalt für Wiederaufbau (KfW), the Belgian Development Agency (BTC) through its ongoing program (Local Government Reform and Development Programme - LGRDP), the Netherlands (through VNG International), and the Switzerland (through SDC).

MDP II will be implemented over the period of 3 years (2013-2016) in two cycles of approximately 18 months each.

MDP II has five windows/components as follows:

Window 1 - Provides municipalities with performance-based grants for municipal service delivery per mandate of municipalities defined in the Local Councils Law No. 1 of 1997, for sectors described as eligible in the Operations Manual as well as for operating expenditures for municipalities in Gaza. The municipalities' allocation for this window will be calculated using the newly created Grant Allocation Mechanism. Municipalities decide on how to use the funds based on their Strategic Development and Investment Plans (SDIP) and consultation with citizens.

Window 2 - pilots learning and innovation for municipal development, including implementation of the Ministry of Local Government (MoLG) policy decisions. This window finances goods, works and consultant services for capacity building and capital investments, including:

- (a) Strengthening Newly Amalgamated Municipalities that will support newly amalgamated municipalities towards achieving service levels in existing municipalities through financing small-scale social infrastructure and demand driven municipal capacity building packages. It will finance goods, works and consultant services.
- (b) Piloting Innovations for improved municipal responsiveness that will support:
 - Introduction of E-governance in four selected municipalities for more responsive service provision.
 - Renewable Energy that will assist municipalities in piloting sub-projects with a focus on solar energy for public buildings.
 - Support to Local Economic Development initiatives that will develop a municipal approach to LED and pilot the approach in 12 municipalities (6 per each cycle).

Window 3 - Helps municipalities to improve their performance rankings in accordance to the new Grants Allocation Mechanism. It provides technical assistance to improve financial management, planning capacities and technical capabilities, particularly in operations and maintenance. This component would finance goods, works and consultants services and would be implemented in two cycles of approximately 18 months each.

Window 4 - This component will finance goods and consultants services for monitoring and evaluation, outreach and communication and local technical consultants for the engineering supervision of sub-projects under window 1 and the MDLF management fee.

Window 5 - This window was designed under MDP II in response to Gaza emergency needs following the 51-day war in the summer of 2014 to restore municipal services in the Gaza Strip.

Details of the MDP II by each donor are presented from note (11.1.a) to note (11.1.m) below

11.1.a. Kreditanstalt für Wiederaufbau - European Union (KfW - EU)

On December 13, 2014 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development and MDLF based on the Delegation Agreement No. 2014/345-867, dated November 11, 2014 between the European Union (EU) and KfW, to contribute into the finance of Phase II (cycle II) of the Municipal Development Program (MDP II) in the amount of EUR 6,974,110.

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

	Budget in EUR	Budget in USD
Window 1: Municipal Grants for Capital Investments	6,017,860	6,844,714
Window 3: Capacity Building for (a) Municipalities	500,000	568,700
(b) MDLF	-	-
Window 4: Project Implementation Support and Management Costs	456,250	518,939
	<u>6,974,110</u>	<u>7,932,353</u>

Details of expenses are as follows:

	USD 2015 Actual
Window 3 : Capacity Building for (a) Municipalities	844
(b) MDLF	-
Window 4 : (a) Local Technical Consultant	-
(b) MDLF Management Fee	95
	<u>939</u>

11.1.b. Government of the Kingdom of Belgium, through the Belgian Development Agency (BTC)

On November 25, 2010 an agreement was signed between the Belgian Development Agency (BTC) and the MDLF to contribute into the finance of the Municipal Development Program, through its ongoing program (Local Government Reform and Development Programme - LGRDP), in the amount of EUR 2,900,000. BTC contribution into Phase I (cycles I & II) has been completed as of December 31, 2013. Starting January 1, 2014, BTC is contributing into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II).

On November 12, 2014 the steering committee decided to transfer an amount of EUR 350,000 from LGRDP component II to component III, to fund Window 5 - Gaza Municipal Emergency Grants.

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

	Original Budget in EUR	Revised Budget in EUR	Revised Budget in USD
Window 1: Municipal Grants for Capital Investments	2,697,000	2,697,000	3,535,767
Window 4: Project Implementation Support and Management Costs	203,000	203,000	266,133
Window 5: Gaza Municipal Emergency Grants	-	350,000	426,125
	<u>2,900,000</u>	<u>3,250,000</u>	<u>4,228,025</u>

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 1 : Municipal Grants for Capital Investments	140,310	1,023,685
Window 4 : (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	41,865	26,681
Window 5 : Gaza Municipal Emergency Grants	291,533	-
	<u>473,708</u>	<u>1,050,366</u>

11.1.c. Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

On June 27, 2012 an agreement was signed between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the MDLF to contribute into the finance of Phase I (cycle II) and Phase II (cycle I), of the Municipal Development Program (MDP II), in the amount of EUR 700,000.

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

	Budget EUR	Budget USD
Window 3: Capacity Building for (a) Municipalities	602,000	796,196
(b) MDLF	49,000	64,807
Window 4: Project Implementation Support and Management Costs	49,000	64,807
	<u>700,000</u>	<u>925,810</u>

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 3 : Capacity Building for (a) Municipalities	142,858	213,646
(b) MDLF	7,858	30,829
Window 4 : (a) Local technical consultant	-	-
(b) MDLF Management Fee	27	33,890
	<u>150,743</u>	<u>278,365</u>

11.1.d. Kreditanstalt für Wiederaufbau (KfW)

On July 15, 2013 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development and MDLF, to contribute into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II) in the amount of EUR 13,500,000.

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

	Budget EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	12,085,000	16,683,343
Window 3: Capacity Building for (a) Municipalities	410,000	566,005
(b) MDLF	-	-
Window 4: Project Implementation Support and Management Costs	1,005,000	1,387,402
	13,500,000	18,636,750

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 1: Municipal Grants for Capital Investments	4,839,870	8,394,045
Window 3: Capacity Building for (a) Municipalities	17,434	3,962
(b) MDLF	-	-
Window 4: (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	402,386	566,607
(c) Monitoring and Evaluation	49,072	242
Bank charges	3,231	-
	5,311,993	8,964,856

11.1.e. International Development Association (IDA)

On July 7, 2013 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 Phase II (cycle I) of the Municipal Development Program (MDP II), in the amount of USD 10,000,000.

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

	Budget USD
Window 1: Municipal Grants for Capital Investments	6,913,793
Window 2: Support to Municipal Innovations and Efficiency	827,586
Window 3: Capacity Building for (a) Municipalities	648,276
(b) MDLF	-
Window 4: Project Implementation Support and Management Costs	1,610,345
	10,000,000

The closing date of the Agreement with IDA is February 28, 2018.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 1: Municipal Grants for Capital Investments	954,076	3,267,911
Window 2: Support to Municipal Innovations and Efficiency	142,382	85,546
Window 3: Capacity Building for (a) Municipalities	13,287	513
(b) MDLF	-	-
Window 4: Project Implementation Support and Management Costs	299,177	658,550
	1,408,922	4,012,520

11.1.f. Multi-Donor Trust Fund, through the International Development Association (IDA)

On March 26, 2014 an agreement was signed between the International Development Association (IDA), in its capacity as 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 II (cycle I) of the Municipal Development Program (MDP II), in the amount of USD 25,800,000.

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

	Budget USD
Window 1: Municipal Grants for Capital Investments	18,986,172
Window 2: Support to Municipal Innovations and Efficiency	2,918,927
Window 3: Capacity Building for (a) Municipalities	1,175,871
(b) MDLF	-
Window 4: Project Implementation Support and Management Costs	2,719,030
	25,800,000

The closing date of the Agreement with IDA is June 30, 2017.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 1: Municipal Grants for Capital Investments	2,570,688	8,078,783
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	686,573	27,410
Window 3: Capacity Building for (a) Municipalities	505,207	-
(b) MDLF	-	-
Window 4: Project Implementation Support and Management Costs	335,265	606,386
	4,097,733	8,712,579

11.1.g. International Agency of the Association of Netherlands Municipalities (VNG)

On July 2, 2013 an agreement (the Agreement) was signed between the International Agency of the Association of Netherlands Municipalities (VNG) and the MDLF to contribute into the finance of Phase II of the Municipal Development Program (MDP II), in the amount of EUR 1,200,000.

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

	Budget EUR	Budget USD
Window 2: Support to Municipal Innovations and Efficiency	1,116,000	1,535,728
Window 4: Project Implementation Support and Management Costs	84,000	115,592
	1,200,000	1,651,320

The closing date of the agreement with VNG is December 31, 2016.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 2: Support to Municipal Innovations and Efficiency	226,984	1,499
Window 4: (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	15,589	-
	242,573	1,499

11.1.h. Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA)

On September 4, 2013 an agreement was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office- Gaza and West Bank, and the MDLF to contribute into the finance of Phase II of the Municipal Development Program (MDP II), (the Project), in the amount of **EUR 2,500,000**. On December 1, 2015, FDFA and MDLF signed a contract whereby FDFA contributes an additional amount of **EUR 833,000** to finance Window 5 of MDP II "Gaza Municipal Emergency Grants".

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

	Budget EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	1,085,000	1,471,694
Window 3: Capacity Building for (a) Municipalities	1,240,000	1,681,936
(b) MDLF	-	-
Window 4: Project Implementation Support and Management Costs	175,000	237,370
Window 5 : Gaza Municipal Emergency Grants	833,000	881,397
	3,333,000	4,272,397

The closing date of the original agreement with FDFA is March 31, 2016 and for the additional contribution is December 31, 2016.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 1 : Municipal Grants for Capital Investments	182,324	426,982
Window 3 : Capacity Building for (a) Municipalities	316,561	53,721
(b) MDLF	-	-
Window 4 : (a) Local technical consultant	-	-
(b) MDLF Management Fee	45,890	55,040
	544,775	535,743

11.1.i. The International Development Association (IDA) Additional Contribution – Window 5

On July 7, 2013 an agreement (the Original 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 Phase II (cycle I) of the Municipal Development Program (MDP II), in the amount of USD 10,000,000. In addition, on December 7, 2015, an amendment to the Original Agreement was signed between the two parties to extend an additional grant, in an amount equal to USD 3,000,000 to fund Window 5 - Gaza Municipal Emergency Grants.

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

	Additional Contribution Budget (USD)
Window 4: Project Implementation Support and Management Costs	210,000
Window 5: Gaza Municipal Emergency Grants	2,790,000
	3,000,000

The closing date of the Agreement with IDA is February 28, 2018.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 4 : (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	153,460	-
Window 5 : Gaza Municipal Emergency Grants	1,349,502	986,085
	1,502,962	986,085

11.1.j. Multi-Donor Trust Fund, through the International Development Association (IDA) Additional Contribution – Window 5

On December 7, 2014 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

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

The closing date of the Agreement with IDA is February 28, 2018.

	USD	
	2015 Actual	2014 Actual
Window 4 : (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	511,717	-
Window 5 : Gaza Municipal Emergency Grants	5,557,304	1,583,462
	6,069,021	1,583,462

On August 2014 an agreement was signed between the Agence Française de Development (AFD) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development, to contribute into the finance of Phase II cycle I of the Municipal Development Program (MDP II), (the Project), in the amount of EUR one million.

	<u>Budget Euro</u>	<u>Budget USD</u>
Window 2: Support to Municipal Innovations and Efficiency	700,000	850,920
Window 3: Capacity Building for (a) Municipalities and (b) MDLF	230,000	279,588
Window 4: Project Implementation Support and Management Costs	70,000	85,092
	<u>1,000,000</u>	<u>1,215,600</u>

	USD
	2015
	Actual
Window 2: Support to Municipal Innovations and Efficiency	5,252
Window 3: Capacity Building for (a) Municipalities	55,690
(b) MDLF	-
Window 4: Project Implementation Support and Management Costs	4,250
	65,192

11.1.1. 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) in the amount of NIS 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 and the allocations of the amounts of the grant to each window:

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

Details of expenses are as follows:

	USD					
	2015 Actual			2014 Actual		
	PNA Contribution to MDP II	PNA Additional Contribution	Total	PNA Contribution to MDP II	PNA Additional Contribution	Total
Window 1: Municipal Grants for Capital Investments	2,284,440	169,498	2,453,938	137,901	74,238	212,139
Window 4: (a) Local Technical Consultant	-	-	-	-	-	-
(b) MDLF Management Fee	169,159	16,773	185,932	-	-	-
	2,453,599	186,271	2,639,870	137,901	74,238	212,139

11.1.m. Kreditanstalt für Wiederaufbau (KfW) Additional Contribution – Window 5

On May 21, 2015 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Liberation Organization, represented by the Ministry of Planning and Administrative Development and MDLF to extend an additional grant (KfW Additional Contribution), into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II), (the Project), in the amount of EUR 5,000,000 to fund Window 5 - Gaza Municipal Emergency Grants.

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

	Budget in EUR	Budget in USD
Window 4: Project Implementation Support and Management Costs	450,000	493,650
Window 5: Gaza Municipal Emergency Grants	4,550,000	4,991,350
	5,000,000	5,485,000

Details of expenses are as follows:

	USD
	2015
	Actual
Window 4 : (a) Local Technical Consultant	12,848
(b) MDLF Management Fee	229,462
Window 5 : Gaza Municipal Emergency Grants	3,224,954
	<u>3,467,264</u>

11.2. Municipal Development Program - Phase I (MDP I)

MDP I aims to provide infrastructure grants to Palestinian municipalities, and combines this with improved performance, and improved capacity in operations, planning, and financial capacity.

The MDP I has four windows/components as follows:

- **Window 1** - Provides municipalities with performance-based grants for municipal service delivery, using the newly created Grant Allocation Mechanism. Municipalities decide on how to use the funds based on their Strategic Development and Investment Plans (SDIP) and consultation with citizens.
- **Window 2** - Promotes learning and innovation to facilitate municipal development, including implementation of national policy directives. The MDP supports the PNA in its goal to encourage amalgamation of local governments to achieve better efficiencies and economies of scale. It also establishes pilot programs to improve revenue collection, responsiveness, and community involvement.
- **Window 3** - Helps municipalities to improve their performance rankings in accordance to the Grants Allocation Mechanism. It provides technical assistance to improve financial management, planning capacities and technical capabilities, particularly in operations and maintenance.
- **Window 4** - Provides funding for program management, client and citizen satisfaction assessments, technical assistance for municipalities, and outreach programs to make sure citizens and municipal leaders have a full understanding of the Grants Allocation Mechanism and the MDP development objectives. It helps citizens to understand where their municipality is ranked, and encourages leaders to meet higher performance levels.

Details of the MDP I by each donor are presented from note (11.2.a) to note (11.2.d) below

11.2.a. Agence Française de Development (AFD) MDP Phase I - Cycle II

On December 21, 2011 an agreement was signed between the Agence Française de Development (AFD) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development, to contribute into the finance of Phase I cycle II of the Municipal Development Program (MDP I), (the Project), in the amount of EUR six millions.

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

	Budget EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	5,079,856	6,659,691
Window 3: Capacity Building for (a) Municipalities	300,000	393,300
(b) MDLF	-	-
Window 4: Project Implementation Support and Management Costs	620,144	813,009
	6,000,000	7,866,000

The closing date of the Agreement with AFD was June 30, 2015.

Details of expenses are as follows:

	USD	
	Actual 2015	Actual 2014
Window 1 : Municipal Grants for Capital Investments	6,126	240,952
Window 2 : Support to Municipal Innovations and Efficiency	17,239	-
Window 3 : Capacity Building for (a) Municipalities	-	81,162
(b) MDLF	-	-
Window 4 : (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	5	40,947
(c) Monitoring and Evaluation	-	-
(d) Outreach and Communication	55,768	70,483
	79,138	433,544

11.2.b. Palestinian National Authority (PNA) MDP Phase I - Cycle II

Palestinian National Authority (PNA) contributed into the finance of Phase I (cycle II) of the Municipal Development Program (MDP I), (the Project), which is in addition supported by the Agence Française de Développement (AFD), the Danish International Development Assistance (DANIDA), the Swedish International Development Cooperation Agency (SIDA), the World Bank, the German Development Bank (KfW), the German International Technical Cooperation (GIZ) and the Belgian Development Agency (BTC).

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

	Budget EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	2,427,012	3,202,928
Window 4: Project Implementation Support and Management Costs	182,678	241,080
	2,609,690	3,444,008

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Window 1 : Municipal Grants for Capital Investments	504,338	1,461,616
Window 4 : (a) Local Technical Consultant	-	-
(b) MDLF Management Fee	61	234,675
	504,399	1,696,291

11.3. Local Government Policy Development in Palestine, Funded by the Government of the Kingdom of Denmark, represented by the Danish Representative Office in Ramallah (DRO)

On May 26, 2011 an agreement was signed among the Government of the Kingdom of Denmark, represented by the Danish Representative Office in Ramallah (DRO), the Municipal Development and Lending Fund (MDLF), and the Ministry of Local Government (MoLG) to support the project titled Local Government Policy Development in Palestine (the Project) by an amount of DKK 4,794,110 for two years starting from January 1, 2011 and ending on December 31, 2012. Through several steering committee meetings, the Project implementation period was extended to December 31, 2014. Moreover, on December 30, 2014 DRO approved another extension up to July 1, 2015.

DRO intends to support the Project of establishing a Policy and Strategy Unit (PSU) within the MoLG to be able to develop, formulate and monitor policies in the complex political/institutional set up in the Palestinian Authority (PA). In addition, the Project provides limited and targeted capacity support to MDLF and the Association of Palestinian Local Authorities (APLA).

Further, the development objective of the Project is to support the building of a sovereign, democratically viable Palestinian state, guaranteeing basic human rights and security for its population, creating the framework for economic growth and delivering basic services by contributing to the establishment of a viable strategic framework for municipal development. The Project has three immediate objectives related to each component in the budget presented below:

1. MoLG to have a fully functioning PSU, capable of formulating and monitoring MoLG policies and strategies to be implemented in the local government sector.
2. MDLF be strengthened to implement its working project with enhanced efficiency, effectiveness and quality including implementation of policies for the municipal development and local governance sector.
3. APLA be strengthened in its ability to voice the interest of Local Government Unit (LGU) members in policy issues.

The table below describes the grant description to be financed by DRO:

	Budget in DKK	Budget in USD
Component 1: Support to MoLG	2,862,740	515,293
Component 2: Support to MDLF	568,840	102,391
Component 3: Support to APLA	358,875	64,598
Sub-total Project activities	3,790,455	682,282
Midterm Review	200,000	36,000
Audit	290,000	52,200
MDLF Management Fee (7%)	299,632	53,934
Contingencies	214,023	38,524
	4,794,110	862,940

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Component 1: Support to MoLG	16,710	118,162
Sub-total Project activities	16,710	118,162
MDLF Management Fee (7%)	16	23,230
Contingencies	-	550
	16,726	141,942

11.4. Support to Local Government Reform and Development Programme- Component II: Support for Amalgamation in Six Areas (LGRDP), Funded by the Government of the Kingdom of Belgium through the Belgian Development Agency (BTC)

On November 25, 2010 an agreement was signed between the Kingdom of Belgium and the Palestinian National Authority (PNA) to implement Support to Local Government Reform and Development Programme (LGRDP) through Belgium Development Agency (BTC) and Municipal Development and Lending Fund (MDLF).

Objectives of LGRDP:

LGRDP aims to achieve the following objectives:

- Strengthening institutional and management capacities of the local government system.
- Supporting institutional reform through improved capacities and services of selected clusters of smaller LGUs and to improve the institutional capacity of Ministry of Local Government.

The total cost of LGRDP has been estimated to EUR 15,160,000, divided to:

1. EUR 160,000 in kind donations to be contributed by the Palestinian Party.
2. EUR 15,000,000 to be contributed by the Belgian Party.

The table below describes the grant description to be financed by the kingdom of Belgium, which should not exceed EUR 15,000,000 and will be implemented over a five-year period as per the following budget:

Component	Original Budget in EUR	Revised Budget in EUR*
Component one: Capacity building of Ministry of Local Government (MoLG)	1,824,140	1,824,140
Component two: Support for amalgamation in six areas (Including 7% management fees)	9,000,000	8,650,000
Component three: MDP Contribution (Including 7% management Fees)	2,900,000	3,250,000
General means: (International TA Salaries, administrative and financial officer, review, etc.)	1,275,860	1,275,860
	15,000,000	15,000,000

* On November 12, 2014 the steering committee decided to transfer an amount of EUR 350,000 from component II to component III, to fund Window 5 - Gaza Municipal Emergency Grants.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Result 2: Smaller LGUs in selected clusters are facilitated for provision of joint services and amalgamation (including Mgt. fees)	71,809	103,577
Result 3: The capacities of these LGUs are enhanced for improved planning, financial management, HRM and accountability	78,169	53,184
Result 4: Services of these LGUs are improved through provision of sustainable infrastructure development	2,029,631	831,693
Rehabilitation of Beit Leqya, Beit Seera, Beit Nuba & Kharbath Al-Misbah Water Supply System-Phase 1 Project	107,394	117,184
	2,287,003	1,105,638

11.5. Support to the Local Development Programme - Phase III (LDP III), Funded by the Government of the Kingdom of Denmark, represented by the Danish Representative Office in Ramallah (DRO)

On November 16, 2011 an agreement was signed between the Government of the Kingdom of Denmark, represented by the Danish Representative Office - Ramallah (DRO), and the Palestinian Authority referred to as the Ministry of Local Government (MoLG) to implement a project entitled "Support to the Local Development Programme - Phase III (LDP III)" in a total amount not exceeding Danish Kronor (DKK) 42,000,000, equivalent to USD 7,661,312. The Municipal Development and Lending fund (MDLF) is granted the authority to manage LDP III.

Objectives of LDP III:

- 1- The overall development objective of LDP III is improved service delivery and governance for citizens through local government units in the West Bank.
- 2- The immediate objective of LDP III is strengthened base for better service delivery local government unit amalgamation and improved local governance.

During 2015, the budget amount of LDP III was decreased as follow:-

	Amount in USD
Original budget in USD per MDLF's records	7,661,312
Less: Currency variances adjustment due to using different DKK exchange rates by DRO and MDLF records	(353,728)
Less: Amount to be refunded to DRO based on steering committee decision (the amount was refunded subsequent to December 31, 2015)	(882,245)
Revised Budget	6,425,339

The table below describes the original and revised budget categories to be financed by the government of Denmark:-

	Original Budget in DKK	Original Budget in USD	Revised Budget in USD
Output 1: Participatory Amalgamation Process	2,500,000	456,031	382,774
Output 2: Institutional Development of New Municipalities	4,000,000	729,648	215,135
Output 3: Joint Project Implemented	26,000,000	4,742,717	4,769,515
Output 4: Strengthened Local Governance	3,620,000	660,332	394,201
Output 5: Programme Management	5,460,000	995,971	663,714
Un- allocated (1%)	420,000	76,613	-
	42,000,000	7,661,312	6,425,339

The closing date of LDP III was planned to be December 31, 2014, which has been extended twice to December 31, 2015 and March 31, 2016.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Participatory Amalgamation Process	272,876	173,012
Institutional Development of New Municipalities	40,300	-
Joint Project Implemented	2,652,810	53,714
Programme Management	308,764	222,306
	3,274,750	449,032

11.6. Rehabilitation of Beit Leqya, Beit Seera, Beit Nuba & Kharbatha Al-Misbah Water Supply System - Phase 1, Funded by the Agence Francaise De Development (AFD)

On June 20, 2013 an agreement was signed between the Agence Francaise De Development (AFD) and the Palestinian Authority (PA) to implement a project entitled "Rehabilitation of Beit Leqya, Beit Seera, Beit Nuba & Kharbatha Al-Misbah Water Supply System - Phase 1" (the Project). The Project involves rehabilitation of the water supply system in the villages of Beit Leqya, Beit Seera, Beit Nuba & Kharbatha Al-Misbah in the Ramallah governorate. These villages are currently engaged in the scope of "Support to Local Government Reform and Development Programme" (LGRDP) financed by Belgium Development Agency (BTC) and implemented by Municipal Development and Lending Fund (MDLF).

Objectives of the Project:

The Project aims to achieve the following objectives:

- Improving and developing the quality of water services.
- Strengthening the implementation of a Common Water Department within the Joint Service Council to optimize a sustainable water management.
- Supporting the amalgamation process of the four villages.
- Accompanying the water sector reform by helping concretely the implementation of the local governance policy in Palestine.

The Project will be co-financed by three Co-financiers: AFD, BTC and the French city of Montreuil. The total cost of the Project has been estimated to be EUR 1,975,000, divided as follows:

1. EUR 1,000,000 to be contributed by the French Development Agency (AFD).
2. EUR 700,000 to be contributed by the Belgian Party.
3. EUR 275,000 to be contributed by the French city of Montreuil (funds delegated to AFD's management).

The table below describes the grant components to be financed by the donors, which should not exceed EUR 1,975,000 and will be implemented over a 210 calendar days as per the following budget:

Component	EUR			
	Total Budget	Co-financiers		
		AFD	Montreuil	BTC
Water supply infrastructure				
Complete renewal of the existing pipes of Beit Seera and related private house connections renewal	709,000	434,000	275,000	-
Partial renewal of the small diameters pipes of Beit Leqya, Beit Nuba and Kharbatha Al Misbah and related private house connections	982,000	351,000	-	631,000
Total of works	1,691,000	785,000	275,000	631,000
Consulting firm				
Assistance to the procurement procedures (MDLF – 7% of the works)	119,000	75,000	-	44,000
Works supervision (local consultant)	25,000	-	-	25,000
Total for consultancy services	144,000	75,000	-	69,000
Miscellaneous (8% of the total)	140,000	140 000	-	-
	1,975,000	1,000,000	275,000	700,000

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Water supply infrastructure		
Complete renewal of the existing pipes of Beit Seera and related private house connections renewal	466,598	399,897
Partial renewal of the small diameters pipes of Beit Leqya, Beit Nuba and Kharbatha Al Misbah and related private house connections	180,198	253,864
Total of works	646,796	653,761
Consulting firm		
Assistance to the procurement procedures (MDLF – 7% of the works)	83,204	-
Total for consultancy services	83,204	-
	730,000	653,761

11.7. Local Governance and Civil Society Development Program, Funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

On May 7, 2014 an agreement (the Agreement) was signed between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Municipal Development and Lending Fund (MDLF) to implement Local Governance and Civil Society Development Program (the Project). Based on the Agreement; GIZ is to make available an amount not to exceed EUR 318,871 to finance the Project.

Project's Objective:

The objective of the Project is to provide procurement services for the implementation of up to 4 pilot projects in municipalities in the Gaza Strip in the framework of the Innovate Local Economic Development (iLED) programme.

The table below describes the grant description to be financed by GIZ which should not exceed EUR 318,871 as presented below:

Component	Budget in EUR
Procurement for iLED pilot programme	99,246
Costs of third-party services	111,094
PR and advertisement	8,880
Training and workshops	78,790
Overhead MDLF (7%)	20,861
	318,871

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Procurement for iLED pilot programme	147,010	-
Costs of third-party services	79,590	-
PR and advertisement	3,707	2,331
Training and workshops	58,244	-
Overhead MDLF (7%)	22,612	77
	311,163	2,408

11.8. Gaza Solid Waste Management Project (GSWMP), (Grant No. TF 016835), Co-funded by the International Development Association (IDA)

Gaza Solid Waste Management Project (GSWMP) is co-financed by the following agreements:

1. Agreement signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on August 24, 2013 to finance part of GSWMP in a maximum grant amount of EUR 14,750,000 (equivalent to USD 19,002,425) made of EUR 10,000,000 from AFD and EUR 4,750,000 from the European Union (EU).
2. Agreement signed between the International Development Association (IDA) and MDLF on April 24, 2014 to finance part of GSWMP in a maximum grant amount of USD 10,000,000.

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

Specific Objectives of GSWMP:

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

The table below describes the components to be financed by the donors:

Component	Total Budget (USD)	Co-financiers	
		AFD	IDA
Solid Waste			
Component 1: Solid Waste Transfer and Disposal Facilities	15,913,986	9,113,986	6,800,000
Component 2: Institutional Strengthening	1,580,568	1,180,568	400,000
Component 3: Primary Collection and Resource Recovery	3,877,819	3,777,819	100,000
Component 4: Project Management	3,570,019	1,700,019	1,870,000
Contingencies	4,060,033	3,230,033	830,000
	29,002,425	19,002,425	10,000,000

The closing date of the Project is December 31, 2018.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Component 1: Solid Waste Transfer and Disposal Facilities	2,279	-
Component 2: Institutional Strengthening	76,441	29,389
Component 4: Project Management	-	129,400
	78,720	158,789

11.9. Gaza Solid Waste Management Project (GSWMP), Co-funded by the Agence Francaise De Development (AFD)

Gaza Solid Waste Management Project (GSWMP) is co-financed by the following agreements:

1. Agreement signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on August 24, 2013 to finance part of GSWMP in a maximum grant amount of EUR 14,750,000 (equivalent to USD 19,002,425) made of EUR

10,000,000 from AFD and EUR 4,750,000 from the European Union (EU).

2. Agreement signed between the International Development Association (IDA) and MDLF on April 24, 2014 to finance part of GSWMP in a maximum grant amount of USD 10,000,000.

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

Specific Objectives of GSWMP:

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

The table below describes the components to be financed by the donors:

Component	Total Budget (USD)	Co-financiers	
		AFD	IDA
Solid Waste			
Component 1: Solid Waste Transfer and Disposal Facilities	15,913,986	9,113,986	6,800,000
Component 2: Institutional Strengthening	1,580,568	1,180,568	400,000
Component 3: Primary Collection and Resource Recovery	3,877,819	3,777,819	100,000
Component 4: Project Management	3,570,019	1,700,019	1,870,000
Contingencies	4,060,033	3,230,033	830,000
	29,002,425	19,002,425	10,000,000

The closing date of the Project is December 31, 2018.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Component 1: Solid Waste Transfer and Disposal Facilities	24,909	-
Component 2: Institutional Strengthening	28,396	-
Component 3: Primary Collection and Resource Recovery	495	-
Component 4: Project Management	-	79,662
	53,800	79,662

11.10. High Impact Infrastructure Project, Funded by the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs, acting through the Swiss Agency for Development and Cooperation (SDC)

On November 6, 2014 an agreement (the Agreement) was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs, acting through the Swiss Agency for Development and Cooperation (SDC), and MDLF to implement High Impact Infrastructure Project, (the Project). Based on the Agreement; SDC is to make available an amount not to exceed Swiss Franc 2,000,000 to finance the Project.

The Project implementation period is from November 6, 2014 to October 31, 2015. Thereafter, on November 19, 2015, an amendment to the Agreement was signed between the two parties to raise the grant amount to Swiss Franc 2,500,000 and to extend the Project implementation period to June 30, 2016. Further, as agreed between the two parties, the total revised budget in USD is USD 2,743,263, which includes the equivalent amount in USD of the Swiss Franc 2,500,000 and an amount of USD 145,000, representing realized currency variance gain on the first payment of Swiss Franc 1,500,000 made by SDC to MDLF on December 14, 2014 and converted to USD on January 31, 2015. The revised budget is as follows:-

	Swiss Franc	USD
Original Budget	2,000,000	2,100,000
Amendment to Budget	500,000	498,263
Realized currency variance gain on the first payment of Swiss Franc 1,500,000	-	145,000
Revised Budget:	2,500,000	2,743,263

The table below describes the original and revised budget categories to be financed by SDC:

Component	Original Budget		Revised Budget in USD *
	Swiss Franc	USD	
Infrastructure (West Bank)	887,300	934,000	1,079,000
Infrastructure (Gaza)	855,000	900,000	900,000
Infrastructure (Gaza - Additional)	-	-	450,000
Design and supervision	114,250	115,000	120,263
Audit	3,800	4,000	4,000
MDLF management fee (7%)	139,650	147,000	190,000
	2,000,000	2,100,000	2,743,263

* Includes the equivalent amount in USD for the Swiss Franc 2,500,000 and an amount of USD 145,000 representing currency variance gain realized on the first payment made by SDC to MDLF, as described above.

The Main objective of the Project is to support the marginalized communities in West Bank and Gaza Strip with basic services including "Community development projects, small scale infrastructure and social infrastructure projects" more specifically, the Project will target eight localities in area "C" in the West Bank and seven localities in Gaza Strip.

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Infrastructure (West Bank)	252,555	-
Infrastructure (Gaza)	816,030	-
Design and supervision	66,313	245
MDLF management fee (7%)	85,079	5
	1,219,977	250

11.11. Development of Area "C" in the West Bank Project, Funded by the European Union, Represented by the European Commission

On December 14, 2014 an agreement (the Agreement) was signed between the European Union, represented by the European Commission (EC), and MDLF to support a project entitled *Development of Area "C" in the West Bank* (the Project) by an amount of EUR 2,000,000. Subsequent to December 31, 2015, an addendum was signed between the two parties to revise the budget of the Project.

The overall objective of the Project 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 objective of the Project is to improve access to basic infrastructure in Area "C" through supporting the communities there with basic services including "Community development projects, small scale infrastructure and social infrastructure projects".

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

	Original Budget		Revised Budget	
	EUR	USD	EUR	USD
Direct eligible cost:				
Other costs and services				
Expenditure verification/audit	5,000	6,088	5,000	6,088
Evaluation cost	20,000	24,350	20,000	24,350
Visibility action	30,000	36,525	12,670	15,426
Subtotal-Other costs and services	55,000	66,963	37,670	45,864
Other				
Legal fees	50,000	60,875	20,000	24,350
Cost of infrastructure sub-projects	1,610,000	1,960,175	1,723,035	2,097,795
Local technical consultancy for design and supervision	115,000	140,012	91,195	111,029
Subtotal-Other	1,775,000	2,161,062	1,834,230	2,233,174
Subtotal-Direct eligible cost	1,830,000	2,228,025	1,871,900	2,279,038
Provision for contingency reserve (indirect cost)	41,900	51,013	-	-
MDLF management fees (indirect cost) 7% of direct eligible cost	128,100	155,962	128,100	155,962
	2,000,000	2,435,000	2,000,000	2,435,000

The Project implementation period is from December 14, 2014 to August 14, 2016

Details of expenses are as follows:

	USD	
	2015 Actual	2014 Actual
Local technical consultancy for design and supervision	53,358	534
	53,358	534

12. General and Administrative Expenses

General and administrative expenses comprise:

	2015	2014
Salaries and related benefits*	1,862,933	1,855,541
Travel and transportation expenses	26,114	7,196
Rent	91,952	80,397
Consultants and professional fee	30,231	77,890
Insurance expense	6,054	12,250
Fuel expense	57,977	64,439
Telephone, postage and internet	32,896	36,167
Utilities expense	25,543	22,889
Car expenses	24,986	17,424
Hospitality and cleaning	12,026	11,999
Board of Directors remuneration	25,750	11,750
Printing and stationery	12,817	11,141
Office supply and maintenance	7,836	8,978
Software expense	5,929	7,779
Bank charges	3,490	4,110
Training and workshops	7,714	3,761
Advertisement and newspaper	3,498	3,562
Translation expense	513	-
Others	2,488	4,521
	2,240,747	2,241,794

* Salaries and related benefits details follow:

	2015	2014
Salaries and wages	1,356,246	1,350,382
End of service expense	149,225	151,598
Provident fund expense	132,179	134,630
Family allowances	38,590	40,601
Bonus	53,532	35,646
Transportation allowance	79,253	82,553
Health Insurance	53,908	60,131
	1,862,933	1,855,541

13. Currency Variance

Major items resulted in currency variances are as follows:

	2015	2014
Temporarily restricted net assets – year end revaluation (note 7)	4,986,140	4,403,379
Pledges receivable – year end revaluation (note 4)	(2,989,649)	(2,309,217)
Currency variances from daily transactions and year end revaluation of other monetary assets and liabilities balances	(1,738,160)	(1,507,582)
Loss included in changes of unrestricted net assets	258,331	586,580

14. 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:

	2015	2014
Director General salary and related benefits	71,734	75,858
Board of directors remuneration	25,750	11,750
MDLF management fees	2,389,645	2,265,740

-Balances with related parties comprise:

	2015	2014
Director General - End of service benefits and provident fund	33,719	89,498

15. Restatement of Prior Year Financial Statements

The temporarily restricted net assets of certain grants were originally recorded in USD in MDLF's accounting system. Subsequently, MDLF released the amounts equal to the total expenses incurred during the year from the temporarily restricted net assets using the EUR currency, which resulted in creating contra accounts for the temporarily restricted net assets with EUR balances. The accounting system incorrectly calculated currency variance gain on the temporarily restricted net assets contra accounts balances for the year 2014. Therefore, the comparative financial statements for the year 2014 have been restated as follow:

		USD	
		Balance, as previously reported	Restatement
			Balance, as restated
<i>IDA - MDP II Cycle I:</i>			
Unrestricted net assets	(406,557)	188,456	(218,101)
Temporarily restricted net assets	5,781,805	(188,456)	5,593,349
Currency variance	407,352	(188,456)	218,896
<i>MDTF - MDP II Cycle I:</i>			
Unrestricted net assets	(768,193)	382,328	(385,865)
Temporarily restricted net assets	17,469,749	(382,328)	17,087,421
Currency variance	769,510	(382,328)	387,182
<i>GSWMP - IDA</i>			
Unrestricted net assets	(20,354)	7,934	(12,420)
Temporarily restricted net assets	9,849,145	(7,934)	9,841,211
Currency variance	20,385	(7,934)	12,451
Total Restatement			
Unrestricted net assets	(424,223)	578,718	154,495
Temporarily restricted net assets	109,279,141	(578,718)	108,700,423
Currency variance	1,165,298	(578,718)	586,580