

**LOCAL GOVERNMENT UNITS DEVELOPMENT
AND LENDING FUND**

**Interim Financial Statements (Unaudited)
For the Six-Month Period Ended June 30, 2018**

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Report on Review of Interim Financial Information

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

Introduction

We have reviewed the accompanying interim statement of financial position of the Local Government Units Development and Lending Fund (LGUDLF) as at June 30, 2018, and the related interim statement of activities and changes in net assets and interim cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standard – *International Accounting Standard (IAS 34), Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of LGUDLF as at June 30, 2018, and its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standard – International Accounting Standard (IAS 34).

El Wafa Company
(Permit No. 203/2012)



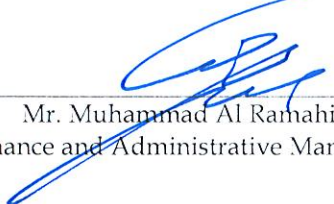
Musa Abu Dieh
(Permit No. 223/1993)

Ramallah, Palestine
September 26, 2018

Local Government Units Development and Lending Fund
Interim Statement of Financial Position
As at June 30, 2018
(Currency: USD)

	<u>Note</u>	<u>June 30, 2018</u> (Unaudited)	<u>December 31, 2017</u> (Audited)
ASSETS			
Non-current assets			
Property and equipment, net	3	183,576	210,804
Total non-current assets		183,576	210,804
Current assets			
Pledges receivable	4	117,025,838	98,914,630
Prepaid expenses and other current assets	5	672,328	884,129
Cash and cash equivalents	6	22,844,523	37,213,184
Total current assets		140,542,689	137,011,943
Total assets		140,726,265	137,222,747
NET ASSETS AND LIABILITIES			
Net assets			
Temporarily restricted net assets	7	134,812,524	122,226,908
Unrestricted net assets		2,436,616	2,845,888
Total net assets		137,249,140	125,072,796
Non-current liabilities			
Provision for provident fund	8	1,245,014	1,181,826
Provision for end of service benefits	9	1,234,408	1,182,208
Total non-current liabilities		2,479,422	2,364,034
Current liabilities			
Accrued expenses and other current liabilities	10	997,703	9,785,917
Total current liabilities		997,703	9,785,917
Total liabilities		3,477,125	12,149,951
Total net assets and liabilities		140,726,265	137,222,747

- These financial statements were approved for issuance by LGUDLF management on September 26, 2018 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

Local Government Units Development and Lending Fund
Interim Statement of Activities and Changes in Net Assets
For the Six-Month Period Ended June 30, 2018
(Currency: USD)

		For the six-month period ended	
	Note	June 30, 2018	June 30, 2017
		(Unaudited)	(Unaudited)
Changes in unrestricted net assets			
LGUDLF management fees	7, 11	517,019	161,309
Interest income		169,839	143,378
Other income		243,596	9,341
Currency variance gain	13	721,960	461,514
Total revenues, gains and other support		1,652,414	775,542
Released from temporarily restricted net assets	7	10,759,276	12,953,402
Total revenues		12,411,690	13,728,944
Expenses			
Projects' expenses and management fees	11	11,429,394	12,953,508
Depreciation expenses	3	35,821	34,164
General and administrative expenses	12	1,355,747	1,308,812
Transfer of interest revenue accumulated balance to Donors		-	12,868
Total expenses		12,820,962	14,309,352
Net change in unrestricted net assets		(409,272)	(580,408)
Changes in temporarily restricted net assets			
Grants and donations	7	25,711,035	4,954,770
Net assets released from restriction – management fees	7, 11	(517,019)	(161,309)
Net assets released from restriction – projects' expenses	7, 11	(10,242,257)	(12,792,093)
Grants written off during the period		-	(1,242,544)
Currency variance	7, 13	(2,366,143)	5,575,332
Net changes in temporarily restricted net assets		12,585,616	(3,665,844)
Net changes in net assets for the period		12,176,344	(4,246,252)
Net assets, beginning of the period		125,072,796	96,087,308
Net assets, end of the period		137,249,140	91,841,056

The accompanying notes form an integral part of these financial statements

Local Government Units Development and Lending Fund
Interim Statement of Cash Flows
For the Six-Month Period Ended June 30, 2017
(Currency: USD)

	For the six-month period ended	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from operating activities		
Changes in net assets for the period	12,176,344	(4,246,252)
Adjustments:		
Depreciation	35,821	34,164
End of service benefits and provident fund expenses	115,388	433,955
Adjustments to reconcile changes in net assets to net cash flow (used in) from operating activities:		
(Increase) decrease in pledges receivable	(18,111,208)	21,390,606
Decrease (increase) in prepaid expenses and other current assets	211,801	(18,168)
(Decrease) in accrued expenses and other current liabilities	(8,788,214)	(9,288,680)
Provident fund benefits paid	-	(8,363)
End of service benefits paid	-	(5,251)
Net cash flow (used in) from operating activities	<u>(14,360,068)</u>	<u>8,292,011</u>
Cash flows from investing activities		
Purchase of property and equipment	(8,593)	(4,254)
Net cash (used in) investing activities	<u>(8,593)</u>	<u>(4,254)</u>
(Decrease) increase in cash and cash equivalents	(14,368,661)	8,287,757
Cash and cash equivalents, beginning of the period	<u>37,213,184</u>	<u>21,096,315</u>
Cash and cash equivalents, end of the period	<u>22,844,523</u>	<u>29,384,072</u>

The accompanying notes form an integral part of these financial statements

Local Government Units Development and Lending Fund
Notes to the Interim Financial Statements
For the Six-Month Period Ended June 30, 2018
(Currency: USD)

1. LGUDLF and Its Activities

The Local Government Units Development and Lending Fund (LGUDLF) had been established under the name of the Municipal Development and Lending Fund (MDLF) according to Cabinet Decree No. 05/13/12 dated August 2007. As of November 10, 2016, Decree by Law No. 25 has been issued which changed the name of MDLF to the Local Government Units Development and Lending Fund (LGUDLF). LGUDLF 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 LGUDLF is to encourage the flow of financial resources to Local Government Units (LGU). According to Decree by Law No. 25 dated November 10, 2016, LGUDLF 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 LGUDLF'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.

LGUDLF 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 LGUDLF. The Board comprises 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 and 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 two members from the local authorities and the civil society.

The interim financial statements for the six-month period ended June 30, 2018 have been reviewed, not audited.

2. Summary of Significant Accounting Policies

Basis of preparation

The interim financial statements are prepared according to the International Accounting Standard number 34 (Interim Financial Reporting) 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 LGUDLF'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 LGUDLF is not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by LGUDLF has been limited by donors' specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by LGUDLF in perpetuity. During the six-month period ended June 30, 2018, LGUDLF 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 LGUDLF.

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.

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

LGUDLF established a provident fund plan for its employees whereby LGUDLF 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 LGUDLF'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 LGUDLF when incurred in accordance with the accrual basis of accounting, regardless of the date of actual payment.

k. Foreign currencies

LGUDLF'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	June 30, 2018	December 31, 2017	June 30, 2017
One ILS	0.273	0.287	0.285
One EUR	1.169	1.200	1.140

l. Changes in the accounting policies

The accounting policies used are the same as those used in the previous period, 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 represents the following:

Item	Carrying amount
Pledges receivable	117,025,838
Cash and cash equivalents	22,844,523

- LGUDLF has a total amount of USD 117,025,838 as pledges receivable from the donors.

- LGUDLF has a total amount of USD 22,844,523 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	997,703	997,703	-
	997,703	997,703	-

- LGUDLF will pay an amount of USD 997,703 during the second 6 months of the year 2018. LGUDLF 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 LGUDLF is foreign currency 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.

The main currencies that LGUDLF uses are the United States Dollars (USD), the New Israeli Shekels (ILS) and the EUR. The rates against the reporting currency USD were as follows:

	June 30, 2018		June 30, 2017	
	Period - end	Period - Average	Period - end	Period - Average
EUR	1.169	1.212	1.140	1.011
ILS	0.273	0.280	0.285	0.272

These fluctuations in the exchange rates against USD resulted in a gain of USD 721,960 and USD 461,514 for the six-month period ended June 30, 2018 and 2017 respectively.

3. Property and Equipment, Net

Property and equipment comprises: -

June 30, 2018					
<u>Cost</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Computer Software</u>	<u>Total</u>
January 1, 2018	212,461	283,060	140,446	59,582	695,549
Additions	-	6,356	2,237	-	8,593
Disposals	-	-	-	-	-
June 30, 2018	<u>212,461</u>	<u>289,416</u>	<u>142,683</u>	<u>59,582</u>	<u>704,142</u>
<u>Accumulated depreciation</u>					
January 1, 2018	141,119	217,674	73,444	52,508	484,745
Additions	11,900	15,938	6,213	1,770	35,821
Disposals	-	-	-	-	-
June 30, 2018	<u>153,019</u>	<u>233,612</u>	<u>79,657</u>	<u>54,278</u>	<u>520,566</u>
Net book value as of June 30, 2018	<u>59,442</u>	<u>55,804</u>	<u>63,026</u>	<u>5,304</u>	<u>183,576</u>
December 31, 2017					
<u>Cost</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Computer Software</u>	<u>Total</u>
January 1, 2017	212,461	248,138	135,502	59,582	655,683
Additions	-	34,922	4,944	-	39,866
Disposals	-	-	-	-	-
December 31, 2017	<u>212,461</u>	<u>283,060</u>	<u>140,446</u>	<u>59,582</u>	<u>695,549</u>
<u>Accumulated depreciation</u>					
January 1, 2017	117,319	188,070	61,326	48,968	415,683
Additions	23,800	29,604	12,118	3,540	69,062
Disposals	-	-	-	-	-
December 31, 2017	<u>141,119</u>	<u>217,674</u>	<u>73,444</u>	<u>52,508</u>	<u>484,745</u>
Net book value as of December 31, 2017	<u>71,342</u>	<u>65,386</u>	<u>67,002</u>	<u>7,074</u>	<u>210,804</u>

4. Pledges Receivable

Composition of pledges receivable and movement thereon during the six-month period ended June 30, 2018 follow: -

Program	Donor	Balance, beginning of period	Addition during the period	Received during the period	Currency variance	Balance, end of period
MDP Phase III	Agence Française de Development (AFD)	4,799,200	-	-	(125,200)	4,674,000
	The Swiss Federal Department of Foreign Affairs (FDFA)	4,580,836	-	-	(119,503)	4,461,333
	Multi-Donor Trust Fund (MDTF)	20,000,000	-	-	-	20,000,000
	The International Development Association (IDA)	16,000,000	-	-	-	16,000,000
	Palestinian National Authority (PNA)	-	10,517,435	-	-	10,517,435
MDP Phase II Cycle II	AFD	678,547	-	-	(17,701)	660,846
	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	180,083	-	-	(4,698)	175,385
	KfW Additional	25,216	-	(23,366)	(1,850)	-
	KfW-EU Gaza Emergency Response (Window 5)	30,027	-	(27,965)	(2,062)	-
	The Belgian Development Agency (Enabel) Window 2- under LGRDP 2	676,687	-	(6,081)	(18,366)	652,240
MDP Phase II Cycle I	IDA Additional Contribution (Window 5)	249	-	-	(249)	-
	MDTF Additional Contribution (Window 5)	446,051	-	(360,356)	(85,695)	-
	AFD	714	-	-	(19)	695
	PNA	7	-	-	-	7
Other Programs/ projects	Gaza Solid Waste Management Project (GSWMP - IDA)	7,524,071	-	(636,066)	-	6,888,005
	GSWMP - AFD	12,842,235	-	(828,884)	(257,946)	11,755,405
	Regeneration of Historical Centers in Local Government Units (RHC) - Enabel	4,618,837	-	(2,493,487)	(192,283)	1,933,067
	Local Government Reform and Development Programme - Phase II (LGRDP 2) - Enabel	4,391,945	-	(75,144)	(116,740)	4,200,061
	Integrated Cities and Urban Development Project (ICUD) - IDA	4,480,000	-	-	-	4,480,000
	LGUDLF Support to Village Councils - Area C Infrastructure - FDFA	2,832,385	-	-	(73,891)	2,758,494
	Development of Area "C" in the West Bank Project 2 - EC	697,998	-	-	(18,209)	679,789

<u>Program</u>	<u>Donor</u>	<u>Balance, beginning of period</u>	<u>Addition during the period</u>	<u>Received during the period</u>	<u>Currency variance</u>	<u>Balance, end of period</u>
Continued...						
	Development of Area "C" in the West Bank Project 3 - EC	2,417,813	-	-	(63,075)	2,354,738
	Jericho Multi Site Regeneration Project (MSR) - AFD	7,078,820	-	-	(184,670)	6,894,150
	Gaza Vulnerable Communities Development (GVCD) - FDFA	1,949,918	-	-	(32,082)	1,917,836
	Development of Area "C" in the West Bank Project 4 - EC	2,662,991	-	(1,816,557)	(22,082)	824,352
	Local Governance and Services Improvement Program (LGSIP) - IDA	-	392,000	(42,000)	-	350,000
	LGSIP - MDTF	-	5,500,000	-	-	5,500,000
	LGSIP - KfW	-	9,301,600	-	46,400	9,348,000
		<u>98,914,630</u>	<u>25,711,035</u>	<u>(6,309,906)</u>	<u>(1,289,921)</u>	<u>117,025,838</u>

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise: -

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Advances to contractors	573,327	816,934
Prepaid expenses	57,662	56,180
Advances for training sessions	6,550	6,550
Due from employees	34,789	4,465
	<u>672,328</u>	<u>884,129</u>

6. Cash and Cash Equivalents

Cash and cash equivalents comprise: -

<u>Program</u>	<u>Donor/Detail</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
MDLF	Petty Cash	4,619	3,010
	Current Accounts	1,416,583	1,791,423
	End of service benefits and provident fund accounts	2,562,153	2,411,810
MDP Phase III	AFD	(6)	(6)
	The Swiss Federal Department of Foreign Affairs (FDFA)	1,172,407	1,199,694
	IDA	(390)	-
MDP Phase II Cycle II	IDA	4	575,583
	MDTF	-	1,185,075
	KfW - EU	7	954,802
	AFD	16	378,294
	GIZ	2,990	276,590
	KfW	-	2,920,680
	PNA	1,282,334	2,884,698
	MDTF 2 nd Additional Contribution	1	677,551
	KfW - EU Window 5	-	4,014,863
MDP Phase II Cycle I	Enabel	257,849	810,118
	KfW	-	554,196
	FDFA	11	169,228
	IDA Window 5	-	50,807
	MDTF Window 5	4,673	1,077,644
	AFD	646,321	679,132
	PNA	3,383,102	4,527,160
MDP Phase I Cycle II	KfW Window 5	1	111,290
	PNA	1,005,897	1,001,415
Other Programs / projects	LDP III - DRO	-	71
	Water Supply System - AFD	2,900	2,932
	GSWMP - IDA	408,121	1,016,690
	GSWMP - AFD	1,180,312	1,272,312
	Development of Area "C" - EC	-	3
	RHC - Enabel	2,673,169	422,664
	LGRDP 2 - Enabel	168,696	611,217
	ICUD - IDA	270,979	378,479

Program	Donor/Detail	June 30, 2018	December 31, 2017
Continued...			
	Area C Infrastructure - FDFA	541,150	628,785
	Development of Area "C" 2 - EC	1,349,665	1,719,537
Other	Development of Area "C" 3 - EC	1,204,785	1,416,716
Programs	MSR - AFD	350,477	359,936
/ projects	GVCD - FDFA	1,165,858	1,128,785
	Development of Area "C" 4 - EC	1,764,638	-
	LGSIP- IDA	25,201	-
		22,844,523	37,213,184

7. Temporarily Restricted Net Assets

Composition of temporarily restricted net assets and movement thereon during the six-month period ended June 30, 2018 follow: -

Program	Donor	Balance, beginning of period	Additions - Grants and donations	Released from restriction			Currency variance	Balance, end of period
				Projects' expenses	Management fees	Total		
MDP Phase III	AFD	4,799,194	-	-	-	-	(125,200)	4,673,994
	FDFA	5,780,530	-	-	-	-	(150,800)	5,629,730
	MDTF	20,000,000	-	-	-	-	-	20,000,000
	IDA	16,000,000	-	(11,278)	-	(11,278)	-	15,988,722
	PNA	-	10,517,435	-	-	-	-	10,517,435
MDP Phase II Cycle II	IDA	519,278	-	(187,757)	(37,209)	(224,966)	(294,312)	-
	MDTF	1,075,335	-	(642,593)	(31,784)	(674,377)	(400,958)	-
	KfW - EU	608,771	-	(487,328)	(105,156)	(592,484)	(16,287)	-
	AFD	781,464	-	(210,349)	-	(210,349)	(14,908)	556,207
	GIZ	251,446	-	(108,347)	-	(108,347)	(163)	142,936
	KfW	1,022,566	-	(914,354)	(81,536)	(995,890)	(26,676)	-
	PNA	2,169,932	-	(816,354)	(74,238)	(890,592)	(11,697)	1,267,643
	MDTF 2 nd Additional Contribution	106,543	-	(90,801)	(15,742)	(106,543)	-	-
	KfW - EU Window 5	1,482,181	-	(1,377,259)	(98,989)	(1,476,248)	(5,933)	-
	Enabel	1,479,550	-	(554,191)	(6,986)	(561,177)	(18,417)	899,956
MDP Phase II Cycle I	KfW	439,080	-	(437,008)	(1,780)	(438,788)	(292)	-
	MDTF Window 5	828,104	-	(788,967)	(5,143)	(794,110)	(33,994)	-
	AFD	676,081	-	(16,565)	-	(16,565)	(17,481)	642,035
	PNA	3,567,076	-	(316,144)	(4,142)	(320,286)	(208,365)	3,038,425
MDP Phase I Cycle II	PNA	987,910	-	-	-	-	-	987,910

Program	Donor	Balance, beginning of period	Additions - Grants and donations	Released from restriction			Currency variance	Balance, end of period
				Projects' expenses	Management fees	Total		
Continued...								
Other Programs / projects	GSWMP - IDA	8,385,727	-	(1,035,843)	(28)	(1,035,871)	-	7,349,856
	GSWMP - AFD	13,961,918	-	(1,065,941)	-	(1,065,941)	(303,043)	12,592,934
	RHC - Enabel	4,954,486	-	(225,310)	(22,067)	(247,377)	(117,433)	4,589,676
	LGRDP 2 - Enabel	4,673,519	-	(168,094)	(32,069)	(200,163)	(117,111)	4,356,245
	ICUD - IDA	4,820,310	-	(82,088)	-	(82,088)	-	4,738,222
	Area C Infrastructure - FDFA	3,455,491	-	(94,325)	-	(94,325)	(87,709)	3,273,457
	Development of Area “C” 2 - EC	2,391,566	-	(339,908)	-	(339,908)	(54,994)	1,996,664
	Development of Area “C” 3 - EC	3,829,298	-	(226,434)	-	(226,434)	(92,510)	3,510,354
	MSR - AFD	7,437,858	-	(275)	-	(275)	(194,034)	7,243,549
	GVCD - FDFA	3,078,703	-	(17,564)	-	(17,564)	(50,654)	3,010,485
	Development of Area “C” 4 - EC	2,662,991	-	(10,398)	(98)	(10,496)	(69,572)	2,582,923
	LGSIP - IDA	-	392,000	(16,782)	(52)	(16,834)	-	375,166
	LGSIP - MDTF	-	5,500,000	-	-	-	-	5,500,000
	LGSIP - KfW	-	9,301,600	-	-	-	46,400	9,348,000
		122,226,908	25,711,035	(10,242,257)	(517,019)	(10,759,276)	(2,366,143)	134,812,524

8. Provision for Provident Fund

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Balance, beginning of the period / year	1,181,826	873,112
Add: provision made during the period / year	123,188	242,636
Less: payments made during the period / year	-	(35,230)
Currency variance	(60,000)	101,308
Balance, end of the period / year	<u>1,245,014</u>	<u>1,181,826</u>

9. Provision for End of Service Benefits

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Balance, beginning of the period / year	1,182,208	904,058
Add: provision made during the period / year	112,982	184,201
Less: payments made during the period / year	-	(25,900)
Currency variance	(60,782)	119,849
Balance, end of the period / year	<u>1,234,408</u>	<u>1,182,208</u>

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise: -

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Due to contractors	965,185	9,683,273
Accrued expenses and other payables	32,518	102,644
	<u>997,703</u>	<u>9,785,917</u>

11. Projects' Expenses and Management Fees

Projects' expenses and management fees comprise: -

Program	Donor	Note	June 30, 2018			June 30, 2017		
			Projects' expenses	MDLF management fees	Total	Projects' expenses	MDLF management fees	Total
MDP Phase III	IDA	11.1.a	11,278	-	11,278	-	-	-
MDP Phase II Cycle II	IDA	11.2.a	420,952	37,209	458,161	301,358	25	301,383
	MDTF	11.2.b	642,593	31,784	674,377	995,109	207	995,316
	KfW - EU	11.2.c	545,123	105,156	650,279	1,379,961	24,725	1,404,686
	AFD	11.2.d	210,349	-	210,349	1,509,564	-	1,509,564
	GIZ	11.2.e	108,347	-	108,347	35,071	4,447	39,518
	KfW	11.2.f	740,404	54,249	794,653	1,227,136	6	1,227,142
	KfW Additional	11.2.g	258,477	27,287	285,764	1,759,135	84	1,759,219
	PNA	11.2.h	816,354	74,238	890,592	1,322,568	55	1,322,623
	MDTF 2 nd Additional Contribution	11.2.i	322,762	15,742	338,504	1,037,838	61	1,037,899
	KfW - EU Window 5	11.2.j	1,386,955	98,989	1,485,944	-	-	-
MDP Phase II Cycle I	Enabel	11.2.k	554,191	6,986	561,177	-	-	-
	Enabel	-	-	-	-	5	-	5
	KfW	11.2.l	485,197	1,780	486,977	77,227	-	77,227
	FDFA	-	-	-	-	200,593	1,367	201,960
	IDA Window 5	11.2.m	353	-	353	332,708	27	332,735
	MDTF Window 5	11.2.n	788,983	5,143	794,126	409,776	51	409,827
	AFD	11.2.o	16,565	-	16,565	22,921	-	22,921
	PNA	11.2.p	316,144	4,142	320,286	73,790	94,823	168,613
MDP Phase I	KfW Window 5	11.2.q	1,981	-	1,981	101,278	-	101,278
	AFD Cycle I	-	-	-	-	2	-	2
	AFD Cycle II	-	-	-	-	3	-	3
	PNA Cycle II	-	-	-	-	-	52	52

Program	Donor	Note	June 30, 2018			June 30, 2017		
			Projects' expenses	MDLF management fees	Total	Projects' expenses	MDLF management fees	Total
Continued...								
Other Programs / projects	LGRDP - Enabel	-	-	-	-	257,243	21,685	278,928
	LDP III - DRO	-	-	-	-	43,545	-	43,545
	Water Supply System – AFD	-	-	-	-	107,702	-	107,702
	GSWMP - IDA	11.3	1,035,843	28	1,035,871	274,624	65	274,689
	GSWMP - AFD	11.4	1,065,941	-	1,065,941	339,684	-	339,684
	UN Habitat	-	-	-	-	21,982	-	21,982
	Development of Area “C” - EC	-	-	-	-	49,209	(2,735)	46,474
	RHC - Enabel	11.5	225,310	22,067	247,377	566,361	-	566,361
	LGRDP 2 - Enabel	11.6	170,499	32,069	202,568	264,135	16,265	280,400
	ICUD- IDA	11.7	82,088	-	82,088	73,703	16	73,719
	Area C Infrastructure - FDFA	11.8	94,325	-	94,325	-	-	-
	Development of Area “C” 2 - EC	11.9	339,908	-	339,908	7,968	83	8,051
	Development of Area “C” 3 - EC	11.10	226,434	-	226,434	-	-	-
	MSR - AFD	11.11	275	-	275	-	-	-
	GVCD - FDFA	11.12	17,564	-	17,564	-	-	-
	Development of Area “C” 4 - EC	11.13	10,398	98	10,496	-	-	-
	LGSIP - IDA	11.14	16,782	52	16,834	-	-	-
			10,912,375	517,019	11,429,394	12,792,199	161,309	12,953,508
Amount covered from unrestricted net assets*			(670,118)			(106)		
			10,242,257			12,792,093		

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

Project/ grant	June 30, 2018	June 30, 2017
AFD MDP I Cycle I	-	(2)
Enabel MDP II Cycle I	-	(5)
LGRDP - Enabel	-	(46)
AFD MDP I Cycle II	-	(3)
Water Supply System – AFD	-	(45)
KfW MDP II Cycle I	(48,189)	-
IDA MDP II	(233,195)	-
IDA MDP II Window 5	(353)	-
MDTF MDP II Window 5	(16)	-
Development of Area “C” - EC	-	(5)
KfW MDP II Window 5	(1,981)	-
KfW-EU MDP II Cycle II	(57,795)	-
KfW MDP II Cycle II	(67,307)	-
KfW Additional MDP II Cycle II	(17,220)	-
LGRDP 2	(2,405)	-
MDTF 2 nd Additional Contribution MDP II Cycle II	(231,961)	-
KfW - EU MDP II Window 5	(9,696)	-
	(670,118)	(106)

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

Municipal Development Program - Phase III (MDP III), is supported by the Palestinian National Authority along with 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)) and the Agence Française de Développement (AFD). Further, the saving from AFD contribution in MDP II in the amount of EUR 875,000 was agreed with AFD to be invested in Component 1 of the MDP III. The PA contribution was committed to be 10% of the total fund plus the residual fund from PA contribution in MDP II.

Objective of MDP III

Enhance the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery.

Description of MDP III

The MDP III is aligned with the PA'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.

The total cost of the MDP III amounts to EUR 102,883,800 – out of which EUR 51,049,083 will be utilized in cycle I, and EUR 51,834,717 will be utilized in cycle II.

MDP III has five components as follows:

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 project's three performance areas: (i) financial sustainability, ii) institutional performance and iii) transparency, accountability and participation. In addition, specific attention will be paid to higher order needs of municipalities that will enable them 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 LGUDLF 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 3 - Municipal Partnership Projects

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.

- **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

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 LGUDLF management fee.

Details of the MDP III by each donor are presented below

11.1.a. International Development Association (IDA)

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 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 Performance and Service Delivery	13,311,702
Component 2: Capacity Development	531,915
Component 3: Municipal Partnership Projects:	
(A) Private Sector Partnership Support	930,000
Component 4: Project Implementation Support and Management Cost	1,226,383
	16,000,000

The closing date of the Agreement with IDA is February 28, 2022.

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Component 4: Project Implementation Support and Management Cost	11,278	-
	11,278	-

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

Municipal Development Program - Phase II (MDP II), is supported by the Palestinian National Authority along with the World Bank, 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 Agence Française de Développement (AFD), the Belgian Development Agency (Enabel, formerly BTC) through its program (Local Government Reform and Development Programme - LGRDP) and the European Union (EU) through the KfW.

MDP II was planned to be implemented over a period of 3 years in two cycles of approximately 18 months each starting in March 2014. The implementation of MDP II cycle II has been completed as of June 30, 2018.

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 (LED) 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 LGUDLF 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 (11.2.a) to note (11.2.q) below

11.2.a. 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 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) LGUDLF	-
Window 4: Project Implementation Support and Management Costs	1,610,345
	10,000,000

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	22,674	200,914
Window 2: Support to Municipal Innovations and Efficiency	40,937	35,081
Window 3: Capacity Building for (a) Municipalities	316,493	48,019
Window 4: Project Implementation Support and Management Costs	78,057	17,369
	458,161	301,383

11.2.b. Multi-Donor Trust Fund (MDTF), 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 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) LGUDLF	-
Window 4: Project Implementation Support and Management Costs	2,719,030
	25,800,000

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	298,256	646,296
Window 2: Support to Municipal Innovations and Efficiency	77,713	47,491
Window 3: Capacity Building for (a) Municipalities	263,776	63,690
Window 4: Project Implementation Support and Management Costs	34,632	237,839
	674,377	995,316

11.2.c. 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 LGUDLF 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 EUR	Budget 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) LGUDLF	-	-
Window 4: Project Implementation Support and Management Costs	456,250	518,939
	6,974,110	7,932,353

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	78,245	1,378,142
Window 3: Capacity Building for (a) Municipalities	466,878	1,819
Window 4: Project Implementation Support and Management Costs	105,156	24,725
	650,279	1,404,686

11.2.d. The Agence Francaise De Development (AFD)

On September 10, 2015 an agreement was signed between the Agence Française de Development (AFD) and Palestine, represented by the Ministry of Planning and Administrative Development, to contribute into the finance of Phase II cycle II of the Municipal Development Program (MDP II), in the amount of EUR 6,000,000.

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 EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	5,000,000	5,467,950
Window 2: Support to Municipal Innovations and Efficiency	345,000	377,289
Window 3: Capacity Building for (a) Municipalities	-	-
(b) LGUDLF	170,000	185,910
Window 4: Project Implementation Support and Management Costs	485,000	530,391
	6,000,000	6,561,540

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	154,933	1,471,013
Window 3: Capacity Building for (a) Municipalities	55,416	-
Window 4: Project Implementation Support and Management Costs	-	38,551
	210,349	1,509,564

11.2.e. The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

On January 15, 2016 an agreement was signed between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the LGUDLF to contribute into the finance of Phase II (cycle II) of the Municipal Development Program (MDP II), in the amount of EUR 400,000.

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	92,010	100,355
Window 3: Capacity Building for (a) Municipalities	279,990	305,385
Window 4: Project Implementation Support and Management Costs	28,000	30,540
	400,000	436,280

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2018
Window 3: Capacity Building for (a) Municipalities	108,347	35,071
Window 4: Project Implementation Support and Management Costs	-	4,447
	108,347	39,518

11.2.f. Kreditanstalt für Wiederaufbau (KfW)

In accordance with the agreement signed on December 13, 2014 among the Kreditanstalt für Wiederaufbau (KfW), the Palestine Liberation Organization (PLO), represented by the Ministry of Planning and Administrative Development, and LGUDLF, on January 15, 2015 a separate agreement was signed to contribute into the finance of Phase II (cycle II) of the Municipal Development Program (MDP II) in the amount of EUR 8,000,000.

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 EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	6,840,000	7,480,156
Window 3: Capacity Building for (a) Municipalities	540,000	590,539
Window 4: Project Implementation Support and Management Costs	620,000	678,025
	8,000,000	8,748,720

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	282,594	1,216,284
Window 3: Capacity Building for (a) Municipalities	415,606	10,078
Window 4: Project Implementation Support and Management Costs	96,453	780
	794,653	1,227,142

11.2.g. Kreditanstalt für Wiederaufbau (KfW) Additional Contribution

In accordance with the agreement signed on December 13, 2014 among the Kreditanstalt für Wiederaufbau (KfW), the Palestine Liberation Organization (PLO), represented by the Ministry of Planning and Administrative Development and LGUDLF, on October 31, 2015 KfW promised LGUDLF to additionally finance MDP II Cycle II with EUR 10,000,000, the agreement is to be signed subsequently.

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	9,300,000	10,339,647
Window 4: Project Implementation Support and Management Costs	700,000	778,253
	10,000,000	11,117,900

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	258,477	1,759,135
Window 4: Project Implementation Support and Management Costs	27,287	84
	285,764	1,759,219

11.2.h. Palestinian National Authority (PNA)

The Palestinian National Authority (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 and the allocations of the amounts of the grant to each window:

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

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	816,354	37,954
Window 4: Project Implementation Support and Management Costs	74,238	55
PNA VAT compensation	-	1,284,614
	890,592	1,322,623

11.2.i. Multi-Donor Trust Fund (MDTF) TF0A1061 2nd Additional Contribution

On April 14, 2016 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 extend an additional grant (MDTF 2nd Additional Contribution), into the finance of Phase II (cycle II) of the Municipal Development Program (MDP II), in the amount of USD 6,900,000.

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	6,417,000
Window 4: Project Implementation Support and Management Costs	483,000
	6,900,000

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	-	1,037,838
Window 3: Capacity Building for (a) Municipalities	322,762	-
Window 4: Project Implementation Support and Management Costs	15,742	61
	338,504	1,037,899

11.2.j. Kreditanstalt für Wiederaufbau - European Union (KfW - EU) Additional Contribution Gaza Emergency Response (Window 5)

Based on the Delegation Agreement No. ENI/2016/375-788, dated December 5, 2016 between the European Union (EU) and KfW and further to the Financing and Program Agreement dated December 12, 2016 entered into between the Palestinian Liberation Organization, represented by the Ministry of Finance and Planning and LGUDLF, and Kreditanstalt für Wiederaufbau (KfW), a separate agreement (the Agreement) dated December 12, 2016 was signed between KfW and LGUDLF to extend an additional grant (KfW - EU Additional Contribution) into the finance of Phase II of the Municipal Development Program (MDP II), in the amount of EUR 4,261,364 to fund Gaza Emergency Response.

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 4: (a) Local Technical Consultant	75,000	83,805
(b) LGUDLF Management Fee	278,781	311,510
Window 5: Gaza Municipal Emergency Grants	3,907,583	4,366,333
	4,261,364	4,761,648

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 4: (a) Local Technical Consultant	27,782	-
(b) LGUDLF Management Fee	98,989	-
Window 5: Gaza Municipal Emergency Grants	1,359,173	-
	1,485,944	-

11.2.k. The Belgian Development Agency (Enabel) through its program (Local Government Reform and Development Programme Phase II - LGRDP 2)

Under the framework of "Local Government Reform and Development Program - Phase II (LGRDP 2)" agreement signed on June 11, 2015 between Kingdom of Belgium and Palestinian Authority, a subsidy agreement (PZA1303311/Grant/049) was signed on December 20, 2016 between the Palestinian Ministry of Local Government (MoLG) and the Belgian Development Agency (Enabel, formerly BTC), jointly referred to as "the Contracting Authority", on one

hand, and LGUDLF on the other hand, to make a grant of EUR 1,284,000 to LGUDLF, including management fees of a maximum sum of EUR 84,000, to execute LGRDP 2 activities under a new component of the result 4 of LGRDP 2 “Investments in Infrastructure of Selected Newly Established (Amalgamated) Municipalities (New Municipalities)”. This new component aims to support newly amalgamated LGUs and new municipalities’ investments in infrastructure within the framework of the Window 2 of Municipal Development Program – Phase II (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:

Activity	Budget EUR	Budget USD
A 04 03: Support investments under MDP II – window 2 (Newly Amalgamated LGUs) (LGUDLF)	1,200,000	1,254,948
A 04 04: LGUDLF management fees (7%)	84,000	87,846
	1,284,000	1,342,794

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
A 04 03: Support investments under MDP II – window 2 (Newly Amalgamated LGUs) (LGUDLF)	554,191	-
A 04 04: LGUDLF management fees (7%)	6,986	-
	561,177	-

11.2.1. 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 LGUDLF, 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
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	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 1: Municipal Grants for Capital Investments	323,163	62,381
Window 3: Capacity Building for (a) Municipalities	162,034	14,846
Window 4: (b) LGUDLF Management Fee	1,780	-
	486,977	77,227

11.2.m. 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

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 4: (b) LGUDLF Management Fee	-	27
Window 5: Gaza Municipal Emergency Grants	353	332,708
	353	332,735

11.2.n. Multi-Donor Trust Fund (MDTF), 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 Organization, for the benefit of Palestinian National Authority, to extend an additional grant (MDTF Additional Contribution), into the finance of Phase II (cycle

I) of the Municipal Development Program (MDP II), in the amount of USD 12,000,000 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 USD
Window 4: Project Implementation Support and Management Costs	840,000
Window 5: Gaza Municipal Emergency Grants	11,160,000
	12,000,000

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 4: (b) LGUDLF Management Fee	5,143	51
Window 5: Gaza Municipal Emergency Grants	788,983	409,776
	794,126	409,827

11.2.o. Agence Française de Development (AFD)

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), in the amount of EUR one million.

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	700,000	850,920
Window 3: Capacity Building for (a) Municipalities and (b) LGUDLF	230,000	279,588
Window 4: Project Implementation Support and Management Costs	70,000	85,092
	1,000,000	1,215,600

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 2: Support to Municipal Innovations and Efficiency	11,493	22,921
Window 3: Capacity Building for (a) Municipalities	5,072	-
	16,565	22,921

11.2.p. Palestinian National Authority (PNA)

On July 1, 2013, an agreement was signed between the Palestinian National Authority (PNA) and the LGUDLF to contribute into the finance of the Municipal Development Program – Phase II (MDP II) 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 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					
		For the six-month period ended June 30, 2018			For the six-month period ended June 30, 2017		
		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		242,610	73,534	316,144	73,790	-	73,790
Window 4: (b) LGUDLF Management Fee		-	4,142	4,142	55	94,768	94,823
		242,610	77,676	320,286	73,845	94,768	168,613

11.2.q. Kreditanstalt für Wiederaufbau (KfW) Additional Contribution – Window 5

On May 21, 2016 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 LGUDLF to extend an additional grant (KfW Additional Contribution), into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II), 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:

		Original Budget EUR	Revised Budget EUR *	Original Budget USD	Revised Budget USD *
Window 4: (a) Local Technical Consultant		-	29,370	-	32,219
(b) LGUDLF Management Fee		450,000	350,000	493,650	383,950
Window 5: Gaza Municipal Emergency Grants		4,550,000	4,620,630	4,991,350	5,068,831
		5,000,000	5,000,000	5,485,000	5,485,000

* KfW approved this budget reallocation on November 30, 2016.

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Window 5: Gaza Municipal Emergency Grants	1,981	101,278
	1,981	101,278

11.3. 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 LGUDLF 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
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	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Component 1: Solid Waste Transfer and Disposal Facilities	871,310	179,095
Component 2: Institutional Strengthening	84,137	74,084
Component 3: Primary Collection and Resource Recovery	12,950	11,481
Component 4: Project Management	67,474	10,029
	1,035,871	274,689

11.4. 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 LGUDLF 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
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	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Component 1: Solid Waste Transfer and Disposal Facilities	917,046	201,038
Component 2: Institutional Strengthening	24,972	138,646
Component 3: Primary Collection and Resource Recovery	123,923	-
	1,065,941	339,684

11.5. Regeneration of Historical Centers in Local Government Units (RHC)- Result 2 “The Socio-economic Regeneration of Targeted Historical Centers is Enhanced Using a Multi-dimensional Approach”, Funded by the Government of the Kingdom of Belgium through the Belgium Development Agency (Enabel)

Under the framework of the “Regeneration of Historical Centers in Local Government Units (RHC)” agreement signed on June 5, 2013 between Kingdom of Belgium and the Palestinian Authority, a subsidy agreement (PZA1203011/Grant/029) was signed on April 25, 2016 between the Palestinian Ministry of Local Government and the Belgium Development Agency (Enabel), jointly referred to as “the Contracting Authority”, on one hand, and LGUDLF on the other hand, to make a grant of EUR 5,356,000 to LGUDLF, including management fees of a maximum sum of EUR 336,000, to execute RHC activities under result 2 as defined hereunder.

Objectives of RHC:

The overall development objective of HRC aims to improve the Socio, Cultural and Economic Development of Local Government Units (LGUs) and Municipalities in Palestine. The immediate objective aims to enhance Local Governments capacity to regenerate their Historical Centers and support sustainable local development in these areas.

RHC Results:

- Result 1:** Regeneration forms an integrated element of Municipal planning in targeted Local Government clusters.
- Result 2:** The socio-economic regeneration of targeted Historical Centers is enhanced using a multi-dimensional approach.
- Result 3:** Lessons learned from RHC project contribute to evidenced based policy framework and planning strategies for the PNA.

The Contracting Authority delegates LGUDLF to execute RHC activities under result 2.

The table below describes the budget categories of result 2 of RHC:-

Activity	Budget EUR
A 02 01: Support to implementation of regeneration plans for model LGUs	3,600,000
A 02 02: Support specific target aspects of regeneration in other LGUs	1,200,000
A 02 03: LGUDLF management fees	336,000
A 02 04: Start-up costs – recruitment	20,000
A 02 05: National consultancies for design and follow up	200,000
	5,356,000

The implementation period of RHC is 32 months, starting from May 1, 2016 and ending on December 31, 2018.

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
A 02 01: Support to implementation of regeneration plans for model LGUs	9,267	-
A 02 02: Support specific target aspects of regeneration in other	171,538	525,865
A 02 03: LGUDLF management fees	22,067	-
A 02 04: Start-up costs – recruitment	-	5,646
A 02 05: National consultancies for design and follow up	44,505	34,850
	247,377	566,361

11.6. Local Government Reform and Development Program - Phase II (LGRDP II) – Result 4 “The supported LGUs invest in infrastructure to provide services, promote local development and contribute to territorial integration”, Funded by the Government of the Kingdom of Belgium through Belgium Development Agency (Enabel)

Under the framework of “Local Government Reform and Development Program - Phase II (LGRDP II)” agreement signed on June 11, 2015 between Kingdom of Belgium and Palestinian Authority, a subsidy agreement (PZA1303311/Grant/001) was signed on April 25, 2016 between the Palestinian Ministry of Local Government (MoLG) and the Belgium Development Agency (Enabel), jointly referred to as “the Contracting Authority”, on one hand, and LGUDLF on the other hand, to make a grant of EUR 5,136,000 to LGUDLF, including management fees of a maximum sum of EUR 336,000, to execute LGRDP II activities under result 4 as defined hereunder.

Objectives of LGRDP II:

LGRDP II specific objective is strengthening the capacities of Local Government Units (LGUs) to collaborate in providing services, promoting local economic development and contributing to territorial integration.

LGRDP II Results:

- Result 1:** The decentralized policy and regulatory framework for LGU collaboration is further developed on the basis of the MoLG’s experience with LGUs in pilot clusters.
- Result 2:** The MoLG’s institutional capacities to support, coach, supervise, and monitor LGU collaboration in a decentralized framework are sustainably strengthened.
- Result 3:** The supported LGUs cooperate to provide services, promote local development and contribute to territorial integration.
- Result 4:** The supported LGUs invest in infrastructure to provide services, promote local development and contribute to territorial integration.
- Result 5:** The supported LGUs actively promote community participation in relevant functions and facilitate citizen’s expression of their opinions on issues and priorities of public interest.

The Contracting Authority delegates LGUDLF to execute LGRDP II activities under result 4.

The table below describes the budget categories of result 4 of LGRDP II: -

Activity	Budget EUR
A 04 01: Support investments in the cluster (LGUDLF)	4,800,000
A 04 02: LGUDLF management fees (7%)	336,000
	5,136,000

The implementation period of LGRDP II is 52 months, as from April 25, 2016 to August 25, 2020.

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
A 04 01: Support investments in the cluster (LGUDLF)	170,499	264,135
A 04 02: LGUDLF management fees (7%)	32,069	16,265
	202,568	280,400

11.7. Integrated Cities and Urban Development project (ICUD) funded by the International Development Association (IDA)

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

The objective of ICUD is to enhance the capacity of Participating Urban Areas to plan for sustainable urban growth.

The table below describes the budget categories of ICUD:

Activity	Budget USD
Category 1: Goods, non-consulting services, consultants' services, and training and workshops	4,550,000
Category 2: LGUDLF management fee and incremental operating cost	450,000
	5,000,000

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
<i>Category 1: Goods, non-consulting services, consultants' services, and training and workshops</i>	76,077	55,209
<i>Category 2: LGUDLF management fee and incremental operating cost</i>	6,011	18,510
	82,088	73,719

11.8. LGUDLF Support to Village Councils - Area C Infrastructure, funded by Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA)

On November 17, 2016 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 LGUDLF concerning the granting of a contribution to the project entitled "LGUDLF Support to Village Councils - Area C Infrastructure, (the Project), in the amount of **EUR 2,885,714**.

The main objective of the Project is to support the marginalized communities in Area C of the West Bank with basic services including "Community development projects, small scale infrastructure and social infrastructure projects". More specifically, the Project will target up to 15 localities in Area C of the West Bank as concluded by applying the endorsed selection criteria.

The Project implementation period is from November 1, 2016 to December 31, 2020.

The following table specifies the Project budget breakdown:

	Budget EUR	Budget USD
Infrastructure sub-projects	2,436,714	2,722,784
LTC for design and Supervision	130,000	145,262
Project engineer (consultant)	60,000	67,044
Legal fee	25,000	27,935
Audit	7,000	7,822
Monitoring and evaluation	25,000	27,935
Management fees (7%)	202,000	225,715
	2,885,714	3,224,497

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Infrastructure sub-projects	34,252	-
LTC for design and Supervision	41,501	-
Project engineer (consultant)	18,572	-
	94,325	-

11.9. Development of Area "C" Package II in the West Bank Project, funded by the European Union, Represented by the European Commission

The European Union (EU), represented by the European Commission (EC) and LGUDLF signed a grant contract (the Grant Contract) dated December 18, 2016 in respect of "Development of Area "C" Package II in the West Bank Project" (ENPI/2016/381-621) (the Action), whereby EU undertook to finance a maximum amount of EUR 2,010,212 for 15 months expiring on March 18, 2018. On January 18, 2018, an addendum was signed between the two parties which extended the Project implementation period to 22 months expiring on October 18, 2018.

The overall objective of the Action is to improve the social and economic condition of Palestinian communities in Area “C” which is critical for the future viability of the Palestinian Economy. The specific objective of the Action 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:

	Budget EUR	Budget USD
Direct eligible cost:		
Other costs and services		
Expenditure verification/audit	5,000	5,229
Evaluation cost	15,000	15,687
Visibility action	25,000	26,145
Subtotal-Other costs and services	45,000	47,061
Other		
Legal fees	30,000	31,373
Cost of infrastructure sub-projects	1,660,000	1,736,012
Local technical consultant for design & supervision	110,000	115,037
Subtotal-Other	1,800,000	1,882,422
Subtotal-Direct eligible cost	1,845,000	1,929,483
LGUDLF management fees (indirect costs maximum 7% of direct eligible cost)	129,150	135,064
Provision for contingency reserve (maximum 5% of direct eligible cost)	36,062	37,713
	2,010,212	2,102,260

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Visibility action	2,588	-
Cost of infrastructure sub-projects	313,466	-
Local technical consultant for design & supervision	23,854	7,968
LGUDLF management fees (indirect costs maximum 7% of direct eligible cost)	-	83
	339,908	8,051

11.10. Development of Area “C” Package III in the West Bank Project, funded by the European Union, Represented by the European Commission

The European Union (EU), represented by the European Commission (EC) and LGUDLF signed a grant contract (the Grant Contract) dated June 14, 2017 in respect of “Development of Area “C” Package III in the West Bank Project” (EIN/2017/384-621) (the Action), whereby EU undertook to finance a maximum amount of EUR 3,220,000 for 20 months expiring on February 14, 2019.

The overall objective of the Action is to improve the social and economic condition of Palestinian communities in Area “C” which is critical for the future viability 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	Budget USD
Direct eligible cost:		
Other costs and services		
Expenditure verification/audit	5,000	5,699
Evaluation cost	15,000	17,097
Visibility action	30,000	34,194
Subtotal-Other costs and services	50,000	56,990
Other		
Legal fees	30,000	34,194
Cost of infrastructure sub-projects	2,680,000	3,054,664
Local technical consultant for design, supervision and communities' mobilization activities	175,000	199,465
Technical support expert	50,000	56,990
Subtotal-Other	2,935,000	3,345,313
Subtotal-Direct eligible cost	2,985,000	3,402,303
LGUDLF management fees (indirect costs maximum 7% of direct eligible cost)	208,950	238,161
Provision for contingency reserve (maximum 5% of direct eligible cost)	26,050	29,692
	3,220,000	3,670,156

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Cost of infrastructure sub-projects	172,401	-
Local technical consultant for design, supervision and communities' mobilization activities	37,122	-
Technical support expert	16,911	-
	226,434	-

11.11. Jericho Multi Site Regeneration Project (MSR) funded by the Agence Francaise De Development (AFD)

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**.

MSR aims to enhancing the economic development of the city through the relocation 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 LGUDLF, but also training and capacity building to support the implementation of the municipal action plan on mitigating illegal slaughtering processes.

The construction of the infrastructures should be completed by early 2019.

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

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

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Advances (management fees & consultancy work)	275	-
	275	-

11.12. Gaza Vulnerable Communities Development (GVCD) funded by Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA) - GVCD

On November 3, 2017, 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 LGUDLF to contribute into the Project entitled "Gaza Vulnerable Communities Development - GVCD" (the Project), in the amount of Swiss franc (CHF) 3,000,000.

The Contract covers the period from November 1, 2017 to October 30, 2020.

The following table specifies the Project budget breakdown:

Component/ Sub-component	Budget CHF	Budget USD
1. Improving accountable service delivery for vulnerable communities through small infrastructure projects		
1.1. 10-15 hard and social infrastructure projects	2,000,000	2,052,545
1.2. Recruitment of project coordinator	72,000	73,892
1.3. Local Technical Consultant (LTC)	100,000	102,627
2. Capacity building and community development projects		
2.1. 5 Training packages (on HRBA and conflict sensitive programme management, on social inclusion and social cohesion, civic participation practices, social accountability practices, on light maintenance and monitoring practices)	70,000	71,839
2.2. Small grants for CP and SA and community development projects	176,000	180,624
2.3. Contracting of CSO/s	125,000	128,284
2.4. Recruitment of social and community mobilization specialist	72,000	73,892
3. Policy Dialogue		
3.1. Studies and surveys	70,000	71,839
3.2. Workshops facilitation and communications activities	20,000	20,526
4. Program Management		
4.1. Monitoring and evaluation (Baseline, midterm review and exist survey)	80,000	82,102
4.2. Management fees	210,000	215,517
4.3. External audit	5,000	5,131
	3,000,000	3,078,818

Details of expenses are as follows:

		USD	
		For the six-month period ended	
		June 30, 2018	June 30, 2017
2.4	Recruitment of social and community mobilization specialist	10,667	-
3.2	Workshops facilitation and communications activities	6,897	-
		17,564	-

11.13. Development of Area “C” Package IV in the West Bank Project, funded by the European Union, Represented by the European Commission

The European Union (EU), represented by the European Commission (EC) and LGUDLF signed a grant contract (the Grant Contract) dated December 26, 2017 in respect of “Development of Area “C” Package IV in the West Bank Project” (EIN/2017/384-622) (the Action), whereby EU undertook to finance a maximum amount of EUR 2,219,529 for 20 months expiring on February 14, 2019.

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	Budget USD
Direct eligible cost:		
Other costs and services		
Expenditure verification/audit	5,000	5,999
Evaluation cost	10,000	11,998
Visibility action	30,000	35,994
Subtotal-Other costs and services	45,000	53,991
Other		
Legal fees	50,000	59,990
Cost of infrastructure sub-projects (Component 1 – AFD envelope)	850,000	1,019,830
Cost of infrastructure sub-projects (Component 2 – DFID envelope)	970,000	1,163,806
Local technical consultant for design, supervision and communities’ mobilization activities	135,000	161,973
Subtotal-Other	2,005,000	2,405,599
Subtotal-Direct eligible cost	2,050,000	2,459,590
LGUDLF management fees (indirect costs maximum 7% of direct eligible cost)	143,500	172,172
Provision for contingency reserve (maximum 5% of direct eligible cost)	26,029	31,229
	2,219,529	2,662,991

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Local technical consultant for design, supervision and communities’ mobilization activities	10,398	-
LGUDLF management fees (indirect costs maximum 7% of direct eligible cost)	98	-
	10,496	-

11.14. Local Government and Services Improvement Program (LGSIP) Co-Funded by the International Development Association (IDA) and Implemented by LGUDLF and The Ministry of Local Government

The Palestinian Liberation Organization (PLO), for the benefit of the Palestinian Authority (PA), and the International Development Association (the World Bank), acting as an administrator of the Trust Fund for Gaza and West Bank, signed a Trust Fund Grant

Agreement dated March 14, 2016 (the Grant Agreement), whereby the World Bank made a grant, to the PA, in an amount equals to USD 5,000,000, grant number TF0A1039, to finance a program entitled "Local Governance and Services Improvement Program" (LGSIP, the Program). In accordance with the Grant Agreement, LGSIP is to be carried out jointly by LGUDLF and the Ministry of Local Government (MoLG), (together the "Implementing Agencies").

The objective of the Program is to strengthen the local government financing system and improve local service delivery in Program Villages.

The Program is a part of the PA's public-sector reform program as outlined in the National Development Plan 2014-2016 and in the supplemental sector strategies developed by MoLG.

The Program consists of the following parts:

- Part 1:** Supporting local services delivery through provision of Annual Capital Investment Grants to eligible Village Councils (VCs) for carrying out activities identified in the Annual Capital Investment Plans (ACIPs).
- Part 2:** Supporting community infrastructure development through the provision of Conditional Capital Investment Grants to eligible Joint Service Councils (JSCs) for carrying out projects identified in the ACIPs jointly developed by two or more VCs (Joint Projects).
- Part 3:** Strengthening the capacity of VCs and JSCs to improve their local governance functions, service delivery, and prepare and implement ACIPs; and strengthening the capacity of relevant agencies at the central level, including, inter alia, MoLG and LGUDLF, to effectively implement the Program.

The following table specifies the Project budget breakdown:

Component	Budget USD	Fund Transfer Modality
Delivery of Local Services by VCs (Disbursement Linked Indicators (DLI) 1, DLI 2, DLI 3, DLI 6)	4,008,000	World Bank to MoLG (through MoFP)
Capacity Support for strengthening Local Governance Institutions (DLI 7)	600,000	World Bank to MoLG (through MoFP)
Program Management:		
Management fee	350,000	World Bank to MoLG (through MoFP) and
Independent verification Agent	42,000	then to LGUDLF
	392,000	
	5,000,000	

Details of expenses are as follows:

	USD	
	For the six-month period ended	
	June 30, 2018	June 30, 2017
Program Management:		
Management fee	52	-
Independent verification Agent	16,782	-
	16,834	-

12. General and Administrative Expenses

General and administrative expenses comprise:

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Salaries and related benefits*	1,213,132	1,178,677
Rent	26,184	25,094
Car expenses	11,554	10,988
Consultants and professional fee	4,176	8,024
Telephone, postage and internet	19,783	15,550
Printing and stationery	3,398	9,586
Utilities expense	12,607	8,862
Board of Directors remuneration	2,050	1,550
Hospitality and cleaning	6,509	4,709
Office supply and maintenance	6,451	4,370
Training and workshops	123	1,265
Insurance expense	6,810	5,722
Travel and transportation expenses	8,242	666
Bank charges	329	1,111
Advertisement and newspaper	2,839	1,655
Fuel expense	17,281	17,042
Rent a car	13,872	13,052
Others	407	889
	1,355,747	1,308,812

* Salaries and related benefits details follow:

	For the six-month period ended	
	June 30, 2018	June 30, 2017
Salaries and wages	823,548	807,038
End of service expense	112,982	111,000
Provident fund expense	82,126	80,639
Family allowances	22,874	22,296
Bonus	99,747	85,625
Transportation allowance	43,622	43,510
Health Insurance	28,233	28,569
	1,213,132	1,178,677

13. Currency Variance

Major items resulted in currency variances are as follows:

	For the six-month period ended	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Temporarily restricted net assets – period end revaluation (note 7)	2,366,143	(5,575,332)
Pledges receivable – period end revaluation (note 4)	(1,289,921)	4,936,697
Currency variances from daily transactions and period end revaluation of other monetary assets and liabilities balances	(1,798,182)	177,121
(Gain) included in changes of unrestricted net assets	<u>(721,960)</u>	<u>(461,514)</u>

14. Related Parties

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

- Transactions with related parties are as follows:

	For the six-month period ended	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Director General salary and related benefits	29,900	29,719
Board of directors' remuneration	2,050	1,550
LGUDLF management fees	517,019	161,309

-Balances with related parties are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Director General - End of service benefits and provident fund	29,615	23,912