



The Municipal Development
and Lending Fund (MDLF)

Annual Progress Report

2008



January 1st –December 31st , 2008
Palestine





Annual Progress Report

Covering the period from January 1st to December
31th, 2008

Municipal Development and Lending Fund (MDLF)
Palestine

February, 2009

MDLF Vision

The Municipal Development and Lending Fund is a sustainable main national institution that recognized as the primary source of reform and development assistance to local governments for the betterment of Palestinian's quality of life.

MDLF Mission

The Municipal Development and Lending Fund (MDLF) is a sustainable semi-government institution that effectively manages funds to enable local government units to provide quality services and achieve sustainable development in harmony with national plans and policies.

MDLF Values

Transparency	is...	Our policy
Professionalism	is...	Our identity
Accountability	is...	Our strength
Credibility	is...	Our principle
Scientific method	is...	Our approach



MDLF Team: Dedication and Professionalism

ABBREVIATIONS

AFD:	French Development Agency
APLA:	Association for Palestinian Local Authorities
BOD:	MDLF Board of Directors
BTC:	Bilateral Technical Committee
COA:	Chart of Account
DCF:	Donor Consultation Forum
DJSC:	Department for Joint Service Councils
EC	European Commission
EMP:	Environmental Management Plan
EOI:	Expression of Interest
EQA:	Environment Quality Authority
EMSP:	Emergency Municipal Support Program
EMSRP II:	Emergency Municipal Services Rehabilitation Project Phase 2
FMIS:	Financial Management Information System
FPPM:	Financial Policies and Procurement Manual
GD:	Government of Denmark
GTZ:	German Technical Cooperation
IFMIS:	Integrated Financial Management Information System
ICDL:	International Computer Driving License
IG:	Italian Government
ITAU:	Italian Technical Assistance Unit
JSCs:	Joint Service Councils
KFW:	German Development Bank
LGCBP:	Local Government Capacity Building Project
LGP:	Local Government Program
LGU:	Local Government Units
LTCs:	Local Technical Consultants
MDLF:	Municipal Development and Lending Fund
MDP:	Municipal Development Project
MIS:	Management Information System
MOLG:	Ministry of Local Government
MOF:	Ministry of Finance
MOP:	Ministry of Planning
MTDP:	Medium Term Development Plan
NDC:	NGOs Development Center
NGOs:	Non Governmental Organizations
NRO:	Netherlands Representative Office
PCU:	Project Coordination Unit
PGMIS:	Project Grant Management Information System
PMSP:	Palestinian Municipalities Support Program
PNA:	Palestinian National Authority
PRDP	Palestinian Reform and Development Plan
SMDN:	Support to Municipal Development for Northern West Bank
SIDA	Swedish International Development Cooperation Agency
SWMP:	Southern West Bank Solid Waste Management Project
TOR:	Terms of References
WBG:	West Bank & Gaza

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ACKNOWLEDGEMENT



It is my pleasure to introduce to you the 2008 Annual Report for the Municipal Development and Lending Fund (MDLF) which reflects on the achievements of the Fund as the main implementing institution of the government reform programs and policies in the local government sector.

One of the important challenges that face the Ministry of Local Government is enhancing the institutional structure in the LGU's. For this reason the MDLF has been established, and more specifically , for building the capacity of Municipalities in the fields of financial, administrative, technical, planning which leads to more stable bodies.

The Municipal Development and Lending Fund (MDLF), since its establishment in 2005, has succeeded in providing financial, planning and development services to the local government units based on the principles of transparency, accountability and credibility.

The production of this report wouldn't be done without continues efforts and hard work of the MDLF management and staff for whom we as the Board of Directors of the Fund extend our gratitude and appreciation for their tremendous commitment and dedication to help the Palestinian citizens.

In my capacity as the Minister of Local Government, I acknowledge the outputs of the MDLF programs toward the realization of the national policies in the local government context. The Ministry of Local Governments (MoLG) as the policy formulation entity in the sector looks at the MDLF as one of the key entities that implement the policies and objectives of the government into actions.

The portfolio of programs and projects of the MDLF is a good example of the donors support to the Palestinian National Authority (PNA) and the people of Palestine. On behalf of the government, the Ministry of Local Government, and the Board of Directors I extend my thanks to all of those who contributed in and supported the MDLF establishment and programs.

Ziad Al-Bandak
Chairman of the MDLF Board
Minister of Local Government

Introduction from MDLF Director General



The Palestinian Reform and Development Plan (PRDP) identified the Municipal Development and Lending Fund (MDLF) as the “primary source of development-linked assistance to municipalities, and to support essential administrative and financial management reforms in the local government sector”. Based on the formulated strategies, policies and action plans related to the Local Government sector, MDLF should help and assist municipalities put their ideas and priorities into actions.

For me as the new Director General of the MDLF, I am honored to join such a highly motivated, committed and professional team, Board of Directors, partners, and the international community who speak the language of outcomes, impact, and sustainability. These are vital and necessary measures of the work we do to make the MDLF a success story.

This annual report highlights our approach in municipal development and the tangible results we produce in partnership with the Local Government Units we serve toward sustainable local governments and better quality of life for respective citizens. The report provides detailed progress of the programs, projects and activities of the MDLF, the outputs achieved, and the challenges encountered during the year 2008.

While I am encouraging all stakeholders involved, and as a leader of the MDLF executive team, I would like to express my commitment to the national policies in regard to municipal development context, and the values, vision and mission of the MDLF as well as my dedication to continue strengthening the MDLF institution based on the transparency, professionalism, and accountability values.

Best Regards,

A handwritten signature in blue ink, consisting of a large, stylized 'A' followed by a series of loops and a final flourish.

Arch. Abdel Mughni Nofal

MDLF Director General

INTRODCUTION

From MDLF General Director

According to the Palestinian Reform and Development Plan (PRDP), the Municipal Development and lending Fund (MDLF) is the “primary source of development-linked assistance to municipalities, and to support essential administrative and financial management reforms in the local government sector”. Based on the strategies, policies and action plans issued or endorsed by the Ministry Of Local Government, MDLF should assist municipalities put their ideas and priorities into action. We implement the core principles we know to be effective, test them on small scale, and put into wide practice those prove most successful.

For me as the new General Manager of the MDLF, I am honored to join such a highly motivated, committed and professional team, Board of Directors, partners, and donors who speak the language of outcomes, impact, and sustainability. These are vital and necessary measures of the work we do to make the MDLF a success story.

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Best Regards,

Arch. Abdel Mughni Nofal
Director General of MDLF



1. EXECUTIVE SUMMARY

The Palestinian National Authority has prepared the Palestinian Reform and Development Plan (PRDP) which was endorsed by the international community in the Paris Conference on December 17, 2007. The PRDP identifies fiscal autonomy and discipline at the local level as a key area of reform and highlights the need to build the operational, administrative and financial management capacity of local government bodies. It singles out the Municipal Development and Lending Fund (MDLF) as the PA's preferred institution for supporting municipalities in implementing these reforms.

**PRDP
and the
role of
MDLF**

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 the Fund is to encourage the flow of financial resources to Local Government Units in order to assist local authorities develop their capacities in compliance with the bases of modern management practices to help them provide better services to the public.

Since its establishment, the MDLF portfolio of programs and projects includes about US \$138 million from several development partners, including the World Bank, SIDA, the Dutch, AFD, Danida, KFW, GTZ, EU, Japan, and the Italian Cooperation, and carried forward the functions of previously existing project implementation units under the Ministry of Local Government. The MDLF programs and projects could be categorized around the following support schemes: (i) Emergency support especially that related to infrastructure rehabilitation, and job creation; (ii) Development support which intend to foster the development agenda in the Palestinian Community despite the current deteriorated situation; (iii) Institutional Development and Technical Assistance support that goes in parallel with the infrastructure investments; and (iv) Innovative Window support to test and pilot certain government policies related to the local government development.

**MDLF
Support
Schemes**

To date, most of the funds were spent on emergency operations but development projects are expected to become more relevant in upcoming years. Within this context and under the guidance of the PNA the MDLF is currently designing the Municipal Development Program (MDP) which will be based on the principles of Sector Wide Approach (SWAp). Development partners and MDLF are making efforts to harmonize their support to municipalities. The MDP, which is to become operational during the year 2009, intends to enable municipalities to improve management practices and sustain service delivery, especially in light of losing cash flow from utility provision. A pre appraisal joint mission was conducted in October of 2008, and another appraisal mission is expected during early 2009 to finalize the arrangements for the MDP.

**MDP
and
SWAps**

To implement the MDP, the MDLF has established a performance-based Transfer Mechanism for allocating funds to municipalities, which is designed to create incentives to improve financial, planning and management practices, ensure the essential needs for all municipalities for the delivery of basic services, as well as to create incentives to catalyze implementation of policy actions aimed at improving local governance. The formula aims to allocate resources to municipalities in an equitable, efficient, and accountable way. Allocations will be based on population (40%), needs (20%), and performance (20%).

**Transfer
Mechanism**



In year 2008, The MDLF has disbursed more than \$18 million to local government units under its various support schemes. Moreover, the MDLF interventions have resulted in creating more than 125,000 person-day of direct temporary employment; and assisting municipalities in maintaining their basic infrastructure. In addition, the MDLF has helped in maintaining the basic municipal services including solid waste collection, street lighting and pumping water through budget support to municipalities. These outputs directly coincide with the PRDP objective to increase national prosperity, and enhance quality of life for citizens. The overall impact of the implemented projects will help the municipalities to mitigate further deterioration in the delivery of essential services and generated income to families through the job creation activities. Most importantly, the MDLF approach to partner with municipalities and build their capacity throughout the preparation, planning and implementation processes has improved the skills, and the capacities of the municipal staff in managing the municipal services.

**In 2008,
MDLF has
disbursed
\$18 million
to LGUs**

Most of the sub-projects under the Second Emergency Municipal Services Rehabilitation Project (EMSRP II) were completed in 2008 despite facing many obstacles including the difficult security situation in Gaza, dollar devaluation and prices instability, and the Palestinian contractors strike.

EMSRP II

The Municipal Development Project (MDP) is the main MDLF development intervention aiming at providing financial support to the main cities in addition to five Joint Service Councils (JSCs) in the West Bank and Gaza. The objective is to improve the municipal services delivery to the population. However, due to the fact that the implementation of the Project in the Gaza Strip has become impossible because of the blockade of all the importations by the Israeli authorities, the MDLF with the approval of AFD reallocated the budget of Gaza municipalities to West Bank municipalities. The AFD has expressed its commitment to provide additional support for Gaza municipalities once the conditions in Gaza allow for implementation. During the reporting period the implementation of the approved sub-projects has been started. The total allocated budget of these sub-projects is estimated to be US \$ 16 million.

MDP-AFD

The ongoing Danish funded Local Government Capacity Building Project (LGCBP) is the major institutional development and reform program for the local government sector in Palestine. The LGCBP different components were based on the objectives identified by the Action Plan of 2004 which was developed to outline the program for a comprehensive reform of the Palestinian local government. During the reporting period, the MDLF has contracted the international firm (Free Balance, Int) to develop and install the Integrated Financial Management Information System (IFMIS) which meets the accounting and financial reporting needs of municipalities and central government (MOLG). The system will build on the already developed unified chart of accounts and will target large, medium and small municipalities in West Bank and Gaza. In addition, and for the first time in Palestine the LGCBP project has succeeded in developing and implementing a Fixed Assets Valuation Methodology and valued the assets of eight pilot municipalities in West Bank and Gaza Strip. MDLF is currently finalizing the contracts with local consulting firms to value the assets of 35 additional municipalities after finalizing the modified methodology. The work in the planning reform component of the LGCBP has started through a comprehensive survey to review current planning practices and needs at central and local levels. A major task of the planning component has started which is to develop the Physical Planning Policies and Procedures Manual (PPPPM) which will set the foundation for the physical planning reform

LGCBP



in Palestine. The MDLF is also working with MoLG in developing the amalgamation policy framework and an Amalgamation Task Force (ATF) was formed for this purpose.

The various institutional development activities of the LGCBP including the financial and accounting system reform, and the planning practices improvement in the local level will contribute in building open local governments and greater accountability to citizens. It will also enhance the transparency, accountability, efficiency and effectiveness of the local government which are the key features of good governance.

Good
governance

Under the same objectives, and being an agency that aims at promoting municipal cooperation at the regional level towards delivering sustainable and efficient service, the MDLF is currently managing a feasibility study for the Southern West Bank Solid Waste Management Project (SWMP) which is funded by Japan through the World Bank PHRD grant. The work in the study began after signing the contract with a joint international and local consulting firm. The consulting firm is in the final stages of preparing the Feasibility and Environmental/Social Impact Assessment Studies towards preparation of a new project in solid waste management for southern West Bank.

SWMP

The Municipal development and Lending Fund (MDLF) has successfully completed the implementation of the Danish- funded North East Jenin Pilot Project. The project was designed to develop sustainable mechanisms at the Joint Service Council (JSC) level through a creative approach of implementing social and physical infrastructure projects which coincide with the national policy of the MOLG to promote amalgamation of small scattered communities under bigger umbrella such as joint municipality or JSCs. The project included the implementation of eleven social and eleven physical infrastructure sub-projects including a main road for the area, a public exhibition, kindergartens, women centers, playgrounds, and community clubs. These sub-projects have contributed significantly in improving the living conditions of more than 19,000 beneficiaries in the pilot area; lowering the unemployment rate of the area; and generating more income especially for disadvantaged families. In addition to the infrastructure activities, the MDLF worked to build the capacity of the JSC in planning, public participation, and institutional development.

Jenin Pilot
Project

The success of this Pilot Project encouraged the Danish government to proceed with a wider scale programme in the same area and expand activities to more areas in the Jenin governorate. Therefore, Denmark decided to fund a New Local Development Programme in Jenin Governorate (LDP) with a total grant of up to DKK 30 million (approx USD 6.0 million) in two financial allocations. The programme will be implemented in two area clusters of local councils in the Jenin Governorate with the aim of assisting these areas to go through the amalgamation process. Recognizing that amalgamation is not an end in itself but a mean to more effective service delivery, the programme will support the areas in building unified administrative and management systems including offices, technical equipment, IT systems and financial management capacity as required. The financial management systems will be those developed by MDLF through the other Danish-funded "Local Government Capacity Building Project (LGCBP)". Since the signing of the agreement on June 25, 2008 a steering committee and a technical committee were formed and action plan was developed. The committees include senior and technical staff from MoLG, MDLF, Danish Representative Office, and JSC. The steering committee decided to include Maythaloona area as the second area to be supported by the program in addition to the 1st pilot area in the North East Jenin Pilot Project.

LDP

Amalgamation
Task Force



The German Technical Cooperation (GTZ) continued its support to the MDLF by aligning the Local Governance and Civil Society Development Program (LGCDP) to the largest possible extent with the MDLF's ongoing capacity building initiatives and the LGUs-NGOs collaboration under the innovative window scheme. The implementation of 19 joint social services delivery projects between local government units (LGUs) and community-based organizations (CBOs) is ongoing and is expected to be completed early 2009.

LGCDP

A new program titled "Community Development Stability Fund-CDSF" was signed in December 2008 with the Dutch government. The program will act as a quick response mechanism to emergency situations, while at the same time strengthening the role and visibility of central and local government. The program which is titled "Community Development Stability Fund" aims to consolidate stability and to improve living conditions through socio-economic development projects in areas affected by emergency conditions. The MDLF is currently working with all relevant parties to identify the areas and projects to be funded from the CDSF. The implementation will start in 2009 immediately after completing the necessary preparations.

Stability
Fund

The progress of various projects and activities has encountered many challenges including the unstable situation in Gaza, the lack of reliable and accurate data on the municipal level, the weak capacity and experience of most of the municipalities in terms of financial planning, development planning, procurement procedures and citizen participation; and the delays signing the legal agreements with the German Development Bank (KFW) and the Swedish International Development Cooperation Agency (SIDA).

Challenges

The MDLF is working hard to overcome these challenges and continue its efforts toward achieving sustainable local development. The appointment of the new MDLF General Manager Eng. Abedelmoghni Nofal is part of the BoD commitment toward strengthening the MDLF institution. Moreover, the MDLF is building its institutional capacity by developing a Results-Based Monitoring and Evaluation System, upgrading its human resources bylaws and internal manuals, building the staff capacities, and enhancing the coordination with partners including ministries and donors.

New
General
Manager

On December 27, 2008 the Israeli military began its military attack on Gaza Strip resulting in a severe humanitarian crisis to the civilians and systematic damage of the basic infrastructure and municipal buildings. A recent report published by the Office for the Coordination of Humanitarian Affairs (OCHA) indicated that the humanitarian crisis is intensifying and the number of Palestinian civilian casualties is increasing. In addition, Israeli bombardment is causing extensive destruction to homes and to public infrastructure throughout the Gaza Strip and is jeopardizing water, sanitation and medical services. At the time of preparing the MDLF 2008 Annual Report the Israeli attack on Gaza was still ongoing. The MDLF will help in the assessment of damages caused by the Israeli attack and will work with the PNA and donors to mitigate the impact of the war on the municipalities and the citizens of Gaza Strip.

Attack on
Gaza

This report reveals the progress of the MDLF managed projects as well as its institutional activities from January 1st to December 31st 2008. It also outlines the main anticipated activities as well as the challenges encountered during the report period. Lessons learned and recommendations are also provided at the end of the report.

2. PROGRESS BY SCHEME

Since its establishment in October 2005, the Municipal Development and Lending Fund (MDLF) has been managing and implementing several projects with a total value of more than US\$ 141 million. These projects could be categorized into four main schemes:

- 1- ***Emergency Scheme Projects*** aiming at sustaining essential municipal services, promoting temporary employment generation, and at the same time maintaining a medium-term development agenda. These types of projects are intended to be simple in design, fast disbursing and responsive to emergency needs aimed at restoring/rehabilitating assets and services of the local government units (LGUs). The MDLF will thus continue to provide funding to LGUs for the repair, rehabilitation and maintenance of basic technical infrastructure, namely in the fields of water supply provision, sanitation, solid waste management, energy supply and transportation.
- 2- ***Development Scheme Projects*** intending to foster the development agenda in the Palestinian Community which is considered one of the most rapidly expanding (urban) populations in the world. The increased investment in municipal infrastructure and services is a key challenge for the future to ensure adequate coverage and quality of services for the population. In addition, such investments would serve to reinforce the role of local governments not only as service providers but as agents fostering local development in line with the priorities of their constituencies.
- 3- ***Institutional Development and Technical Assistant Scheme Projects*** that designed to raise the capacity Local Government Units (LGUs) and support the Ministry of Local Government (MOLG) in order to strengthening the planning, financial and management abilities of these institutions, and thereby foster the efficient and sustainable economic, social and physical development of the urban and rural areas in West Bank and Gaza (WBG). MDLF decided to take a unique approach in encouraging the institutional development program, by linking it to the level of readiness and compliance of the municipalities to the financial and technical rules and guidelines set by the Ministry.
- 4- ***Innovative Initiative/Window Scheme Projects*** which aims at introducing new interventions that leads to foster and strengthen local authorities' role as socio-economic development entities. The main objective of this scheme is to foster Local Government-Non Governmental Organizations (NGOs) collaboration in response to urgent community needs and assist municipalities in recovering costs for the provision of services.

The MDLF will therefore assist in bringing innovative approaches to the LGUs to improve and sustain municipal services and activities such as fostering cooperation and collaboration between LGUs and local NGOs in planning and managing the delivery of local services and programs of assistance, increasing municipal revenue collection by introducing new technologies such as pre-paid metering systems, introducing the private-public partnership concept, and increasing the collaboration and cooperation between LGUs and the private sector, etc.

The following sections highlight the progress of various projects under the above mentioned schemes from January 1st, 2008 until December 31st, 2008.

2.1 Emergency Scheme Projects

Projects fall under this category include: component 1 and component 2 of the Second Emergency Municipal Services Rehabilitation Project (EMSRP II). A brief description of this project and its progress is provided below:

2.1.1 The Second Emergency Municipal Services Rehabilitation Project (EMSRP II)-Components 1 and 2

In 2007 The World Bank (WB) and the Government of Netherlands represented by the Netherlands Representative Office (NRO) in the WBG contributed with a grant of an amount of US\$10 million and US\$ 6.17 million respectively to provide emergency assistance to the Palestinian LGUs. The financed program is called the second phase of the Emergency Municipal Services Rehabilitation Project (EMSRP II) under which the beneficiaries are the municipalities in West Bank and Gaza. Both the Swedish International Development Cooperation Agency (SIDA) and the German Development Bank (KfW) decided to contribute for the year 2008 by US\$5.0 million and Euros 15 million respectively.

The main project objectives are to:

- 1) Help mitigate further deterioration in the delivery of essential municipal services, including solid waste collection, provision of water, wastewater and electricity services (where such services are provided by municipalities), and street cleaning, among other services, through rehabilitation of damaged or deteriorating infrastructure and the provision of non-wage budgetary support for direct service cost inputs.
- 2) Create temporary job opportunities at the local level through the launching of labor-intensive employment generation schemes, proportionally allocated on the basis



of an unemployment index.

- 3) Pilot innovative initiatives that foster Local Government-NGO collaboration in response to urgent community needs and assist municipalities in recovering costs for the provision of services.

Based on the findings of final review of the First Emergency Municipal Services Rehabilitation Project (EMSRP I) done by the World Bank (WB) and the MDLF, it was noted that the project scope was too broad, aiming at addressing over 400 localities, thus spreading too thinly limited resources while limiting the Project's impact. The lessons learned have been incorporated into the proposed project's design, as EMSRP II would be targeting only the 132 municipal areas, while other Bank interventions (particularly the Integrated Community Development Project) would aim to target refugee camps and smaller village councils and communities.

EMSRP II project components:

- **Component 1: Emergency Municipal Services Assistance Grants:** This component would finance (a) rehabilitation, reconstruction and upgrading of damaged municipal infrastructure and facilities, as well as the supply of equipment to sustain municipal service provision, and (b) non-wage recurrent expenditures as direct inputs to the provision of essential municipal services over a period of up to two years.
- **Component 2: Labor-intensive Employment Generation:** This sub-component would finance labor-intensive temporary employment sub-projects that are identified and implemented by municipalities in coordination with locally-based community groups.

Funds would be earmarked for municipalities on the basis of the unemployment index of the Governorate in which they are located and then the total amount allocated for the governorate will be distributed based on population among its municipalities¹. This allocation method would ensure that localities in greatest need of assistance would be eligible to receive a greater share of resources.



- **Component 3: MDLF Innovation Window:** Refer to section 2.4.1

This financial support was transferred from the MDLF in two allocation cycles for fiscal years 2007 and 2008 (January-December)². These allocations are linked to the annual budget preparation and reporting cycle for municipalities. Access to EMSRP II financing is conditional on submission of a prior year executed budget report, a

¹ Disaggregated data at the municipal level is unavailable.

² WB fund for EMSRP II was one allocation for two years implementation, while the Netherlands fund was two allocations for two years and directed to component 1.a only. For 2008 and 2009, the allocation will be from SIDA and KFW contribution too.

budget plan for the current fiscal year, and a statement of year-end financial accounts conforming to the Municipal Unified Chart of Accounts (COA) adopted for fiscal year 2007¹. This measure is intended to improve municipal budgeting and financial reporting, and provide the MDLF with municipal financial data which would be used to strengthen sector monitoring during and after the course of the project. A new allocation table for the year 2008 was developed by MDLF based on a per capita distribution and is included in Annex A. The total resource pool for distribution over the two year timeframe is estimated US\$ 44,864,197, with an average distribution of US\$ 24.0 million for the first annual budgetary cycle and about US\$ 24.86 million for the second annual budgetary cycle. This would represent approximately US\$ 17.68 per capita. All 132 municipal areas would be eligible to participate, representing coverage of about 70 % of the WBG population.

Progress during the reporting period:

The implementation of a total of 654 approved sub-projects from the first cycle has almost completed in the reporting period despite facing many obstacles including the difficult security situation in Gaza, dollar devaluation and prices instability, and the Palestinian contractors strike. A breakdown of the sub-projects according to the funding source is provided in table 1:

Table 1: EMSRPII 1st Cycle Sub-Projects Per Funding Source

Funding Source	No. of Projects	Allocated Budget (WB)-US\$	Allocated Budget (Dutch)-US\$
World Bank	509	6,441,388	0
Dutch	45	0	1,098,680
World Bank and Dutch	100	1,660,009	1,876,988
Total	654	8,101,397	2,975,668

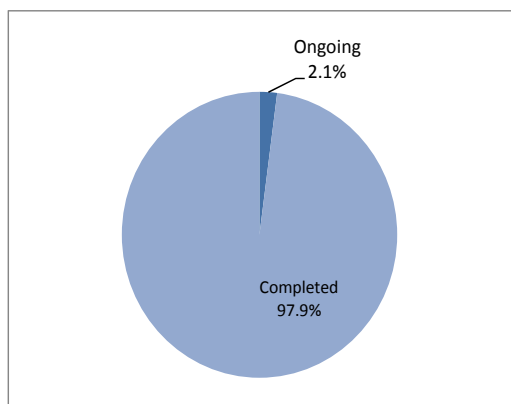
World Bank funded sub-projects (West Bank): For the World Bank funded sub-projects in West Bank, 97.9 % sub-projects are considered as completed with an allocated budget of US\$ 5,063,963. There are 2.1% of ongoing sub-projects with a total value of US\$ 106,294. It is expected that the on-going sub-projects will be completed during the month of January 2009. Table 2 and Chart 1 show the status of West Bank subprojects.

¹ The rationale for including this condition is the demonstrated effectiveness of this provision under EMSRP I where executed and planned budget submissions to MOLG rose dramatically from 25 percent reporting prior to the project to over 85% reporting during the project, based on the incentive to access financing. In addition, these conditions are required by the MOLG and will be part of the future MDLF Transfer Mechanism.

Table 2: World Bank Projects Status Per Governorate - West Bank – 1st Cycle

Governorate	Status By Fund Allocation (US\$)		Total (US\$)
	Ongoing	Completed	
Jenin	0	683,051	683,051
Tubas	0	91,719	91,719
Tulkarm	0	449,631	449,631
Nablus	0	435,838	435,838
Qalqilya	0	164,534	164,534
Salfit	0	199,719	199,719
Ramallah	0	564,089	564,089
Jericho	0	38,163	38,163
Jerusalem	0	583,658	583,658
Bethlehem	14,141	390,102	404,243
Hebron	92,153	1,463,459	1,555,612
Total	106,294	5,063,963	5,170,257
Percentage	2.1%	97.9%	100%

Chart 1: Status of EMSRP II Sub-Projects by Allocated Fund -West Bank-1st cycle



The progress in Gaza: was slower compared to the West Bank. The situation in Gaza and in particular the unavailability of construction materials badly affected the progress of infrastructure sub-projects. Moreover, the shortage in fuel supply and spare parts is delaying the budgetary support sub-projects.

World Bank funded sub-projects (Gaza): For the World Bank funded sub-projects in Gaza, 73.6 % sub-projects are considered as completed with an allocated budget of US\$ 1,156,363. There are 22% of ongoing sub-projects with a total value of US\$ 643,598. The remaining sub-projects (4.4 %) are still under tendering and awarded processes. It is expected these sub-projects will be completed during the next months. Table 3 and Chart 3 show the status of West Bank subprojects.

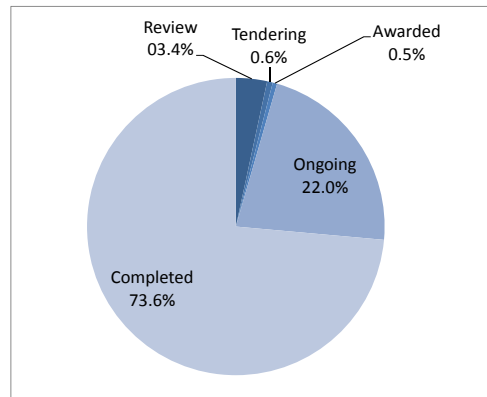
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the basic infrastructure and municipal buildings. A recent report published by the Office for the Coordination of Humanitarian Affairs (OCHA) indicated that the humanitarian crisis is intensifying and the number of Palestinian civilian casualties is increasing. In addition, Israeli bombardment is causing extensive destruction to homes and to public infrastructure throughout the Gaza Strip and is jeopardizing water, sanitation and medical services. At the time of preparing the MDLF 2008 Annual Report the Israeli attack on Gaza was still ongoing. The information about Gaza activities provided in this report was prior to December 27, 2008.

Table 3: World Bank Projects Status Per Governorate - Gaza Strip -1st cycle

Governorate	Status By Fund Allocation (US\$)			Total (US\$)
	Tendering and Awarded	Ongoing	Completed	
Gaza	116,770	369,389	62,635	548,794
North Gaza	0	161,280	607,703	768,983
Deir Al-Balah	14,409	73,732	718,137	806,278
Khan Yunis	0	39,197	575,610	614,807
Rafah	0	0	192,278	192,278
Total	131,179	643,598	2,156,363	2,931,140
Percentage	4.4%	22.0%	73.6%	100%

Chart 2: World Bank Projects Status Per Governorate - Gaza Strip -1st cycle

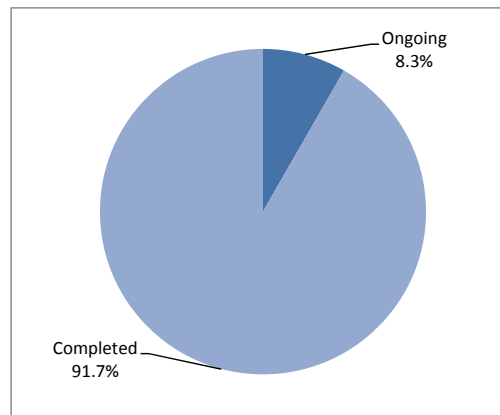


Dutch funded sub-projects of the 1st cycle (West Bank and Gaza): forty five sub-projects are funded by the Dutch only in West Bank and Gaza in the first cycle and 100 sub-projects are co financed by the World Bank and the Dutch. For these sub-projects, 91.7 % sub-projects are considered as completed with an allocated budget of US\$ 2,723,441. There are 8.3% of ongoing sub-projects with a total value of US\$ 245,626. It is expected that the on-going sub-projects will be completed during the month of January 2009. Table 4 and Chart 3 show the status of Dutch funded subprojects.

Table 4: Dutch Projects Status -West Bank & Gaza -1st Cycle

Governorate	Status By Fund Allocation (US\$)		Total (US\$)
	Ongoing	Completed	
West Bank	102,847	1,958,397	2,061,244
Gaza	142,779	765,044	907,823
Total	245,626	2,723,441	2,969,067
Percentage	8.3%	91.7%	100%

Chart 3: Dutch Projects Status -West Bank & Gaza -1st Cycle



Dutch funded sub-projects of the 2nd cycle (West Bank only): The second cycle of the Dutch funded sub-projects includes 43 sub-projects in West Bank only. For this cycle, 100 % sub-projects are considered as completed with an allocated budget of US\$ 2,873,132. Table 5 shows the status of Dutch funded subprojects per governorate.

Table 5: Dutch Projects Status -West Bank Only -2nd Cycle

Governorate	Status By Fund Allocation (US\$)	Total (US\$)
	Completed	
Jenin	1,296,550	1,296,550
Tulkarm	1,070,970	1,070,970
Salfit	403,803	403,803
Jericho	59,773	59,773
Jerusalem	42,036	42,036
Total	2,873,132	2,873,132
Percentage	100%	100%

Progress in the job creation projects: can be illustrated by the fact that 232 municipalities' sub-projects with total allocated budget of US\$2,185,100 were completed, forming 70.4% of the total allocated budgets (US\$ 3.1 million) and with direct employment of 118,583 person-days and indirect employment of 2,235 person-days. On the other hand, 39 municipalities' sub-projects with total allocated

budget of US\$ 798,155 are still ongoing and expected to be completed by early 2009 (25.7% of the total allocated fund). The remaining number of sub-projects under this component are under the tendering phase with a total budget of US\$116,770 (3.9%) and will be starting soon. The total person-day for all job creation projects for all governorates is expected to be 100,000 person day out of which 118% was achieved until the date of writing this report.



For more information and data about the progress of EMSRP II sub-projects please refer to Annex A.

Indicators:

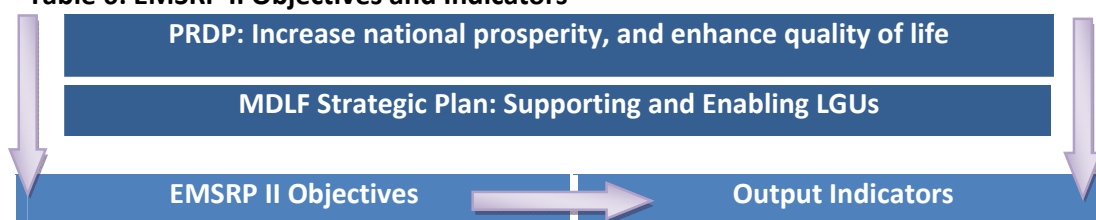
As mentioned previously, the main objectives of EMSRP II include: help mitigate further deterioration in the delivery of essential municipal services, create temporary job opportunities at the local level, and pilot innovative initiatives that foster Local Government-NGO collaboration in response to urgent community needs and assist municipalities in recovering costs for the provision of services. These objectives coincide with one of the major goals of the PRDP which is to increase national prosperity, and enhance quality of life. In addition, the EMSRP II objectives fall within the second Strategic Theme of the MDLF Strategic Plan “ Supporting and Enabling LGUs “.

It is obvious that the implementation of the EMSRP II activities is directly coincides with the Palestinian Reform and Development Plan (PRDP) objective to increase national prosperity, and enhance quality of life for citizens. The project also falls under the objective of the MDLF strategic theme to support and enable LGUs. The EMSRP II various activities have improved the ability of municipalities to provide better services to their constituents. The outputs of the implemented projects will contribute in the improvement of basic services and infrastructure. Moreover, the MDLF approach to partner with municipalities and build their capacity throughout the preparation, planning and implementation processes has improved the skills, and the capacities of the municipal staff in managing the municipal services. The outcomes of EMSRP II will be evaluated upon the completion of the project and will include beneficiary's satisfaction survey and measuring the progress toward the objectives of the project. Table 6 links the indicators of the EMSRP II activities with the objectives of the three levels (EMSRPII, PRDP, and MDLF Strategic Plan).



Annex A includes a detailed table for the outputs indicators of the EMSRP II sub-projects under component 1 and 2 until the end of the reporting period.

Table 6: EMSRP II Objectives and Indicators



Objective 1: help mitigate further deterioration in the delivery of essential municipal services	I- Roads: 67km pavement, 10km sidewalks and shoulders, 0.8km culverts and drainage, 0.63 km retaining walls. II- Water: 28,459L.m pipes, 1,063 water meters, US \$ 56,374 bills for water pumps. III- Electricity: 9.0km networks rehabilitation, 2.0km street lighting, 41,844 L.m cables, 550 lighting units, US \$206,877 for supplying miscellaneous spare parts, US \$788,878 electricity and lighting bills, maintaining the service through supplying fuel for generators. IV- Sewerage: 0.69 km network rehabilitation, 5,723L.m pipes. V-Solid Waste: 420 containers, 2 tractors, 3 trailer, US \$91,985 miscellaneous spare parts, maintain solid waste collection service through supplying fuels for collection services with increase in hours of operation in four municipalities, US \$523,215 fees for dumping sites. VI- Public Facilities: 3,458 Sq.m public buildings rehabilitation, 430 Sq.m parks and gardens. VII- Others: US\$ 281,997 service tools and vehicle maintenance for municipalities, and US \$444,808 for vehicle insurance, service tools and fuel supply for municipal services to maintain basic services.
Objective 2: create temporary job opportunities at the local level	I-Direct Temporary Employment: 118,583 Person-Day was created with US \$12.77 Per Person-Day. Which is equivalent to 3,952 Person-Month with US \$383 Per Person-Month. Labor content for that is 70.8% which is higher than the percentage set in the technical annex of the project (50%). II- Indirect Temporary Employment: 2,235 Person-Day was created with US \$15 Per Person-Day. Which is equivalent to 74.5 Person-Month with US \$450 Per Person-Month.
EMSRP II Objective 3: pilot innovative initiatives that foster Local Government-NGO collaboration in response to urgent community needs and assist municipalities in recovering costs for the provision of services	For the LGU-NGO activities: 33 joint proposals were received from municipalities and NGOS, 10 of these proposals were approved. The Expected number beneficiaries will be 22,180 persons in the West Bank and 18,387 persons in Gaza. Note: The activities under this objective are still ongoing and are expected to finish by February 2009.

Safeguards Measures:

- MDLF included environmental and social safeguards measures as part of the EMSRP II appraisal and implementation process. This assessment aimed at addressing the environmental issues and the social impacts associated with the project and check the compliance with the applicable national and international standards.
- 
- During EMSRP II preparation, MDLF prepared a draft Environmental Management Plan (EMP). The EMP was revised and new measures related to cultural and heritage assets were added. The EMP has been prepared based on the existing environmental situation and the auditing requirements. These requirements were realized after analyzing each of the 20 sub-projects and a sample of sub-projects financed under the first EMSRP. The EMP was also prepared in compliance with the Palestinian environmental laws and municipal bylaws. It provides tools for the evaluation and management of the impacted environmental parameters and they are:
 - Dust and gases emissions
 - Water (wastewater, surface water discharge, storm water)
 - Construction waste
 - Accidental risks
 - Loss of vegetation
 - The application of the EMP was extended to include other similar projects managed by the MDLF including the MDP, and the Jenin Pilot Projects. The MDLF Environmental Specialist is working closely with municipalities and LTCs to ensure that the environmental safeguard measures are in place.
 - Contractors and municipalities were required to use the EMP as a working guide to reduce the environmental and public health risks and assist in improving environmental management. The primary objective of the environmental safeguard is to ensure that each project is implemented in a manner that does not cause adverse impacts on the environment. The main components of environmental assessment were:
 - Base line environment.
 - Environmental impacts.
 - Implementation of management plan and mitigation measures.
- The assessment addressed the following main environmental issues:
- Physical resources (air quality and noise, water supplies and water quality, new sources development).
 - Land use and transportation.
 - Biological environmental issues (vegetation and wildlife).
 - Cultural and heritage (archaeological resources, recreation and tourism).
 - Public health, health facilities and services issues.

- Another safeguard is the social assessment which was carried out to ensure that implemented projects satisfy community needs and that the adverse effects are minimal. The objective of the social assessment is to collect information that aids in assessing the impact of the small-scale projects on their direct and indirect beneficiaries as well as on institutions involved in the projects cycle. The main issues that need to be explored by the social assessment are:
 - Beneficiary participation.
 - Institutional impact.
 - Improvement objective.
 - Community involvement and satisfaction.
 - Gender analysis and women contribution.
 - Impact on social categories.
 - Economical improvement and financial return.
 - Future improvement.
- As an emergency Project financing mainly service-related operating costs, potential adverse social impacts are likely to be few, if any, under the EMSRP II. However, as a means of ensuring appropriate safeguards are in place, the MDLF screened all emergency program assistance requests to identify any that may have a potential adverse social impact. This is being done through a dedicated Social Specialist based at MDLF in a full time bases. .

Procurement of Local Technical Consultants (LTCs)

- To better support the municipalities and build their capacity, the MDLF is using the services of LTCs firms. The purpose of the LTCs is to provide the needed technical support to the participating municipalities in West Bank, while MDLF staff will provide the same technical support to the municipalities in Gaza.



The main objective of the LTCs consultancy assignment is to provide technical assistance to participating municipalities, as follows:

- (i) Assist the municipalities in sub-projects identification, supervision during the implementation of the sub-projects including reporting on, monitoring indicators, compliance with the standards as delineated by the MDLF such as compliance with the 50% labor content for the labor intensive sub-projects;
- (ii) Guide municipalities to implement projects in compliance with the EMSRPII approved financial, social and environment safeguards. This includes on the job and structured training of municipal staff on approved financial management procedures, and mitigation measures to safeguard the environment as delineated in the Environment Management Plan (EMP).

- In the month of January 2008 six local consultancy firms expressed their interest to conduct the assignment which was advertised late 2007. The Request for proposal (RFP) was sent to the interested firms in February 2008. After receiving the technical and financial proposals from the six firms, the MDLF evaluation committee evaluated the technical proposals and based on that the committee opened the financial offers. Based on the both technical and financial proposals the committee awarded the assignment to Universal Group-Maalem which received the highest mark in both the technical and the financial evaluation. The request for no objection to start the negotiation with the selected firm was sent to the World Bank on April 24, 2008, upon which the negotiation started and was finalized during the month of June, 2008. After receiving the no objection from the World Bank, the contract was signed with the selected firm on August 30, 2008.

SIDA Agreement

SIDA decided to contribute to the EMSRP II project with an additional 35 million Swedish Kronor (SEK) which is equivalent to approximately US\$ 5.2 million. The Administration Agreement between the World Bank and SIDA was signed in March 14, 2008. Subsequently; the Grant Agreement between the Bank and the MDLF was signed on December 29, 2008.

As agreed with SIDA, SIDA's funding is not earmarked and can fund any of the EMSRP II components. However, the MDLF and SIDA decided to allocate the fund to Gaza Strip and therefore the MDLF prepared a draft procurement plan for the agreement and will start the implementation early 2009. The total number of appraised sub-projects to be funded by SIDA in Gaza is 210 sub-projects.

Table 7 specifies the categories of expenditure to be financed by the grant fund:

Table 7: SIDA Fund Allocation per Category for EMSRP II

Category	Amount of Grant allocated (in \$ US)
Works	2,500,000
Goods	2,273,892
Incremental Operating Costs	244,029.34
MDLF Management Fee	264,101.12
Total	5,282,022.46

KFW Agreement

The KFW decided to contribute with 15 million Euros to EMSRP II with duration of three years. The overall objective of the KFW grant which is titled "Poverty-Oriented Infrastructure Municipal Finance" is to contribute to improved living conditions in Palestine. In addition, the program objective is to achieve better municipal delivery of basic services

The following program activities will be financed from the KFW contribution:

- a) Municipal Infrastructure and facilities in 132 municipalities
- b) Consulting services for local technical consultants
- c) Consulting Services for an International Consultant
- d) Procurement Audits
- e) MDLF management cost

The Grant agreement was signed on September 15, 2008. The MDLF informed the municipalities about their allocations and started receiving sub-projects applications from the municipalities. The list of sub-projects was approved by KFW along with the MDLF operational manual. The MDLF is currently preparing the procurement plan and a list of qualified contractors as the final step before starting the implementation of sub-projects.

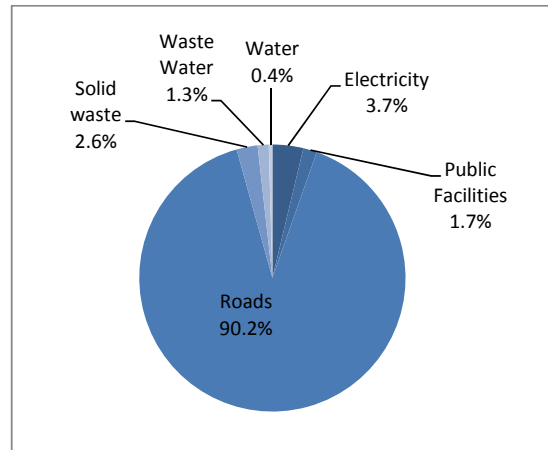
Table 8 shows the number of applications received and approved for municipalities in the West Bank. The total number of appraised sub-projects in West Bank is 93. It should be noted that the application and appraisal process haven't started for Gaza Municipalities due to the current situation there which prevent a smooth implementation of infrastructure rehabilitation projects.

Table 8: KFW Contribution to EMSRP II per Governorate in West Bank

Governorate	Allocation (in Euro)
Bethlehem	680,113
Ramallah & Albireh	831,629
Hebron	3,373,024
Jerusalem	735,139
Nablus	1,422,868
Qalqilia	314,821
Tubas	128,942
Total	7,486,535

In terms of allocation per sector, around 90% of the allocation is for the roads sector. This high percentage indicates the level of needed improvement in the roads infrastructure for many municipalities. This was also reflected in the needs assessment that has been conducted by MDLF for the PRDP preparation. Chart 4 shows the allocation per sector for the KFW sub-projects.

Chart 4: KFW Contribution to EMSRP II-Allocation per Sector in West Bank



World Bank mid Term Review Mission

A midterm review mission for EMSRP II was carried out from March 10-19, 2008. All of the MDLF's key donors actively participated in the midterm review mission, these included: the NRO, DANIDA, SIDA, KfW, GTZ and AFD. DANIDA generously supported the mission through the services of a consultant specializing on institutional development. The objectives of the mission were to: (i) review progress on implementation of the EMSRP II towards achieving the Project Development Objectives (ii) identify actions to improve project performance (iii) review progress on implementation of the Local Government Capacity Building Project and (iv) improve donor coordination.



Donors discussed with MDLF the Transfer Mechanism, MDLF's business strategy, participated in the Donor Consultation Forum and conducted field visits as part of the mission. This has significantly facilitated donor coordination and harmonization efforts on the ongoing program. The following are the key issues discussed in the mission:

- The progress, the challenges, and lessons learned from EMSRP II implementation (some of these are discussed in sections 5 and 6 of this report).
- Based on the review of the mission, an amendment of the original agreement was prepared and sent to the World Bank for review and approval. The proposed amendment is attached to Annex A
- It was agreed that MDLF's semi-annual and annual reporting formats (which include all of MDLF's activities) will be further refined through GTZ's support, to

facilitate MDLF's work and standardize it as a national program supporting the municipal sector rather than one that is donor driven.

- Agreement among donors as well as with the MDLF on the Transfer Mechanism will serve as a key tool for donor harmonization and ensuring equitable allocation of funds to municipalities.
- At the moment, since some of the donor funding is earmarked (by sector, locality, grant window etc) there is less flexibility and MDLF is constrained from responding more effectively to municipal needs and priorities.
- Donors also agreed to work towards pooling their funds and providing programmatic funding support to MDLF for their 2009 funding which they have already begun to prepare provided that the TM is refined and transparent.

Special Note Regarding Gaza Projects:

During the report period the environment in Gaza was characterized by more restrictions on movement of people and goods from and into Gaza. The Israeli Military continued to impose a high level of restrictions preventing the entrance of most basic materials as well as the construction material into Gaza. These restriction have been affected the municipalities activities and the implementation of EMSRP II's subproject leading to a clear delay in the progress of the program first cycle of allocation "2007 allocation". Moreover, these restrictions and the closure of Gaza Strip during most of the reporting period has negatively affected the supply of fuel that was considered at the beginning of the program as one of the most urgent needed materials and was thought to be feasible to implement.

Since the EMSRP II was designed as an emergency intervention, the MDLF in coordination with its partners encouraged the municipalities to and assisted them in revisiting their priorities in order to come up with more reasonable projects that could be implemented and at the same time enable the municipalities to alleviate the continuation of burdens on the living conditions of the Gaza's population.

During the first three months of year 2008 municipalities managed to submit a revised realistic sub-projects and implementation plans which were reviewed and approved by the Fund.

MDLF had prepared the consolidated procurement plan of the Gaza's 25 municipalities for SIDA contribution. The MDLF forecast of the progress of SIDA fund is much better than the first allocation cycle, this is attributed several factors including: (i) 5 municipalities in Gaza covering more than 60% of the population (hence receiving 60% of the fund) didn't get full support from the 2007 allocation, (ii) and those municipalities have relatively higher capacity in managing funds during emergency.

On December 27, 2008 the Israeli military began its military attack on Gaza Strip resulting in a severe humanitarian crisis to the civilians and systematic damage of the basic infrastructure and municipal buildings. A recent report published by the Office for the Coordination of Humanitarian Affairs (OCHA) indicated that the humanitarian crisis is intensifying and the number of Palestinian civilian casualties is increasing. In addition, Israeli bombardment is causing extensive destruction to homes and to

public infrastructure throughout the Gaza Strip and is jeopardizing water, sanitation and medical services. At the time of preparing the MDLF 2008 Annual Report the Israeli attack on Gaza was still ongoing. The information about Gaza activities provided in this report was prior to December 27, 2008

The detailed financial data of EMSRP II is included in Annex H.

2.2 Development Scheme Projects

Projects fall under this category includes: Municipal Development Project (MDP) and Palestinian Municipalities Support Program (PMSP). A brief description of these projects and the progress of each one are provided below:

2.2.1 The Municipal Development Project (MDP)

The Municipal Development Project (MDP) aims at providing financial support to the selected LGUs to improve the municipal services delivery to the population. The project is funded by the French Development Agency (AFD) and was designed to include the 16 main cities of the Governorates of West Bank (Jerusalem excluded) and of the Gaza strip. These cities concentrate more than 45% of the total population and 78% of the urban population. In addition, the MDLF selected 5 Joint Service Councils for Planning and Development or Joint Municipalities, where the Project could finance infrastructure, with the aim to supporting the Palestinian Authority's effort to reduce the overall number of LGUs in the West Bank and Gaza. However, due to the fact that the implementation of the Project in the Gaza Strip has become impossible because of the blockade of all the importations by the Israeli authorities, the MDLF with the approval of AFD reallocated the budget of Gaza municipalities to West Bank municipalities. The AFD has expressed its commitment to provide additional support for Gaza municipalities once the conditions in Gaza allow for implementation.

The Project objectives include:

- Improve the conditions of living and economic activity in the Palestinian municipalities through the maintenance, rehabilitation, and in limited cases creation of basic municipal infrastructure.
- Stimulate the local economy through the mobilization of local contractors who will create jobs and therefore generate additional income.
- Reinforce the linkages between the newly-created Municipal Development and Lending Fund and the municipalities.

The Project funds will be divided among the selected municipalities according to their respective populations, with a minimum allocation per LGU of 400,000 Euros to ensure that the available budget per LGU is above a critical minimum threshold for impact and visibility. The Joint Service Councils or joint municipalities will be allocated 320,000 Euros each. Table 9 lists the targeted municipalities and the amount of fund allocated for each.

A quick look into the allocation of the AFD fund reveals that most municipalities (about 69%) requested roads projects which are similar to the case in the World Bank and Dutch funds under the EMSRP II project. This indicates the urgency and need for new road as well as maintaining the existing roads network. The second needed sector is public facilities (17%) which include municipal buildings, libraries, community centers and public parks. Chart 5 shows the distribution of the AFD fund per sector

Progress during the reporting period:

- After the approval of the priority investment lists and application forms received from the municipalities by MDLF and AFD, MDLF sent the bidding documents to the municipalities. The documents were filled and then reviewed by the MDLF during the month of May, 2008.
- During the months of April and May, 2008 The MDLF signed project MOUs with each municipality to ensure the commitment of the municipality to comply with the procedures and conditions of the program.
- The municipalities advertised for the prequalified contractors to bid for the approved projects. In June 2008, the contractors started to submit their bids to the municipalities for the advertised projects.
- Evaluation of bids was conducted by the municipalities and then evaluation reports were sent to the MDLF for review and no objection. The MDLF issued a No Objection to ward and the implementation of approved sub-projects was started.
- By the end of 2008, around 10% of the 42 municipalities' sub-projects were completed with an allocated budget of 863,593 Euros. Another 58 % of municipalities' sub-projects is still ongoing and is expected to be finished by the end of 2009. Chart 6 illustrates the status of municipalities' sub-projects.
- The implementation of the 6 JSCs sub-projects will start early 2009 as 40% of the sub-projects are still under review and tendering processes, and 60% of the sub-projects are under the review process. Chart 7 illustrates the status of these sub-projects.
- Regarding Gaza allocation, the MDLF with the approval of the AFD reallocated the funds to West Bank Municipalities due to the current situation in Gaza. The MDLF is still waiting for AFD no objection on the new sub-projects to be financed from the extra funding.

Table 9: MDP Fund Distributed Among Targeted Municipalities and JSCs

Municipality	Population (2006)	Allocated Fund (€)
Jenin	35,760	685,000
Tubas	16,087	530,000
Tulkarem	53,896	825,000
Nablus	134,116	1,475,000
Qalqilia	44,709	755,000
Salfeet	9,756	475,000
Al Bireh	39,538	720,000
Ramallah	25,467	600,000
Jericho	20,416	560,000
Bethlehem	29,927	635,000
Hebron	166,003	1,740,000
Sub-Total Municipalities	1,296,256	9,000,000
Joint Service Councils or Municipalities They include; 1- The 1 st JSC for planning and development in Qalqilia 2- JSC for south Nablus area 3- C2 JSC in Jenin 4-Wadi Sha'er JSC in Tulkarem 5-Al Ittehad and AL Zaytouneh Municipalities in Ramallah ¹		1,600,000
Total		10,600,000

¹ These are two joint municipalities where each one will receive 160,000 Euros

Chart 5: MDP Fund Distributed per Sector

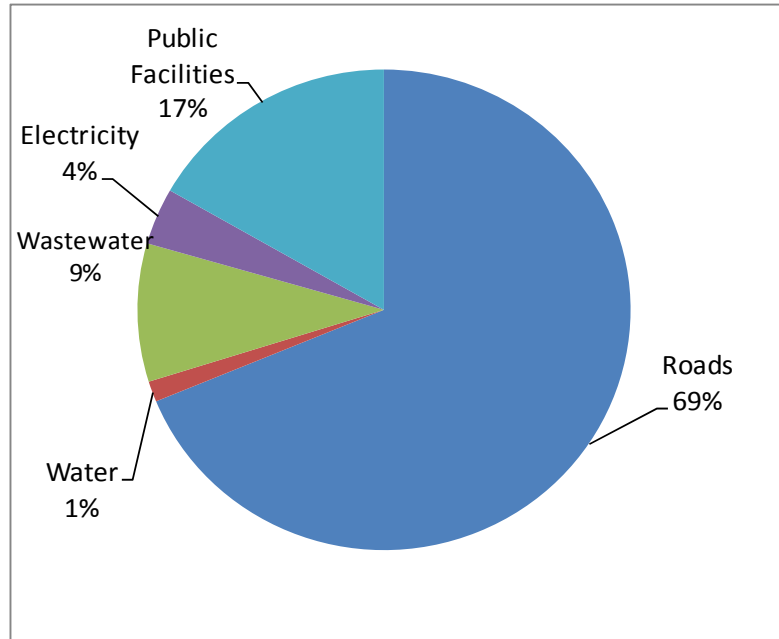


Chart 6: Status of MDP Sub-Projects by Allocated Fund- Municipalities

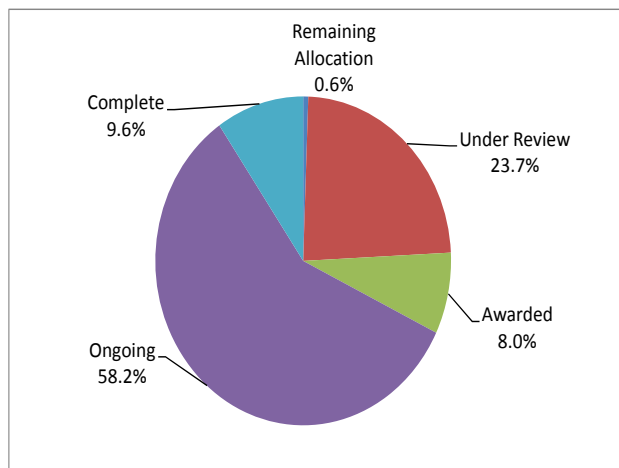
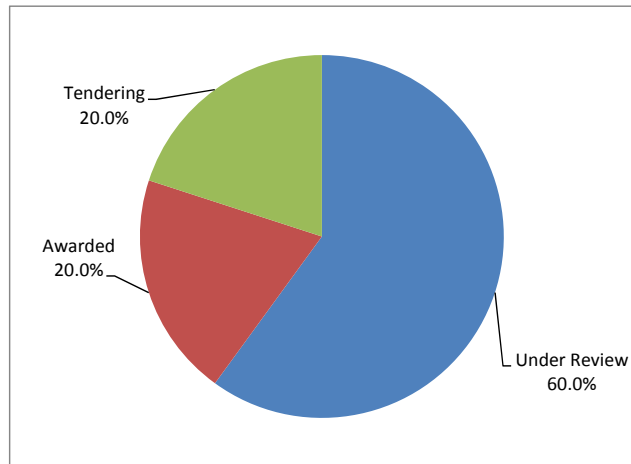


Chart 7: Status of MDP Sub-Projects by Allocated Fund- JSCs



Annex B includes detailed information about the status of the MDP projects as of the reporting period. Annex H includes the financial data of the MDP.

2.2.2 The Palestinian Municipalities Support Program (PMSP)

Following the exchange of letters that occurred between the Palestinian Minister of Finance and the Italian Minister of Foreign Affairs in the year 2004, the Italian Government contributed to the Palestinian Municipalities Support Program (PMSP) with a grant of Euro 25 million (Not less than additional 30% will be contributed from the Italian Regions and Local Governments (IRLG) upon a partnership agreement to be signed between the Palestinian LGUs and the IRLGs.

The PMSP aims at supporting and integrating the Palestinian Authority's efforts to reform the local authorities system. In addition the program aims at improving the living conditions of the Palestinian population specifically in four governorates. Beneficiaries of the program include communities living in the geographic areas where the program is implemented, in particular, JCS for Planning and Development, municipalities and village councils operating in the governorates of Jerusalem including East Jerusalem, Bethlehem, Hebron and Khan Yunis. Consequently, the APLA itself will also benefit from the program. For East Jerusalem area, NGOs, associations and institutions will be the targeted beneficiaries.

Since it started the project steering committee has approved 22 projects (total value of 3,442,051.79 Euros) among which 12 were endorsed for implementation (1,924,501.22 Euros) representing 55% of the total number of projects and 56% of the



total project's cost. Out of the 22 project 10 projects (1,517,550.57 Euros are still frozen due to freezing the projects funds following the PA elections in 2006.

Progress during the reporting period:

- The project has been frozen since the Palestinian elections of 2006. Aiming at resuming the activities of the project, the MDLF Chairman of the BoD and the Acting General Manager met with the Italian General Consular in January, 2008 to discuss the project status. The Consular stressed on the interest and willingness of Italy to resume the project once they fulfill specific requirements to the Italian Technical Team.
- The MDLF submitted a proposal to modify the mechanisms of the project to reflect the lessons learned from previous activities and to harmonize the project procedures with the MDLF Operational Manual.
- During the month of February the project's Joint Technical Committee held several meetings where it was agreed to start the implementation of East Jerusalem Projects. However, due to the issues related to the readiness of the Italian Team, to date this decision has not been activated.
- Three out of the five ongoing projects were completed. The other two projects are still under implementation and will be completed before during the year 2009.

2.3 Institutional Development and Technical Assistant Scheme Projects

Projects fall under this category includes: the Local Government Capacity Building Project (LGCBP) and the Study to prepare for the Southern West Bank Solid Waste Management Project (SWMP), the Local Government Institutional Development Program (LGIDP), and the Policy and Human Resource Development (PHRD) Grant. A brief description of these projects and the progress of each one are provided below:

2.3.1 The Local Government Capacity Building Project (LGCBP)

The Danish co-financed Local Government Capacity Building Project (LGCBP) supports the on-going efforts of the Palestinian Authority (PA) to reform the local government system in the WBG. With respect to implementation, the Government of Denmark and the World Bank have agreed that the support provided under this project will be channeled through the framework of MDLF. The overall development objective of the project is to improve local governance and accountability thereby fosters an efficient and sustainable economy, and the social and physical development of the urban and rural areas in WBG. The specific objectives of the project are to improve the accounting, financial management and budgetary control capabilities of MOLG Finance and Budget Department, and of the LGUs as well as the capacity of the MDLF.

The Agreement between the three parties involved (Denmark Government: the donor, the World Bank: administrator and Palestinian Authority: beneficiary) was signed on March, 2005. The Project is composed of the following three components:

- **Component 1: Financial Management and Accounting Systems Reform:**

The main objective of the LGCBP first component is to improve the accounting, financial management and budgetary control capabilities of MOLG and LGUs through designing a unified financial and accounting system for LGUs.



- **Component 2: Physical Planning and Management Systems Reform:**

The main objective of the second component is to strengthen the capacity of MOLG and the LGUs in WBG to effectively guide, manage and monitor the development of the urban areas and be responsive to the needs of citizens.

- **Component 3: Institutional Development (MOLG/MDLF):**

The main objective of the third component is to increase the capacity of MOLG/MDLF to manage a decentralized local government system. A World Bank consultant assessed the situation and provided the needed Terms of References (TOR) for different assignments.

Progress during the reporting period:

Component1: Financial Management and Accounting Reform

- **Unified Budgetary forms for 2008** were developed and approved by the Minister of Local Government. These budgetary forms are in total compliance with the classification and categorization of the approved COA and will enable the proposed MDLF system, Integrated Financial Management Information System (IFMIS), be more responsive to municipalities' budgetary and actual reporting needs.
- The MDLF produced the first **Local Government Financial Database** which includes the planned and executed budgets for all municipalities for the year 2006. The MDLF has updated the data base for 2007-2008 budgets.
- For the first time, the project has succeeded in developing and implementing a **Fixed Assets Valuation Methodology** and valued the assets at 8 pilot municipalities in West Bank and Gaza Strip. The developed methodology assessed the value of municipal assets among 8 pilot municipalities. Three firms were contracted and finalized the valuation of the assets at the pilot municipalities as following:
 - West Bank municipalities (Qalqilia, Beit Ummar, Birzeit, Dura)
 - Nablus Municipality

- Gaza municipalities (Al Maghazi, Deir Al Balah, Rafah)
- The MDLF is advising other municipalities (non-pilot) to start using the same system to register their assets, however, based on the results of this above mentioned assignment, all lessons learned will be forwarded to 35 municipalities (representing the second phase of the project) and provide them with more intensive training to allow them to register and value their assets as it is considered as a bases to start implementing the new accounting system.
- MDLF has contracted a local firm to finalize the expansion of Fixed Assets valuation methodology based on the experience and lessons learned of the first phase of the eight pilot municipalities. MDLF will contract from 5 to 6 local firms to value the assets at 35 additional municipalities after finalizing the modified methodology.
- Moreover, the MDLF encouraged other partners to use its established methodology and experience on the fixed asset registration for the pilot municipalities; GTZ through their Local Government Support Program and with full cooperation with the MDLF will support three municipalities (Ramallah, Al-Bireh, and Salfeet) to conduct institutional assessment of the financial departments of the three municipalities, Registration and valuation of their assets.
- The MDLF signed a MOU with the Engineer's Association (EA) on June 10, 2008 to outline the cooperation between the MDLF and the EA in building the capacity of municipal asset registration and valuation. This cooperation was facilitated through the GTZ Local government and Civil Society Development Programme-LGP and will build on the outputs of the LGCBP. The areas of cooperation will compromise following components and stages: Training-of-Trainers, Pilot Training for Municipalities, and Pilot Training for Valuators.
- The project has started the implementation of the **Integrated Financial Management Information System (IFMIS)** which will target large, medium and small municipalities in West Bank and Gaza. The system meets the accounting and financial reporting needs of municipalities and central government (MOLG). Following the procurement process, the MDLF has finalized the negotiations with the selected international firm "Free Balance Int." and signed the contract on July 12, 2008 under the patronage of the Minister of Local Government .The team of Free Balance was mobilized during the month of July to start the implementation of the assignment. The firm is located at the MDLF premises and is coordinating with all stakeholders this will include MOLG, municipalities and the project consultants.
- Free Balance Int. Accountability Suite software is built on good practices and international government financial standards as follow:

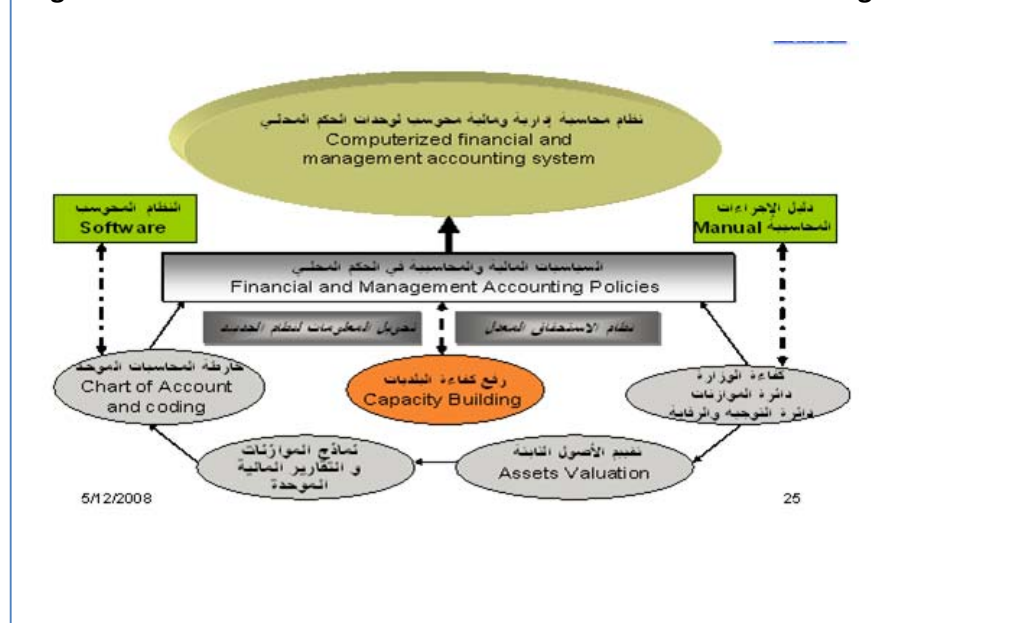




- *International Monetary Fund Government Finance Statistics (GFS)*
- *World Bank treasury reference model*
- *International Monetary Fund Code of Good Practice on Fiscal Transparency*
- *International federation of Accounts International Public Sector Accounting Standards Board International Public Sector Accounting Standards (IPSASs)*
- *UN Common Functions of Government*
- *Medium Term Expenditure Frameworks (MTEF)*
- *General Accepted Accounting Principles (GAAP)*
- Free balance Int. can be configured to operate on: Cash, Modified Cash, Modified Accrual or Full Accrual. The Following modules will be implemented at the municipalities:
 - a. Accounting system which include (General Ledger, account receivable, account payable, purchasing, inventory, fixed assets)
 - b. Budgeting preparation and controlling
 - c. Revenue Management system
- To facilitate the rolling out of the asset registration and IFMIS implementation for the 38 municipalities, the MDLF hired a consultancy firm to assess the current individual and departmental capacities and the adequacy of individual skills and qualifications in the financial departments in the targeted municipalities. The study aims to identify gaps and shortcomings against future staffing and skills requirements on an individual and departmental basis in order to ensure successful IFMIS implementation at the 38 municipalities. The assignment will be completed early 2009

Figure 1 shows a visual representation of the financial and accounting reform activities under the LGCBP.

Figure 1: A visual Illustration of the LGCBP Financial and Accounting Reform



Annex E include a detailed progress report about the assignment prepared by Free Balance team.

Component 2: Physical Planning and Management System Reform

- **Baseline Survey of Municipalities and Joint Councils Urban Planning Practice:** The purpose of the survey was to review current practices and needs at central and local levels so that proposals for improved procedures can be put forward which are based on a thorough understanding of present planning practices.

New-vision was awarded the contract to do this assignment based on the evaluation of the interested firms. The firm has developed the inception report and started to distribute the agreed questionnaire for the selected municipalities and joint service councils with full coordination with the MOLG. In November, 2007 New Vision has finalized and achieved the assignment and final payment was made based on deliverables approval.

- The **Urban Planning Consultant** was contracted on May 11, 2008 for a short period of one month. The overall scope of work of the Consultant is to assist MDLF and MOLG planning department in implementing the physical planning component, through delivering a TOR to prepare the Physical Planning Policies and Procedural Manual (PPPPM). This will enable MOLG planning department to progressively shift its current physical planning functions to more supportive and policy formulation role, in a more decentralized local government sector in West Bank and Gaza. The consultant finished his assignment and prepared the needed TOR and specifications to prepare Planning Guidelines and Operational Manual.
- Following the previous assignment and based on the prepared ToR, the MDLF

started the process of procuring a consultancy firm to help MoLG in developing **the Physical Planning Policies and Procedures Manual (PPPPM)**.

The main objectives of the assignment are the following:

- *Institute operational physical planning process at the regional and local levels.*
- *Enhance competence and capabilities of physical Planning leading at national, regional and local level.*
- *Enhance Coordination and cooperation between the selective Physical planning institutions and regulate Physical Planning operation among them.*
- *Establish a procedural physical Planning Manual that will enable Ministry of Local Government (MOLG) and Municipal Development and Lending Fund (MDLF) as well as the local community to guide and formulate their policies and procedures to implement physical planning operation of their level*

For this purpose, an Expressions of Interest (EOI) had been advertised in September 2008, for which seven firms had expressed their interest in providing the requested consultancy services. An evaluation committee from MoLG and MDLF was formed and a short list of the most qualified firms was prepared. It is expected to start the implementation of the assignment upon obtaining the No Objection of the World Bank on the selected firm early 2009.

- Another **Local Government Consultant** was contracted in July, 2008 .The objectives of the assignment is to assist the Ministry of Local Government (MOLG) and Municipal Development and Lending Fund (MDLF) in developing a framework for the reducing of the Local Government Units (LGU's) through the exiting institutional set up of the Joint Service Council (JSC) or through any proposed setup that would be supported by the development of a merging strategy and action plan. However, this would include the support for the JSC department at the MOLG to shift their current functions in to more supportive and policy formulation role, in a more decentralized local government sector in West Bank and Gaza. The main tasks of the consultant will include:

- *Asses the institutional setup of the existing JSC and develop the framework to strengthen MOLG merging policy to reduce number of LGU's*
- *Recommend the MDLF role in enhancing the amalgamation policy*
- *Strengthening the JSC department supervising and clarification of their policy formulation role/MOLG*
- *Assist MOLG and MDLF in supervision and implementation in a set of JSC's or merged municipalities*



The consultant started his assignment and conducted his first mission in August, 2008 which produced an inception report and action plan. Another mission was conducted during the month of November where an **Amalgamation Task Force (ATF)** was formed and an outline for the amalgamation policy framework was developed and discussed with all stakeholders. The ATF membership include: related departments and senior staff of MoLG and MDLF. Another follow up mission is expected during February 2009 to draft and discuss the amalgamation policy and guidelines.

- Implementation on a phased basis in a representative set of Municipalities (**Local Technical Consultants / LTC**): This assignment was supposed to be accomplished by the 31st December, 2007, however, it was extended until the 30th April, and 2008. The delay on finalizing the deliverables was mainly because of the problems in finalizing appropriate application forms from the municipalities and the current unstable situation in Gaza which forced the municipalities to change their proposals several times to accommodate the needs and the capability for implementation. Therefore, the payments were delayed accordingly and caused variances.

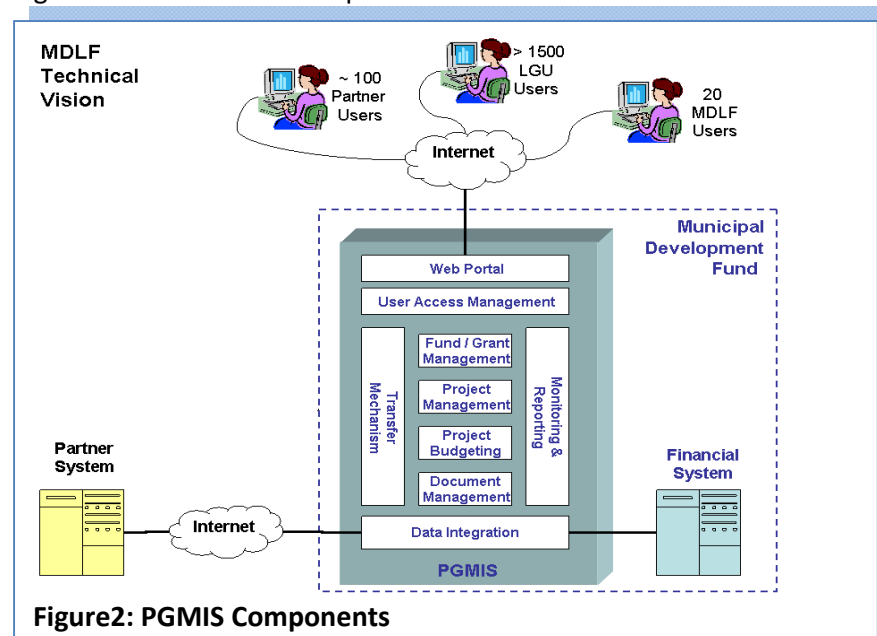
Component 3: Institutional Development (MOLG and MDLF)

- **Project and Grant Management Information System (PGMIS) for MDLF:**
A promising initiative the MDLF is currently working on is the Project and Grant Management Information System (PGMIS) that will be used by MDLF as a management and tracking tool for its projects and activities.
The PGMIS is a fully-integrated computerized Fund and Project and Management Information System for the MDLF and will be implemented across more than 500 LGUs in the West Bank and Gaza. Initially, it is expected that more than half the LGUs will have electronic connection through the Internet to access the PGMIS System.
The main objectives of PGMIS include:
 1. Improve the management of funds, grants and loans and automate the fund mobilization processes from donation to LGU allocation, and from project budgeting to payment tracking.
 2. Improve and automate the project management lifecycle from idea development to project budgeting, design, contracting, implementation and evaluation.
 3. Enhance the communications between MDF and its stakeholders, including LGUs, donors, banks, central government and the general public. It is expected that all stakeholders will have electronic access to information and/or services specific to them through the MIS solution.
 4. Automate the exchange of information between MDF and LGUs and between MDF and donors. LGUs furnish the necessary information for fund and project management. Donors require periodic status and evaluation reports on donated funds and how effectively they are being utilized.

5. Facilitate strict financial management controls by integrating fund management with project budgeting and accounting. The financial loop (fund allocation, project budgeting, financial transactions and account reconciliation) must be closed and controlled at every step in the financial process.
6. Provide more timely information to support better policy planning and financial risk management. The availability of historic project data will provide donors and policy makers with the analytic information needed to better target funds where the impact is high and the risks are low.

The contract with Safad-NTS was signed on November 19, 2007 to start the design and development of the system. Both the Project team and MDLF team is working on in a collaborative approach to design and develop a state of the art computerized system. Weekly meetings, presentations, and workgroup discussions are being held to improve the system during the design phase. The development of PGMIS is in its final stage and Safad-NTS team will be installing the trial version of the system during early 2009. To prepare for PGMIS, MDLF requested from Safad-NTS to conduct an assessment of the current IT status at the MDLF so to identify the needed improvement related to MDLF IT and MIS infrastructure. As a result of the assessment, MDLF started upgrading its IT infrastructure including hardware and software.

Figure 2 illustrates the components of the PGMIS.



- Contracting **short term individual consultants**, including:
 1. The IT specialist produced the equipments need assessment report for MOLG (headquarter, Gaza and district offices) in addition to the training needed for the IT department

2. The MIS specialist assessed the specification developed by the MOLG, and developed the first draft for the MOLG information strategy. Another specialist also is following up on the development and implementation of the Project Grant Management Information System (PGMIS) at the MDLF.
 3. Recruitment of Translators: translated all the produced documents and deliverables from English to Arabic.
- **English courses training:** The MDLF has contracted the AMIDEAST to provide training to MDLF and MOLG staff on English language skills. The main objective of this assignment is to enhance the MOLG and MDLF employees' English language skills in grammar, reading, vocabulary, listening, and speaking everyday context. The training will be completed during January 2009 benefiting nearly 100 employees from MOLG headquarters and district offices and 12 from MDLF staff.
 - **Financial and Management courses training:** In order to prepare for the successful implementation of the IFMIS system, the MDLF has contracted Birzeit University Continuing Learning Center to conduct a series of accounting and financial management courses to the staff and management of the pilot municipalities, departments of the MOLG, and district offices. The courses in West Bank will be completed by February 2009, while Gaza courses were delayed as a result of the recent Israeli attack on Gaza Strip.

The purpose of this assignment is to:

- Assist the MDLF to deliver a training intervention that transfers Knowledge, Skills, and Attitudes (KSA) to staff and managers at the pilot municipalities and MOLG departments and district offices that enhances their capacity to efficiently and effectively manage in accordance with the comprehensive set of financial and accounting principles as well as improves their ability to effectively implement the new IFMIS system.
 - Prepare and deliver six detailed and intensive courses in accounting and financial management, revenues and cost analysis, accounting for non accountant, communications skills, leadership skills and strategic planning for the employees of eight pilot municipalities in West Bank and Gaza Strip, and the MOLG headquarter and district offices' employees.
2. Enhance the **Municipalities' Staff Knowledge** on new accountings concepts. This is based on the institutional assessment review conducted in 2007 for the financial departments at the pilot municipalities, seven courses were recommended in the field of financial, accounting, and managerial skills. The first course title "fixed assets management" was conducted and 105 employees were trained from the pilot municipalities' staff and MOLG district offices through 4 sessions in Gaza and West Bank.

Progress against key outputs and performance indicators:



The Palestinian Reform and Development Plan (PRDP) emphasizes the importance of bringing government closer to the people by ensuring that local government is both empowered and accountable. Under the PRDP, the proposed 'Accountable Local Government' (ALG) program will: introduce new legislation to clarify and regulate the relationship between central and local government; establish a policy framework which promotes fiscal autonomy and discipline at the local level; and build the operational, administrative and financial management capacity of local government bodies.

The LGCBP is one of the major contributors toward achieving the PRDP objective of good governance and accountability. The various institutional development activities of the LGCBP will contribute in building open local governments and greater accountability to citizens. It will also enhance the efficiency and effectiveness of local government through good practice of financial management and sound planning.

Table 10 provides a matrix that summarizes the main achievement of the LGCBP against key outputs and performance indicators.

Table 10: Summary of progress against key outputs and performance indicators for LGCBP

Component 1: Financial Management and Accounting Systems Reform <i>Objective : Improve the accounting, financial management and budgetary control capabilities of MOLG and of the LGU's</i>	<u>Main Achievements:</u> • Development and approval of a Unified Chart of Accounts, Coding and Budgetary Formats in WBG. • Development and implementation of new financial department institutional framework, new job description and segregation of duties policies at 8 pilot municipalities. • Development of fixed assets valuation methodology and manual. • Development of fixed assets standardized price list. • Implementation of fixed assets valuation at 8 municipalities and the results of tables for lands, equipments, services' assets, etc. • Based on the success of the pilot asset registration phase, the MDLF will contract from 5 to 6 local firms to value the assets at 35 additional municipalities after finalizing the modified methodology. • Development of the technical and functional specifications for the IFMIS for large municipalities and medium and small municipalities. • The contract for IFMIS was signed with an international firm (Free Balance Int.). The work on the system is currently ongoing and will be completed during 2009 • Enhance the municipalities' staff knowledge on new accountings concepts. This is based on the institutional assessment review conducted for the financial departments at the pilot municipalities, seven courses were recommended in the field of financial, accounting, and managerial skills. The first course title "fixed assets management" was conducted and 105 employees were trained from the pilot municipalities' staff and MOLG district offices through 4 sessions in Gaza and West Bank.
Output 1.1 (MOLG) ^(*): New MOF-mandated computerized governmental financial and management accounting system for MOLG (including software, hardware, documentation and training, and based on system design prepared by separate MOLG/MOF consultants) reviewed, refined and subsequently implemented. Output 1.2 (LGUs): Computerized financial and management accounting system for the LGUs (including software, hardware, documentation and training, and based on a chart of accounts and budgeting framework separately prepared by UNDP consultants) developed, refined and subsequently implemented on a phased basis in a representative set of LGUs.	
Component 2: Physical Planning and Management Systems Reform <i>Objective: Strengthen the capacity of MOLG and the LGUs in WBG to effectively guide,</i>	<u>Main Achievements:</u> • The identification of the local urban planning practices and the identification of needed



manage, and monitor the development of the urban areas and be responsive to the needs of citizens

Output 2.1 (MOLG and LGUs): The Physical Planning and Investment Programming capacity of MOLG and LGUs strengthened (including the capacity to develop guidelines for strategic planning, and for the programming, financing and management of key infrastructure and services). Also, implementation strategies, planning and programming guidelines, and action plans for LGUs prepared.

Output 2.2 (DJC and JSCs): The Physical Planning and Investment Programming capacity of MOLG's Department of Joint Councils (DJC) in Bethlehem and JSCs strengthened (including the capacity to further develop: the framework, strategy and program for consolidating small and economically unviable LGUs into efficient and sustainable Joint Service Councils (JSCs), guidelines for strategic planning, and guidelines for the programming, financing and management of key infrastructure and services). Also, implementation strategies, planning and programming guidelines, and action plans for the further consolidation and development of JSCs prepared.

Output 2.3 (MOLG/DJ/LGUs/JSCs): Physical and

activities to achieve the objectives, the results of the conducted survey on 17 municipalities and 13 joint serves councils showed that several policies and systems needed to organize the planning sector in local government especially in the legal framework, institutional, local and central capacities, laws and procedures and public participation in planning. The results and recommendations will help in developing the needed assignments to be implemented under the LGCBP.

- A TOR to prepare the Physical Planning Policies and Procedural Manual (PPPPM) was drafted.
- Following the ToR preparation, the MDLF started the process of procuring a consultancy firm to help MoLG in developing the Physical Planning Policies and Procedures Manual (PPPPM). This manual will enable MOLG planning department to progressively shift its current physical planning functions to more supportive and policy formulation role, in a more decentralized local government sector in West Bank and Gaza.
- The work on the amalgamation policy framework has started and the Amalgamation Task Force (ATF) was formed. The ATF membership include: related departments and senior staff of MoLG and MDLF.



Investment Plans and Programs (including strategic planning, investment programming, financing and management for key infrastructure and services) for a representative set of LGUs and JSCs implemented, and National system of JSC's rationalized and strengthened. (Includes software, hardware, documentation and training.)

Component 3: Institutional Development (MOLG)

Output 3.1 (MOLG/PCU): Lead Capacity Building Consultant/Advisor (individual or a consulting firm), and urgently needed LGU budget advisor and (4-5) key budget staff for MOLG's Budget Department recruited.

Output 3.2 (MOLG Departments): The overall MOLG organizational analysis, redesign and training needs assessment (separately prepared by UNDP consultants) reviewed, and further detailed review at Departmental level completed. Also, Departmental Capacity Building strategy and implementation action plan prepared (including improved MOLG Operational and Management Procedures, well equipped Departments, and the recruitment of additional key staff). Further, essential equipment, not exceeding 40 percent of total expected requirement, procured.

Output 3.3 (MOLG Departments): MOLG's Departmental Capacity Building strategy and

Main Achievements:

- Enhance the capacity of more than 132 MOLG employees in computer applications and related office skills. An evaluation test was conducted before and after the training, the test shows that the employee's skills in using the computerized programs have been improved by 35%.
- Equipment was purchased for the MOLG headquarter and district offices benefiting approximately 200 employees in addition to the provided training.
- Improve the coordination between the MOLG departments of Gaza and West Bank through the setup and usage of video conference equipments.
- Enhance the skills of IT staff at MOLG in network management and IT support. One of the main goals was to enable the MOLG to implement and use their own email systems (i.e. info@molg.gov.ps) and activate their internal network.
- Enhance the MDLF systems through the installation of a Project and Grant Information Management System (PGMIS) that would integrate all needed Palestinian local government data; the MDLF was able to produce the first Municipalities' Financial Database of 2006. The MDLF is currently updating the data base for 2007-2008.
- English courses training: The MDLF has contracted the AMIDEAST to provide training to MDLF and MOLG staff on English language skills. The number of participants in this training will be nearly 100 employees from MOLG headquarters and district offices and 12 from MDLF staff.



action plan reviewed, refined and implemented, and key Departments strengthened. (Includes software, hardware, documentation and training, as well as improved MOLG Operational and Management Procedures).

Component 4: Project Management and Operating Support

Objective: Increase the capacity of MOLG and MDLF to manage a decentralized local government system

Output 4.1 (EMSRP/PCU): Capacity Building Group established, alongside MOLG's existing EMSRP PCU and PTS; and LGCBP coordination, monitoring and reporting capacity developed. (Includes software, hardware, documentation and training.)

- Financial and Management courses training: In order to prepare for the successful implementation of the IFMIS system, the MDLF has contracted Birzeit University Continuing Learning Center to conduct a series of accounting and financial management courses to the staff and management of the pilot municipalities, departments of the MOLG, and district offices.

- The MDLF as an institution has been created from the PTS/PCU and currently in operation
- The MDLF internal procedures, bylaws, and manuals have been developed and are in place.
- The MDLF developed its Strategic Plan, and HR policies, and is currently finalizing its M&E systems, and PGMIS.
- Training of MDLF staff in various topics including; procurement, PMP, project management, M&E, English skills, etc.

(*) Per the recommendation of the World Bank and Danida mission during March 2008, it was agreed that this output will be canceled since it is outside the mandate of MDLF.



Disbursement:

Table 11 shows the financial data, including the disbursement, of the LGCBP

Table 11: Summary of the Financial Status of the LGCBP as of June 30, 2008

Project component	Estimated cost \$ for 4 years	Allocation for the first year (US \$)	Disbursement (US \$)
1.Financial Management and Accounting Systems Reform, MOLG and Municipalities	4.12	1.3	1,199,173.81
2.Physical Planning and Management Systems Reform	2.75	0.52	450,985.04
3.Institutional Development (MOLG)	1.84	0.74	921,500.36
4.Project Management and Operating Support	0.46	0.22	482,601.26
Subtotal	9.17	2.78	3,054,260.47
Unallocated	0.75		0
Total	9.92	2.78	3,054,260.47

2.3.2 The Southern West Bank Solid Waste Management Project (SWMP)

The Palestine Liberation Organization, for the benefit of the Palestinian Authority (PA), has received a grant with the amount of US \$385,000 from the Policy and Human Resource Development (PHRD) Trust Fund funded by the Government of Japan and administered by the World Bank through the International Development Association (IDA). The PHRD grant will be used towards the preparation of Feasibility and Environment and Social Impact Assessment Study for the Southern West Bank Solid Waste Management Project (SWMP). The PA is currently administering this grant through the Municipal Development and Lending Fund (MDLF). The grant's main objective is to finance a) a Consultancy Assignment to Prepare Feasibility Study and Environment Impact Assessment for the Second Solid Waste and Environmental Management in Southern West Bank, b) support to establish the Project Implementation Unit (PIU) and c) incremental operating cost of the MDLF to managing this grant.

The SWMP project consists of the following components:

- **Component 1: Technical Assistance (US\$0.50 million)** toward institutional building of the joint services council for SWM in Bethlehem and Hebron (the Council) including SWM policy formulation and training on modern techniques of management (including financial management and performance monitoring).
- **Component 2: Development and implementation of solid waste management elements (US\$11 million):** This component would support the construction of a sanitary landfill, waste collection and transport, recycling and composting techniques, rehabilitation and closure of existing dump-sites and construction of transfer station to reduce cost of waste transportation.
- **Component 3: Public Awareness (US\$0.25 million):** This component would support the design and implementation of a public awareness campaign in the southern West Bank involving local environment NGOs who worked closely with international experts in donor financed projects in the WBG.
- **Component 4: Incremental Operations Cost (US\$0.25 million):** This component would support a gradually decreasing operational cost over a five year period. The support would be in the form of salaries of qualified Project Implementation Unit (PIU) staff and office operations cost.

Out of the above mentioned components, the MDLF is currently working on phase 1 which is conducting the Feasibility and Environment and Social Impact Assessment Study. The main objectives of the Study are to:

- i. Update the feasibility study for the solid waste management for the Hebron Governorate, which was carried out by a consultant in 1998-1999, and to extend this feasibility study to include Bethlehem Governorate;
- ii. Carry out a feasibility study to identify an appropriate site for a new sanitary landfill to serve both Bethlehem and Hebron Governorates, including carrying out the required investigations;
- iii. Identify the number, location and status of existing dumpsites and recommend measures for rehabilitation for interim use and eventual closure;
- iv. Carry out environmental and social impact assessment (EA), in accordance with World Bank safeguard policy and guidelines, for the proposed development of a modern solid waste management system and recommend adequate mitigation and monitoring measures in the areas served by the landfill and transfer stations to be included in the project design;
- v. Prepare preliminary designs, cost estimates and bidding documents for: (a) a sanitary landfill and transfer stations at the approved sites; (b) rehabilitation and eventual closure of dumpsites; (c) access roads and off-site infrastructure (power, water sewerage and drainage) as required, and (d) procurement of SW collection equipment and vehicles, and office equipment and facilities;
- vi. Carryout an institutional assessment and recommend options for project implementation and commissioning, and for operation of the new solid waste system;
- vii. Identify priority investments and institutional strengthening needs.



Progress during the reporting period:

- The contract to conduct the study was awarded to DHV B.V. from the Netherlands in cooperation with Palestinian Hydrology Group (PHG) from Palestine. The commencement date of the assignment was set to be December 17, 2007.
- The MDLF received the draft inception report from the consultant/DHV team on Feb 6, 2008. Several meetings were held between the MDLF and the

consultant to finalize the report which was also distributed to all Stakeholders. Comments from MDLF, World Bank and other stakeholders (the Higher Joint Service Council/members-HJSC, MOP, MOLG, and EQA) were sent to the consultant and the final inception report was prepared and sent to MDLF on Feb 21, 2008.

- The consultant sent a questionnaire to all related municipalities in the southern regions to assess the SWM situation in Hebron and Bethlehem.
- A World Bank follow up mission took place from February 10 to February 15, 2008. During the mission meetings with the main stakeholders including MOP, MOF, HJSC, EQA, and Donors were held in the presence of the consultant/DHV and PHG. In addition a site visit to the proposed sites was conducted. MOP provided DHV with needed GIS maps to help in locating proposed sites for the landfill
- Two site visits took place during the month of March for the proposed landfill sites and new sites were proposed.
- On March 17, The MDLF and the consultant/DHV visited the planned transfer station in Bethlehem, with the presence of the Italian cooperation representative. The team also met with the Mayor of Bethlehem and members of the Hebron-Bethlehem Joint Service Council, to discuss the site selection process and the progress of the project.
- MDLF received the draft site selection report from the consultant on March 3, 2008. A meeting was held on March 16, 2008 to discuss the main results and findings of the report with all stakeholders where new sites were proposed. Comments were sent to the consultant and the final report was prepared and sent to MDLF on April 30, 2008.
- MDLF sent a copy of the site investigation report on April 21, 2008 to the European Union (EU) office in Jerusalem. This report will be the basis for future revisions by the EU of other related documents, mainly the environmental and social assessment study
- The MDLF received the Base line inventory report on May 21, 2008.
- MDLF sent an official approval on the proposed two sites (#12 & 13) on June 10, 2008.
- MDLF received the draft feasibility study report on July 10, 2008.
- A World Bank mission was mobilized during the period of July 15-22, 2008 towards the pre-appraisal of SWMP. The mission met with key officials from



the PA including Ministers of Local Government and Planning, and senior officials from Ministers of Finance, Planning, local Government and Environmental Quality Authority and High Joint Service Council (HJSC) of Hebron and Bethlehem to discuss the preparation of SWMP. The mission also visited the proposed two sites for the sanitary landfill, the transfer station and the existing Hebron dumpsite in Yatta. The mission also met with a number of donors active in the solid waste management sector: EC, JICA, Spain, Denmark, KFW, GTZ and UNDP.

- The World Bank received a letter from the Israeli Civil Administration on July 28 approving in principal the proposed sites for the landfill and requested additional reviews of Bani Naim closed quarries as potential for the landfill.
- MDLF received the first draft of the Environment and Social Impact Assessment (ESIA) Report on 14 August 2008. The report was sent to an independent reviewer from the EC to obtain his feedback.
- MDLF advertised the EOI for recruiting the Technical Operations Unit (TOU) Staff that will be the executing agency of the HJSC during the month of October, 2008. Immediately after receiving the CVs a committee from MDLF and HJSC started the recruitment process of the needed staff.
- MDLF procured a computerized financial management system to be installed at HJSC office to facilitate the requirement of the project in terms of accounting, record keeping and reporting. MDLF also procured equipments and furniture for the TOU staff.
- A preparation World Bank mission took place during the period of November 1-14, 2008 to advance the preparation of SWMP. The mission met with all key stakeholders and discussed key technical and institutional arrangements necessary to significantly advance the project preparation. The mission discussed securing all necessary approvals from the relevant Palestinian and Israeli Authorities.
- The MDLF requested the extension of the project for additional three months to allow the consultant to finalize the deliverables of the assignment and to complete the needed institutional settings outlined in the agreement. The World Bank approved the extension until March 1st, 2009.
- The MDLF informed the World Bank about the disclosure of the Environment and Social Impact Assessment, Environmental management Plan and Resettlement Policy framework through the World Bank's public information system including infoshop. These documents are publicly available for the interested public in the Municipalities of Hebron and Bethlehem premises and in their website. In addition, it was also published in the MDLF website.

Disbursement:

Table 12 provides financial information about SWMP

Table 12: Financial Position for SWMP as of December 31, 2008

Category	Budgeted Amount (US \$)	Disbursed (US \$)	Remaining (US \$)
Consultancy Services	350,000.00	185,900.00	164,100.00
Goods, Training and Operating Costs	35,000.00	12,395.71	22,604.29
Total	385,000.00	198,295.71	186,704.29

2.3.3 Local Government Institutional Development Program (LGIDP)

A new program titled the “Local Government Institutional Development Program-LGIDP” is currently under discussion with the Belgium Government through the MoP and the MoLG. The program concept was discussed with the Belgians during their meetings with the MoP in March 2008. The duration of the program will be five years and the total fund is estimated to be 15 million Euros.

The proposed program is designed to integrate the institutional development activities with the infrastructure and budgetary support incentives. More specifically, the program will include the following main components:

- Component 1: Institutional Development (total component cost 6 million Euros)

This component will complement various MDLF and other institutions efforts in improving the capacities of LGUs and building their institutional and technical competence. Moreover, the component will benefit from the outputs of the current Danish funded LGCBP project managed and implemented by MDLF aiming at improving local governance and accountability, and thereby foster the efficient and sustainable economic, social and physical development of the urban and rural areas in WBG.

- Component 2: Infrastructure and Budgetary Support Incentives (total component cost =9 million Euros)

The objective of this component is to provide financial and physical incentives to LGUs based on their identified priorities and investment plans. The outcomes of subcomponent 1.c which are the strategic and investment development plans will be the prerequisite for funding any physical infrastructure and budgetary support⁵ for targeted LGUs. Eligible development projects/actions will be identified during the detailed program design. A positive list of projects and allocation mechanism will be discussed and clarified before the starting of the program.

The identification of community needs and priorities will go through public participation and community consultation. More specifically, MDLF will make sure that the marginalized parts of the communities will be included and actively

⁵ Budget support will be only available for joint municipalities.

participated in the planning process. The needs and expectations of these parts especially women and youth will play a major role in the planning and decision making processes.

- Component 3: Project Management Costs (total component cost =9 million Euros)

MDLF Management Fee: MDLF will prepare a fully costed out budget for the implementation of the project. Taking into account its fixed and variable costs, including staff, equipment and operating costs, and MDLF's projected budget would be approximately 7 percent of total project financing.

Targeted LGUs and Selection Criteria

The program will target municipalities, local government units (LGUs) and Joint Service Councils (JSCs) in West Bank and Gaza based on the selection criteria and their capacity to implement projects. Selection criteria will be developed during the early stages of the project in coordination with the donor. For small LGUs that lack the technical, planning and financial capacity to manage projects, MDLF will work with them to promote joint projects/services and form a Joint Municipalities to effectively benefit from the fund.

The MDLF will ensure that the criteria will account for marginalized communities that suffer from the lack the resources needed for improving the delivery of services and the infrastructure.

Progress during the reporting period:

- The concept proposal was communicated and discussed with the Belgium Government during February 2008.
- The MDLF presented the program concept to the Palestinian – Belgian Joint Commission Meeting which was held on March 4, 2008 to get their support and feedback.
- The MDLF has prepared the project identification forms and sent it to Belgiums through the MoP. The MDLF will work with its partnets to further develop the detailed design of the program.

2.3.4 PHRD Grant for the Preparation of the Municipal Development Program

A grant from the Policy and Human Resource Development (PHRD) Trust Fund funded by the Government of Japan was received through the World Bank. The objective of the PHRD Grant is to prepare for the Municipal Development Program (MDP) which has of its objectives to support the delivery of effective municipal services through demand-based infrastructure investments and capacity building for

local governments. The Grant will support the MDLF activities to strengthen its institution through developing/upgrading the internal procedures and manuals, establish a baseline data for the MDP, build the capacity of the MDLF staff, and lay the ground for smooth implementation of the MDP.

The agreement was signed in December 2008. The implementation of the various components is currently undergoing. These components include:

- 1- Strengthening the Procurement Capacity of the MDLF Department
- 2- Strengthening the Financial Capacity of the MDLF
- 3- PR and Communication Tools of MDLF
- 4- Strengthening the M&E capacity of the MDLF
- 5- Updating the Environmental Management Plan
- 6- Public Private Partnership Study

2.4 Innovative Window Scheme Projects

Projects fall under this category includes: Component 3 of The Second Emergency Municipal Services Rehabilitation Project (EMSRP II), North East Jenin Pilot Project, the New Local Development Programme in Jenin Governorate (LDP)-Phase 1, the Local Governance and Civil Society Development Program (LGCDP), and the Community development Stability Fund (CDSF). A brief description of each project and the progress of each one are provided below:

2.4.1 EMSRP II Component 3

This component is the third component of the EMSRP II project supported by the WB and is divided into two sub-components:

A) Piloting pre-paid metering systems at municipalities: This subcomponent was designed to install electricity pre meters at no more than 3 pilot municipalities and tested as a means of enabling municipalities to enhance local revenue collection.

B) Piloting Local Government-NGO collaboration for emergency and other joint programming purposes: This pilot activity is being prepared in coordination with a parallel World Bank-financed operation (NGO Project III). The main aim of this pilot is to encourage greater coordination and joint programming by local governments and NGOs at the local level through the requirement of a joint funding proposal. NGOs will be financed under the NGO III Project, while municipalities will be financed under EMSRP II. EMSRP II will likely finance physical rehabilitation and/or expansion of public facilities, parks and other municipal-owned assets within which NGOs will provide programming for social activities for youth, children, and women.

Public awareness campaigns to promote water and energy conservation, public health, and environmental management are proposals likely to receive support. The LGU component would involve financing for small-scale civil works and goods not to exceed an aggregate value of US\$70,000 per subproject and would likely include playground and park rehabilitation, fencing, sports facilities (soccer/basketball) and amenities to provide a platform for NGOs to organize community activities for youth, children, women, etc.

Progress during the reporting period:

1. Piloting pre-paid metering systems at municipalities:

The objective of this activity was to test pre-paid metering as a way for enhancing revenue collection for those who municipalities providing electricity services. According to the initial design of the EMSRP II, 3,500 new meters in 2 or 3 localities would be installed and technical assistance for managing such technologies would be provided.

A number of changes have occurred in the electricity sector, since the original approval of the EMSRP II by the World Bank's Board in December 2006. The Palestinian Prime Minister has advocated the wide spread installation of prepaid meters as a means of enhancing collection of electricity bills so there is commitment at the highest levels of government on the use of this technology. Many municipalities have already installed pre-paid meters: distribution companies installed about 4,000 new pre-paid meters last year and have plans to install at least 40,000 more next year. A new proposed World Bank funded project, the Electricity Utility Management Project (EUMP) includes the installation of 140,000 pre-paid meters. The PEA has already carried out an assessment of the use of pre-paid meters with an international consulting firm including many of the features (beneficiary satisfaction, development of specifications etc) in the TORs of the innovation window. More importantly, there is now a national policy as articulated in the PRDP, for electricity functions to be gradually transferred to five utilities one in Gaza (GEDCO), two in the south (SELCO, HEBCO), one in the middle area (JDECO) and one newly established utility in the north (NEDCO). In short, the objectives intended under this pilot have already been achieved and are being scaled up.

Progress during the reporting period:

During the World Bank midterm review mission the MDLF discussed with the World Bank the latest development as mentioned above and the need to review and amend the activities in this sub component. It was agreed that the planned installation of the 3,500 be cancelled and the following tasks to be done:

1. Continue the study currently being carried out by MDLF so that its recommendations can feed into a national framework.
2. Conducting a study to evaluate the impact on municipal revenues if electric facilities are taken out from them to independent utilities or companies.

3. Implementation of pilot initiative for the parking meters in some cities which could add value and help in increasing municipal revenues.

The MDLF included these amendments in the amendment request sent to the World Bank by Prime Minister Salam Fayyad as the Minister of Finance on May 26, 2008 (attached in Annex A). The MDLF received the approval on the requested amendments on October 3, 2008.

The MDLF team and consultant conducted a research on various parking metering systems and met with Ramallah and Al Bireh Municipalities to discuss implementing a joint pilot project for both municipalities.

The MDLF finalized the specifications for the parking metering system and presented them to Ramallah and Al Bireh Municipalities.

The bidding documents for the parking metering system were prepared by both municipalities, and then reviewed by the MDLF. The documents were submitted to the World Bank for No Objection.

Study for Pre-Paid Metering: The MDLF signed a contract with a local consultant in early March to carry out the TA portion of the task. The consultant will develop specifications for buying pre-paid meters, guidelines for managing the systems; assess consumer satisfaction with the systems etc.



The purpose of the study is to assess the current situation of the electricity utilities operations in the West Bank municipalities that provide the service. A questionnaire was designed to capture information about the electricity department operations (purchases, sales and collections) in general and about pre-paid electricity meters in the municipalities that have these systems installed.

A series of workshops was held in Jenin , Salfeet and Hebron on 19th, 20th and 22nd May 2008. These workshops were attended by more than 60 financial and the electricity departments' managers representing sixty municipalities in West Bank that manage electricity services.

In all the workshops, MDLF explained that the purpose of the study was to get the real picture of the electricity utilities in the municipalities. A questionnaire was distributed to all participants and a thorough step by step explanation was made on how to fill the forms. The analysis of the information derived from the questionnaire will help all parties concerned draw up a program for assisting the municipalities in going through the transformation of the electricity utilities and overcoming anticipated problems. The workshops discussions also covered technical issues related to pre-paid metering and

issues regarding the commercialization of the electricity utilities that is being promoted by PEA.

It is evident from the workshop discussions that on the technical side there is a lack of basic understanding of specifications and requirements to install pre-paid metering systems and the municipalities have asked for assistance in this regard. On the financial side, the municipalities are worried that a major source of cash flow (not necessarily revenue)



will be lost once the electricity services are taken away from them. Other major issues that were raised during the workshops include:

1. Fear of loss of revenue poses a major obstacle to the restructuring and commercialization of the municipal electricity utilities.
2. Municipalities are not happy with the way that PEA is conducting this transformation.
3. Many municipalities are not sure that the new electricity companies are/or will be managed profitably
4. Municipalities that installed pre-paid meters, especially the first one to do so were not fully aware of the many issues involved in installing and managing pre-paid systems and hence did not achieve the desired objectives. However, other municipalities that came in later learned from the bad experience of the others.
5. Municipalities said that they want to be consulted, not imposed upon.
6. Municipalities want budget allocations from the Ministry of Finance to cover the loss of electricity revenue in the future.
7. Some feedback from municipalities indicates that the workshops were very informative.

The final report about the study was completed and disclosed at MDLF website for the public.

Study of the “Main Causes of Municipal Electricity Arrears and Expected Fiscal Impact of Transferring the Electricity Service”: In September 2008 another study was launched which aims at exploring the impact of transforming the municipal electricity utilities to commercial enterprises on the financial situation of the municipalities. In addition, the study seeks to provide municipalities with the necessary information, tools and guidelines to enable them to go through this transition with minimum disruption to their services. The inception report for the

study was prepared and discussed with MDLF and relevant stakeholders during the months of September and October 2008. The study is expected to be finalized and disseminated in the month January 2009.

The above mentioned studies were discussed at a Workshop held on November 13, 2008 at the Rocky hotel in Ramallah entitled "Reform Strategy for the Electricity Distribution Sector - Impact on Municipal Finances". The workshop presented a diagnosis of the current situation in the municipal electricity sector and reviewed the implications of the reform strategy on the finances and operations in the relevant municipalities.

The issues and challenges accompanying the implementation of the sector reforms were highlighted along with findings and recommendations to strengthen the electricity sector. The workshop was attended by: Ministry of Local Government (MOLG), Ministry of Finance (MOF), Ministry of Planning (MOP), Palestinian Energy Authority (PEA), Association of Palestinian Local Authorities (APLA), representatives from municipalities of Concern (Nablus, Jenin, Toubas, Tulkarem, Salfit, Qalqilya, Hebron, Beit Ummar), Electricity Companies (JDECo, TDECo, HEPCo, SELCo, NELCo), and representatives from donors.



The partnership between the MDLF and NDC is a good example of a successful collaboration from the early stages of awareness rising with municipalities and NGOs, to appraisal and sub-project selection. A solid plan for jointly supervising implementation is in place which also sets an example for municipal-NGO partnership. Most of the activities involve construction of facilities on behalf of municipalities with NGOs running programs. The MDLF is working with the NDC to ensure that the NGOs remain engaged from the outset (rather than wait until the municipal side of the component is carried out) to ensure full collaboration.

2. Local Government-NGO collaboration Activities:

- Following the appraisal of the LGUs-NGOs joint proposals and the approval of 10 proposals (6 in West Bank and 4 in Gaza) as the first priority for implementation, notification letters were sent to the municipalities on January 13, 2008.
- The MDLF signed the implementation agreements with the municipalities on February 26, 2008 .
- The tender documents and the procurement plans for the project were prepared by the municipalities and then were reviewed and approved by the MDLF. The MDLF issued the "No-Objection" to award for the municipalities to start the implementation of the projects.
- The implementation of the West bank project has been started. Table 13 lists the projects and their status to date.
- The progress of the activities under this component in Gaza has been also

affected by the political situation and the unavailability of construction materials; Four sub-projects were appraised, One of them (Furnishing and Maintainance of a Multi Purpose and Training Center of Khuza'a Municipality) were modified in close coordination with the NDC and is currently under implementation and expected to be completed by March 2009. the other three sub-projects will be changed from construction activities to other activities that can be implemented under the current circumstance in Gaza.

Table 13: LGUs-NGOs Joint Projects-West Bank

Municipality	Governorate	NGO Partner	Project Name	Status	Expected Completion Date
Beit Sahour	Bethlehem	Palestinian Wild Life Society	Environmental Conservation Center	Completed	August , 2008
Janata		Janata Woman Center	Social Services Center	Ongoing	February, 2008
Sourif	Hebron	Sourif Charitable Association	Construction of Public Library	Ongoing	February, 2008
Al-Shyoukh		Shyoukh Zakat Committee	Pre-Paid Metering System	Completed	October, 2008
Beit Awwa		Beit Awwa Charitable Society	Beit Awwa Social Services Center	Completed	October, 2008
AL-Samou		AL- Samou Youth Club	Rehabilitation & Upgrading Works in the Stadium	Ongoing	February, 2008

2.4.2 North East Jenin Pilot Project

The main goal of the innovative initiatives scheme is to support national policies related to the local government sector such as amalgamation, fiscal equalization, public-private partnership, decentralization, public participation and involvement, and the introduction of new tools and technologies. With the aim of supporting the MoLG policy towards reducing the number of LGUs and amalgamating the smaller communities into bigger one for better efficient and effective services, the Government of Denmark as part of the SMDN program, is funding the project: "Support the Local Municipal Development in the Northern West Bank-pilot phase". The overall development objective of the project is: *Sustainable improvement of living conditions in Jenin Governorate*, with an Immediate Objective of: *Improved*

delivery of municipal services through the First Joint Service Council in North East Jenin. The outcome is expected to be: to ensure that the basic service delivery mechanisms of the First Joint Service Council (JSC1) is established with a potential for sustainability; and to gain implementation experience from the West Bank to be used in the expanded local development programme scheduled to commence after 2008.

The pilot programme concentrated on implementation of social infrastructure and physical infrastructure. The JSC was responsible for the sub-projects implementation. The supported projects included income generation projects and social activities. The physical infrastructure projects assisted the JSC and village councils in providing improved infrastructure services. The activities have been chosen and prioritized through identification of needs and demands expressed through the communities.

The emphasis was on labor intensive construction methods in order to help create employment and income possibilities for residents in agricultural area where the unemployment rate is reported to be 26%.

The pilot project is designed and implemented with the purpose to gain implementation experience in the West Bank and to test lessons learned in the SMDM2 projects in Gaza before final design of a larger local development project in the West Bank. The SMDM model will be modified to enable project implementation through Joint Service Councils, rather than directly through municipalities. The project was designed to develop sustainable mechanisms at



Joint Service Council level to provide basis services to the population in the participating communities, and not to provide emergency relief. The total amount of money allocated to the two components for the communities of JSC1 is USD 1,328,870. The breakdown of the project by component is illustrated in Table 14.

The project targeted the northern part of the West Bank. The project area covered ten local authorities in the Jenin governorate comprising the Joint Service Council (JSC1) North East Jenin. The JSC1 has a total population of about 19 thousands. Jenin district covers an area of 835 sq km, has a total population of approximately 250,000, representing 10% of the total population of the West Bank. Approximately 43.4% are below 15 years of age, which is slightly higher than 42.9% for West Bank as whole. The population of the JSC1 forms about 8% of the population of Jenin

Governorate. Figure 3 shows a map for the northern eastern of Jenin which illustrates the location of each of the targeted localities.

Table 14: The Distribution of Allocated Fund by Component, Locality and Sub Projects in JSC1 for the Jenin Pilot Project

No.	Council	Physical Infrastructure Projects		Social Infrastructure Projects	
		Project	Budget (\$)	Project	Budget (\$)
1	JSC1	Main Road	392,452	Exhibition	27,522
2	Dair Abu Da'ef	Roads	96,000	Sport (Playground)	91,060
3	Faqu'a	Entrance	72,000	Public hall	34,000
4	Jalboan	Entrance	73,746	Technology (Computer center)	15,000
5	Al Jalama	Roads	73,020	Agriculture (Arboretum)	17,000
6	Arrana	Roads	74,700	(Children) Kindergarten	25,000
7	Arrabona	School	60,059	Public garden	15,000
8	Dear Ghazala	Roads	57,240	Nursery (Kindergarten)	8,034
9	South Beit Qad	School	63,750	Computer Center	7,332
10	North Beit Qad	Women Center	58,165	Furniture	8,000
11	Aba	Entrance and Agricultural Roads	53,790	Computer Center	6,000
Total			1,074,922		253,948

The JSC1 and its ten members have the advantage of geographic proximity and are eager to join and form one municipality. The project creative approach of implementing social and physical infrastructure through a Joint Service Council instead of directly through municipalities will develop potential sustainable delivery mechanisms at Joint Service Council level to provide basic services to the population in the participating communities, and not to provide

Figure 3: A Map for the North Eastern Jenin Illustrating the Location of the Targeted Localities for the Jenin Pilot Project



emergency relief. Moreover, this approach will set a practical example of the national policy of the MOLG to agglomerate small scattered communities under bigger umbrella such as the JSCs.

Progress during the reporting period:

By the end of 2008 the works in ***eleven physical and eleven social infrastructure projects*** were completed as planned. Tables 15 and 16 show the status of the project.

Table 15: Social Infrastructure Projects Status

No.	Location	Project	Status
1	Al-Jalameh	Agriculture (Arboretum)	Completed
2	Aba	Computer Center	Completed
3	Jalbun	Technology (Computer center)	Completed
4	Dair Ghazalah	Nursery (Kindergarten)	Completed
5	Arrana	(Children) Kindergarten	Completed
6	Deir Abu da'if	Sport (Playground)	Completed
7	Faqqu'a	Public Hall	Completed
8	North Beit Qad	Furniture	Completed
9	South Beit Qad	Computer Center	Completed
10	Arabbuna	Public Garden	Completed
11	JSC1	Exhibition	Completed

Table 16: Physical Infrastructure Projects Status

No.	Location	Project	Physical Status (% completed)
1	Al-Jalameh	Rehabilitation of Internal Roads	Completed
2	Aba	Rehabilitation of entrance & Agriculture Roads	Completed
3	Jalbun	Rehabilitation of the Main Entrance	Completed
4	Dair Ghazalah	Rehabilitation of Internal Roads	Completed
5	Arrana	Rehabilitation of Internal Roads	Completed
6	Deir Abu da'if	Rehabilitation of Internal Roads	Completed
7	Faqqu'a	Rehabilitation of the main Entrance	Completed
8	North Beit Qad	Construction Women Center & kindergarten	Completed
9	South Beit Qad	Construction Class Rooms in South Beit Qad Girls School	Completed
10	Arabbuna	Construction Class Rooms in Arabbuna School	Completed
11	JSC1	The project is under implementation (Asphalt works).	Completed

An important dimension of the project is the **capacity building activities** which took place during the project implementation. Meetings, seminars, and workshops were conducted under the umbrella of the JSC to empower the JSC and to promote the concept of amalgamation among the residents. These activities concentrated on the importance of wide participation of the community and encourage community involvement, motivate committees and increasing their efficiency and ability to work, activate the role of marginal groups in the community throughout the operation of decision making, and make every possible effort to maximize benefits and positive impacts on all social groups such as women, children, the disabled, and the elderly people.



The JSC1 and its ten members have the advantage of geographic proximity and are eager to join and form one municipality. The project creative approach of implementing social and physical infrastructure through a Joint Service Council instead of directly through municipalities will develop potential sustainable delivery mechanisms at Joint Service Council level to provide basic services to the population in the participating communities, and not to provide emergency relief. Moreover, this approach will set a practical example of the national policy of the MOLG to agglomerate small scattered communities under bigger umbrella such as JSC or even a joint municipality.

A final **Social Assessment Report** was prepared by the social expert of the LTC in coordination with the MDLF social Specialist. The 22 physical and social projects were divided into four categories. About 500 questionnaires were distributed in all localities based on the category of each project. The LTC Professional Engineer gathered the questionnaires and the Social Expert made the required analysis and the output of the projects. The majority of the respondents believe that the social projects are more acceptable than the physical projects as the social projects are directly affected their lives and the impact of the projects appears in the short run. Moreover, the community degree of satisfaction towards the selected projects was very good. In addition, the majority of respondents believe that the success of the projects depends mainly on the community cooperation and participation. Finally, a considerable percentage of respondents are strongly encouraging merging the LGUs in one municipality.



Marj Bin Amer Exhibition: the exhibition which is the joint social project in the program took place between May 13, 2008 and May 15, 2008 in Al-Jalama children garden which is another funded project through this program. It was organized fully

by the residents of the area through the JSC with the help and support of the MDLF.

The exhibition aimed to:

- Enhance marketing of farmers production
- Contribute in the exchange of experience between farmers
- Build confidence and trust between farmers and consumers
- Show the different kinds of local production
- Promote the idea of amalgamation and working together

The exhibition included a number of activities such as:

- Local agriculture products.
- Different kind of seedlings and transplants from Al-Jalama Arboretum project.
- Handicraft production, mostly made by woman, reflecting the Palestinian cultural heritage.
- Palestinian fine art shows during the opening hours, such as rural songs.
- Popular meals.
- Different activities such as agriculture education, recreation and sports

The tremendous success of the exhibition was due to the hard work and effort by the JSC, the local council and the residents in preparing and organizing the exhibition. The exhibition was opened in by the Minister of Local Government with the attendance of the DRO, the MDLF, and other key institutions in the area it was estimated that around 15 thousand people visited the exhibition, thus showing a sign of success.

As an indication of the success of the program, **Mr. Tony Blair**, the Quartet Representative and Former British Prime Minister, visited the women center and the kindergarten of Northern Beit Qad on May 7, 2008. The visit was a good opportunity for the MDLF to present the projects objectives and activities to Mr. Blair. In his press statements during the visit Mr. Blair appraised the MDLF



contribution in assisting the local community in Palestine as an implementing arm for the MoLG policies toward efficient and sustainable local government sector.

The recent devaluation of the dollar value has resulted in drastic change in the exchange rate of the project allocated budget and therefore a budget surplus occurred. This money was reallocated to finance additions and improvements to the original list of sub-projects. The financial data of the project is presented in Annex C. ***Table 17 summarizes the progress compared to objectives since the beginning of the programme:***

Table 17: Jenin Pilot Project Progress vs. Objectives and Indicators

Objective	Indicator	Progress
Development Objective: Sustainable improvement of living conditions in Jenin Governorate.	Social and physical infrastructure improved and maintained	100% of the social and the physical infrastructure projects have been completed. These projects will significantly contribute to the improvement of living conditions to more than 19,000 beneficiaries in the pilot area. Km of roads rehabilitated= 11 Km (100 % of the target value) Length of retaining walls constructed= 195 meters (105 % of the target value) Square meter of building constructed=583 sq.m (57% of the target value)
Immediate Objective: Improved delivery of municipal services through a Joint Service Council in North East Jenin.	- Roads and social infrastructure improved within the budget, time frame and with good quality. - Small communities have better access to JSC headquarter and are more relying on and benefiting from its management and services.	8 projects out of the 11 physical projects related to roads with the aim to improve the accessibility and movement of citizens in the target area. These projects along with other physical and social infrastructure projects have started smoothly and within the proposed time and budget. The quality of these projects has been monitored by the MDLF and the LTC through continuous and intensive site visits to ensure the compliance with the best applied standards. Along with infrastructure activities, the MDLF worked to build the capacity of the JSC in planning, public participation, and institutional development.
Output 1: Social infrastructure projects implemented by Community Organizations (COs)	Number of projects completed	The 11 projects are completed (100%)
	Number of beneficiaries	9,000 person
	COs deliver good quality reports and accounts	The account was opened only for JSC to better control the payments to the contractors and to improve

		accountability. Reports received from COs are still weak and needs improvement. MDLF through the LTC are working to enhance the capacity of COs on this regard.
Output 2: Infrastructure projects implemented through labor intensive construction methods.	Labor intensive concept for infrastructure construction included in the design	The 11 physical infrastructure projects (100%) have been completed. As indicated in the tender documents, all projects are undertaking labor-intensive construction works. This will contribute to lowering the unemployment rate of the area and generating more income especially for disadvantaged families.
	Number of beneficiaries	19,299 person
	Infrastructure works completed	100% of the physical infrastructure projects were completed.
	Number of work-days created	For the social projects: The planned target was 500 person-days. The implementation of the social infrastructure projects achieved 846 person-days or 170% of the targeted value. For the physical projects: The implementation of the physical infrastructure projects achieved its targeted value of 7166 person-days.

2.4.3 The New Local Development Programme in Jenin Governorate (LDP)-Phase 1

A Danish Review and Formulation Mission visited Palestine during the months of January and February of 2008. The mission visited the pilot programme in the Jenin governorate and had extensive discussions with MDLF. The review team had a positive impression of the pilot programme, including progress in the infrastructure and social development projects and programme implementation management. It was therefore recommended to proceed with a wider scale programme in the same area and expand activities to another area in the Jenin governorate. Therefore, Denmark decided to fund the LDP with a total grant of up to DKK 30 million (approx USD 6.0 million) in two financial allocations.

The programme will be implemented in two area clusters of local councils in the Jenin Governorate:

- *Area 1:* This is the area covered by the Pilot Programme 2006-08 which includes ten village councils comprising the Joint Service Council (JSC1) North East Jenin.
- *Area 2:* This will be a new area of operation. A survey was conducted to select the most appropriate communities and recommended Maithalun municipality and the surrounding three village councils (Siris, Al-Judeida and Sanur) in South East Jenin which covers a population of about 22,000 . The recommended area was approved by the Ministry of Local Government (MoLG).



The LDP will assist the two areas in Jenin Governorate to go through the amalgamation process. Recognizing that amalgamation is not an end in itself but a mean to more effective service delivery, the programme will support the areas in building unified administrative and management systems including offices, technical equipment, IT systems and financial management capacity as required. The financial management systems will be those developed by MDLF through the Local Government Capacity Building Project (LGCBP).

The amalgamation process will be promoted on a practical level through the incentive of implementation of social, cultural and infrastructure projects identified by the local councils with citizen participation. The projects will as much as possible benefit more than one community at a time.

Progress during the reporting period:

- The program agreement was signed on June 25, 2008.
- A steering committee and a technical committee were formed and draft action plan was developed. The committees include senior and technical staff from MoLG, MDLF, Danish Representative Office, and JSCs. The steering committee decided to include Maithalun area as the second area to be supported by the program in addition to the 1st pilot area in the North East Jenin Pilot Project.
- A ToR for a local technical consultant was prepared in December 2008. The consultant is expected to conduct a comprehensive survey of the two targeted areas- JSC1 and Maythloon. The task will be to explore the possibility of merging the capacity of both village councils and the JSC1 to carry out and administer the merging process. In addition, the consultant will also design a full awareness campaign that will focus on the merging objectives and will target the different stakeholders including marginalized groups in both areas. The contract will be finalized early 2009.



2.4.4 Local Governance and Civil Society Development Program (LGCDP)

The Municipal Development and Lending Fund (MDLF) has received a grant of about US \$840,000 from the German Development Cooperation (GTZ) to finance a series of small scale projects in municipalities with less than 20 thousand people in the northern West Bank governorates.

This pilot phase comprises the funding of joint social services delivery projects between eligible local government units (LGUs) and eligible community-based organizations (CBOs). The overall objective of this programme is to improve the quality of social services provided to the public in the targeted areas through supporting a number of service joint projects between the municipalities and civil society organizations. The Municipal Development and Lending Fund (MDLF) encourage close cooperation and mutually beneficial interaction between the local governments and civil society organizations. Such approach is more likely to enhance transparency and accountability to the public while building trust between and capacities of partners in the joint projects. The programme also promotes active

participation by the local communities and representatives of all social groups to create an enabling environment more conducive to local community development. The MDLF signed a MOU with the Engineer's Association (EA) on June 10, 2008 to outline the cooperation between the MDLF and the EA in building the capacity of municipal asset registration and valuation. This cooperation was facilitated through the GTZ Local government and Civil Society Development Programme-LGP and will build on the outputs of the LGCBP. The areas of cooperation will compromise following components and stages: Training-of-Trainers, Pilot Training for Municipalities, and Pilot Training for Valuers.

The MDLF has worked closely with the German Development Corporation (GTZ) in preparing the program concept and has developed procedural guidelines that coincide with the Procedures that have been developed in cooperation with the NDC under the EMSRP II. The two parties have also reviewed the draft agreement that was signed on August 2007.



Progress during the reporting period:

- The MDLF received the joint projects applications from the municipalities. The applications were reviewed by the MDLF and the GTZ during the months of March and April, 2008.
- Based on the review, The MDLF and the GTZ jointly approved the final list of projects to be funded by the program.
- Agreements for the approved projects were signed with the benefited municipalities during the reporting period. Each municipality also signed a MOU with the associated LGU.
- The MDLF informed the municipalities to start preparing the tender documents and the procurement plan for the projects.
- The MDLF hired a LGU Training and Capacity Enhancing Consultant/Engineer. The consultant main duties include: assisting in developing the best institutional framework to achieve technical and administrative capacity building for LGUs reform by coordinating between municipalities and MDLF, following up on the procurement process, and supervising and monitoring the implementation of the projects in close coordination with the municipalities and NGOs.
- The implementation of the project has started and will be completed during the month of March 2009. Table 18 shows the status of the projects.

Table 18: Status of approved projects for the LGCDP

Governorate	No.	LGU	Project Name	Status
Jenin	1	Al-Zababdeh	Children's playground garden	under implementation
	2	Seelat Al-Hartheyya	Rehabilitation activities for the disable	under implementation
	3	Maythaloun	Rehabilitation of municipal public park	under implementation
Tulkarem	4	Bala'a	Completion of the construction of sports club hall	complete 98%
	5	Anabta	Rehabilitation of municipal sports court	under implementation
	6	Baqa al-Sharqeyya	Rehabilitation of current field or establishment of new sports field	under implementation
	7	Kufr Labad	Establishment of a public library at the sports club	under implementation
	8	Deir Al-Ghossoun	Library and computer center	under implementation
Salfeet	9	Qarawa Bani Hassan	Establishing a computer/ internet center at the CBO	complete 99%
	10	Al-Zaweya	Refurbishing, equipping and operating Abdul Kader Abu Nab'a Cultural Center	under implementation
	11	Salfeet	Improving kindergarten, nursery, and establishing a student service center	under implementation
	12	Deir Ballout	Medical equipment for specialized health clinics	under implementation
Tubas	13	Tammoun	Library and fitness center	under implementation
	14	Tubas	Women's vocational center	under implementation
Qalqilia	15	Habla	Addition of fitness hall to sports club	complete 98%
Nablus	16	Jamma'een	Library and computer center	complete 97%
	17	Baita	Mother & child garden	under implementation
	18	Huwwara	Rehabilitation of youth club sports court	under implementation
	19	Qabalan	Addition of a child library & computer center to public library	under implementation

2.4.5 Community Development Stability Fund (CDSF)

A new program titled “Community Development Stability Fund-CDSF” was signed in December 2008 with the Dutch government. The program will act as a quick response mechanism to emergency situations, while at the same time strengthening the role and visibility of central and local government. The program which is titled “Community Development Stability Fund” aims to consolidate stability and to improve living conditions through socio-economic development projects in areas affected by emergency conditions

The CDSF response mechanism will largely be focused on areas where security campaigns and other stabilization measures are being implemented, but the mechanism could be used in other emergency situations such as natural disasters. Activities will start in selected priority areas in the West Bank as determined by the PNA in agreement with donors.

Priority will be given to projects that are labor intensive, and use local labor and materials. Priority will be given to community beneficial activities such as recreational and cultural facilities and for repair of damaged public services. The allocation to any one Municipality or JSC will be spread over a number of projects. The identification process will be managed by the local authorities and will involve public announcements for submission of proposals, public meetings to discuss and priorities the proposals and publication of the final lists.

The MDLF is currently working with all relevant parties to identify the areas and projects to be funded from the CDSF. The implementation will start in 2009 immediately after completing the necessary preparations.

3. MDLF INSTITUTIONAL ACTIVITIES

3.1 BoD Updates

The Fund's Board of Directors (the "BOD") is the policy and strategy formulating body responsible for the direction and performance of the fund. The Board exercises appropriate powers to conduct the business of the Fund.

The BOD met eleven times during the year 2008 and has stressed on several strategic issues;

- The MDLF commitment towards its mission as "an independent sustainable institution that effectively manages funds to enable local government units to provide quality services and achieve sustainable development in harmony with national plans and policies"
- Ensure MDLF transparency as well as accountability in front of donors and partners through its operations
- The MDLF as "the preferred mechanism for channeling reform and development assistance to local government" as stated by the PRDP.
- BOD is fully supporting the institutional development of the MDLF, including: the approval of the Strategic Plan, the upgrade of the Human Resources Procedures and Bylaws, and the approval of the Transfer Mechanism of the Fund.
- The MDLF would continue in convincing donors to integrate their resources in pool (basket) rather than parallel financing for integrating the development approach an achieving better impact.
- The BoD endorsed the Sector Wide Approach (SWAp) to be the base for the MDLF upcoming Municipal Development Program (MDP) inconsistency with the PRDP framework.

Specifically the BOD has taken the following main decisions:

- Decided to develop and upgrade the HR system at the MDLF.
- Decided on the new salary scale of the MDLF staff.
- Decided to work on the Transfer Mechanism) for the Fund.
- Decided to appoint Eng, Abed Al Moghni Nofal as the general director of the MDLF.
- Decided to continue the support to Gaza Strip and find solutions to the challenges facing the projects there due to the Israeli restrictions on movement of materials and goods to Gaza. The MDLF will continue its coordination with political bodies, international organizations, and donors to exercise pressure on the Israeli side to allow construction and raw materials needed for municipal projects implementation.

- Decided to concentrate the Fund's support to the municipalities which cover more than 70% of the Palestinian population, in addition to the JSCs and the LGUs that show willingness to amalgamate through the MDLF innovative window projects.

3.2 MDLF Institutional Development

On February 15, 2008 the MDLF signed a MOU with the GTZ with the objective of further contribute to improving the MDLF professional capacities to develop, coordinate and implement capacity development tools and mechanisms that aim at improving the performance of local government units in Palestine. Both the MDLF and GTZ have agreed to base any further cooperation on the MDLF Strategic Plan and align all the support activities to achieve its intended outcomes. In particular, the aims of this support are:

- To support the MDLF in operationalizing its Medium-Term Strategy through detailed annual business plans;
- To support the MDLF in developing an integrated impact-monitoring and evaluation system;
- To support the MDLF in improving its Human Resource Development systems and procedures with a perspective to maintain and develop its human resources;
- To support the MDLF in improving its professional image locally and internationally through activating its PR unit and support its presence in selected development-related events; and
- To assist the MDLF in developing a framework for integrating and harmonizing technical assistance and capacity development contributions of donors and other agencies under the MDLF's umbrella.

The next sections detail the support for each component.

3.3 MDLF Strategic Plan

MDLF has been active recently in outlining its strategic plan for the upcoming 5 years. The aim of this exercise is to improve the performance and efficiency of MDLF as a *"sustainable main institution that manages development funds for the betterment of Palestinian's quality of life"* in accordance with the policies of the Ministry of Local Government (MoLG) and other national development plans.

The final draft document of the Strategic Plan was discussed by the MDLF BoD on March 1, 2008. The discussion took place during a workshop organized by the MDLF and attended by MDLF key staff, the GTZ team in addition to the MDLF BoD. After receiving the BoD comments on the draft, a final version of the Strategic Plan was produced and approved by the BoD.

The MDLF Medium-Term Strategy is laying a broad and solid ground for MDLF future business in the upcoming five years. With a view of transforming the strategy into operations at the MDLF, GTZ-LGP supported the preparation of detailed business planning process. For this component, the following outputs shall be achieved:

- Assessment of the MDLF Financial status;
- Identification of financial gap to implement the strategy and alternative sources;
- Detailed business plans and budgets of key priority projects;

The contract with a local consultant was signed during the month of June 2008. The consultant is currently finalizing the Business Plan with close coordination with the MDLF Staff.

The main themes and strategies of the MDLF Strategic Plan is provided in Annex F

3.4 MDLF Monitoring and Evaluation (M&E) Capacity

The MDLF is currently working to shift its operations from emergency towards a more developmental and performance-based approach. This shift requires also building up the MDLF M&E system and the relevant staff capacities. The MDLF medium-term strategic plan has outlined the key challenges, amongst which the development of a Results-Based Monitoring and Evaluation (M&E) System was one of the priorities. Already, a M&E unit has been established by the MDLF within the Strategic Planning Department.

Part of the GTZ support to the MDLF was to assist the MDLF in developing an integrated impact-monitoring and evaluation system. This assistant will include technical assistance (TA) to develop the M&E manual of the Fund, and training of the MDLF staff in M&E.

Since March, 2008 a German consultant has started to work with MDLF to develop its M&E system. Several discussion papers were produced, which raised general questions with regard to the approach to be chosen and implications for other functions of MDLF. Further, a draft paper for the monitoring of Capacity Building in the area of Financial Management and Accounting was produced.

After several weeks of internal discussions on some of these issues, feed-back was given to GTZ on MDLF's priorities and interest expressed to continue German TA-



Main Features of the proposed MDLF M&E System

- *Link projects achievements to the national strategies (PRDP) and MDLF strategic objectives*
- *Results-Based*
- *Measure the outcomes and impact and not only outputs and progress*
- *Cross cutting function*
- *Closely related to the reporting function*
- *Should "ring the bells" to the management and staff*

support under the suggested approach⁶. Another TOR was developed to define an Action Plan for the following Technical Assistance and consulting activities related to M&E.

The consultant produced the first draft of the M&E manual which included:

- a concept on how to gradually compile, maintains, update, and improve required data. Moreover, the concept should include recommendations on which type of information should be compiled and managed by the MDLF itself, and which information should be better processed by other institutions, e.g. MOLG, APLA, PCBS;
- a concept and procedures for monitoring and evaluation as well as documentation of impacts of municipal infrastructure and service projects;
- a concept and procedures for monitoring and evaluation as well as documentation of impacts of capacity building measures;
- a proposal how to regularly document, report and publish aggregate impact monitoring results;

The draft manual was shared with MDLF partners and consolidated comments will be sent to the consultant before producing the final version of the M&E manual.

In addition to the Technical Assistance, two of the MDLF staff attended the International Program for Development Evaluation Training (IPDET) which is being organized every year by the World Bank and Carlton University in Ottawa, Canada. The training includes one month of executive graduate level training program in development monitoring and evaluation (M&E). The participation of the MDLF staff in IPDET was funded by GTZ, and with scholarships from DANIDA, UK Department for International Development (DFID), and the Norwegian Agency for Development Cooperation (Norad).

3.5 Human Recourses development

As outlined in MDLF's medium-term strategy, a key issue is to maintain and develop the MDLF's human resources to maintain the level of proficiency and credibility that the MDLF currently possesses. To accomplish this, improved HR by-laws, systems, and procedures are necessary.

⁶ The consultant suggested to work according to the result-based monitoring approach and terminology of OECD's Development Assistance Committee, which was developed with the participation of 22 development partners in 2002/2003. MDLF will further consult its partners to investigate if any details have to be adjusted to the particularities of the Palestinian Situation.

The MDLF via the support of GTZ contracted a specialized HR consultant to work with the MDLF in updating and developing its HR systems and procedures and provide required training measures to selected MDLF staff.

For this component, the following outputs were achieved through a collaborative discussion between the consultant and the MDLF staff:

- Prepare an assessment report on the MDLF status quo;
- Update the draft HR bylaws and procedures manual (including Provident Fund regulations);
- Modify and update the Performance Appraisal System;
- Assess the MDLF staff capacity and develop training needs assessment and training plan.

The draft bylaws and policies were discussed and then approved by the BoD.

3.6 MDLF Staff Retreat

Within the GTZ support to MDLF in the area of Human Resources Development, a staff retreat was organized in Jericho during the period 19-21 November 2008. The general objectives of the retreat were disseminating the concept of the Strategic plans of the fund among employees, informing MDLF staff of the organizational development process currently taking place at the fund, enhancing the Teamwork spirit and culture, enforcing communication skills within different management levels, exchanging ideas/concerns of the staff and management, and boosting the morals and spirit of MDLF staff.

A number of BoD members participated in some activities of the retreat as well some donors. The retreat was facilitated by a HR consultant.

3.7 Donors Consultation Forum

The MDLF organized the second meeting of the Donors Consultation Forum (DCF) on March 18, 2008. The forum was attended by MDLF BoD, MDLF staff, MoP, MoLG, and donors.

The Chairman of BoD and Minister of Local Government Eng, Ziad Al bandak opened the forum by welcoming the participants and stressed on the following points:

- The role of MDLF as a major implementer in the local government sector which is an important and key sector in Palestine.
- The MDLF strategic plan was discussed and Comments were provided to MDLF management.
- The Transfer Mechanism criteria should be revised and an international consultant will be recruited to further refine and develop the transfer mechanism criteria and implementation mechanisms.

Dr. Iyad Rammal, the Acting General Manager of the MDLF, gave a presentation about the “MDLF Preparedness for the Upcoming Period” which included the

original Transfer Mechanism Criteria. After which the floor for discussion was opened with the participants.

The following are the key points of discussion:

- The DCF is an important platform to discuss the issues related to local government development. Another important platform is the sector working group. Donors expressed the importance of having the MDLF as an active member in the sector working group.
- The proposed criterion of the transfer mechanism that was presented is difficult to measure, and is subjective. Also any criteria should observe the equalization and transparency of fund allocation. A balance between a bureaucratic mechanism and efficiency and transparency should be ensured.
- It was recommended and then agreed to bring an international consultant to work with the MDLF in developing a more realistic, simple, and transparent Transfer Mechanism.



3.8 MDLF Transfer Mechanism

At present, the MDLF is using an emergency fund allocation mechanism that uses population as the main criteria for grant allocation. The MDLF strategic objective is to assist the LGUs in graduating from their emergency status to a more developmental agenda that requires a new funds allocation mechanism. This mechanism (called the Transfer Mechanism) should link municipal grants to performance standards to create incentives for municipalities to improve their capacities and become creditworthy.

As agreed in the Donors Consultation Forum and per the directions of the MDLF BoD, an international consultant has started working on developing the Transfer Mechanism of the Fund. The main objective of the assignment is to review the original criteria of the transfer mechanism/model and provide the MDLF with a methodology and guidelines for its implementation. In addition the consultant jointly with the MDLF staff will test the Transfer Mechanism and make sure it can be implemented efficiently and effectively.

During late May and early June, the consultant drafted a conceptual framework for the Transfer Mechanism and discussed it with the BoD and various donors. Based on

the feedback received, the consultant finalized the Transfer Mechanism design.
More information about the Transfer Mechanism can be found in Annex G.



What are the Features of a Good Transfer Mechanism Design?

In order to facilitate the assessment of the proposed design of MDLF TM, it would be useful to consider the features that characterize a good municipal development fund. The following features, in terms of their own-merits, are considered good practice and will be implied in the MDLF TM:

1. **Equitable:** In principle the access to the financial resources of the MDLF should be open to all LGUs, subject to the compliance with certain minimum conditions. In other words, MDLF should not discriminate in favor or against any of its potential beneficiaries. The allocation system should recognize the differences in local institutional capacity across LGUs/municipalities, and allocate the funds by classes of LGUs/municipalities (in consistency with Palestinian law) to avoid that the LGUs/municipalities in the higher classes, due to their greater capacity, may capture most of the financial resources.
2. **Transparent:** The rules to access resources should be clear, simple, and be made public to all – that is, they should be transparent. Equivalently, the rules to deny access to resources should have the same characteristics of clarity/transparency and openness.
3. **Demand Efficient:** The MDLF TM should finance the goods and services that the residents need. These needs should be included in their local investment plans, and their priorities should be established in consultation with their communities. This demand-driven approach supports local autonomy in its decision- making, and their submitted projects must be eligible for financing.
4. **Cost Efficient:** The decision making on the financing of local development projects should consider different cost alternatives for the same public work or service; and given comparable standards and quality should consider the least responsive offer.
5. **Effective:** MDLF should insure that the projects it finances are actually built and become operational and sustainable. This is generally achieved through disbursements against actual physical implementation progress and the supervision of related institutional capacity development to operate it and maintain it.
6. **Adequacy in Financing:** The indicative or actual ceilings by typology of projects should be of such a magnitude that they should allow for an adequate financing of at least the average cost of a typical municipal public work for the corresponding type of LGU.
7. **Predictability of Funds Available:** Beneficiaries/LGUs should be able to predict the magnitude of the resources available to them, so that they can plan their yearly investments with the participation of their communities.
8. **Simple Design:** All actual and potential beneficiaries should easily understand all the MDLF's rules, procedures, and incentives built into the system. Incentives should be clear and transparent to all in order for them to be effective.

4. ANTICIPATED ACTIVITIES

The following is the main anticipated activities of MDLF projects in the coming period:

EMSRP II-Components 1 and 2:

- Closing down the remained ongoing projects of the 1st cycle.
- Complete the implementation of the 2nd cycle of the sub-projects funded by the Dutch contribution.
- Produce the completion report of the 1st cycle projects which will include the M&E indicators and beneficiaries' satisfaction survey
- Start the implementation of SIDA funded sub-projects in Gaza.
- Start the implementation of KfW funded sub-projects.



EMSRP II Component 3

- Start the procurement and then the implementation of the parking meters sub-project.
- Finalize the study on the impact of transferring the electricity services from municipalities to regional utilities.
- The implementation of the LGUs-NGOs joint projects in the West bank will be completed during early 2009. For Gaza projects, the MDLF along with the municipalities will continue their efforts to overcome the current difficulties and start the implementation of Gaza projects.

MDP:

- Continue the implementation of the approved sub-projects which is expected to be completed by end of 2009.

PMSP

- Continue the discussion with relevant partners resume the project activities.

The Upcoming MDP:

- Prepare for the appraisal mission in March-April of 2009

- Develop the MDLF internal procedure manuals including the financial, technical, procurement, and M&E manuals.
- Ensure the preparedness of the MDLF capacity to carry out the program
- Draft the PAD of the program and coordinate with donors
- Start the implementation of the MDP.

Community Development Stability Fund:

- Prepare a list of agreed projects to be funded by the fund
- Start the implementation after completing the appraisal and procurement procedures.

LGCBP

- The work on IFMIS will continue and the installation of the system in the pilot municipalities will be carried out.
- The first installation of PGMIS will be done before March 2009.
- The second phase of the Fixed Assets registration and Valuation assignment will be started. The assets of 35 additional municipalities will be registered and valued during the first half of 2009.
- The MDLF will continue the coordination with GTZ in evaluating the assets in three municipalities (Ramallah, Al Bireh, Beitunia, and Salfit) and conducting institutional assessment of the financial departments of these municipalities.
- A merging strategy and action plan to assist the MoLG in implementing the amalgamation policy will be developed by the Amalgamation Task Force (ATF).
- The Financial Policies and Procedures Manual for municipalities will be developed.
- The work on the Physical Planning Policies and Procedural Manual (PPPPM) will start.



SWMP

- Securing the Israeli Civil Administration Permit for the construction of the sanitary landfill since the only feasible location was in area C
- The consultant will deliver the final design of priority investment and the tender documents during the month of January 2009.

- The consultant will also deliver the final ESIA report during the month of January 2009, taking into consideration all comments and feedback received from the WB, MDLF, HJSC, IMG, EC and the environmental evaluation committee at EQA.

The New LGIDP

- The MDLF will work with the Belgium Government and other partners to further develop the detailed design of the program.

Jenin Pilot Project

- Close down the project, issue the completion report and document the lessons learned.

The New LDP

- Start the implementation of the program different activities based on the developed action plan.

LGCDP

- Complete the implementation of the ongoing projects

MDLF Activities

- Finalize the M&E system including improving the reporting of the MDLF activities through GTZ's support.
- Finalize and disseminate the detailed business plan of the MDLF Strategic Plan.
- Strengthen the MDLF procurement capacity through training, development of procurement manual, and adding new procurement staff.
- Arrange for conducting further specialized technical training to strengthen the capacity at the LGUs and municipalities.
- Activate the PR unit and build the MDLF image and network.
- Finalize the design of the next Municipal Development Program in coordination with MDLF partners and donors.
- Start using the Transfer Mechanism as a method to allocate funds to LGUs.
- An appraisal mission from the World Bank and other donors will





be organized to finalize the design of the Municipal Development Program (MDP).

- Update the MDLF internal operation manual and the accounting and financial procedures manual to be in harmony with the SWAp and the MDP requirements.

5. CHALLENGES AND OBSTACLES

During the year 2008, some challenges and obstacles have occurred. MDLF fortunately overcame them and learned a lot of lessons to be contemplated in the future. Some of these challenges and obstacles included:

General:

- During 2008 the environment in Gaza was characterized by more restrictions on movement of people and goods from and into Gaza. The Israeli Military continued to impose a high level of restrictions preventing the entrance of most basic materials as well as the construction material into Gaza. These restriction have been affected the municipalities activities and the implementation of EMSRP II's subproject leading to a clear delay in the progress of the program first cycle of allocation "2007 allocation". Moreover, these restrictions and the closure of Gaza Strip during most of the reporting period has negatively affected the supply of fuel that was considered at the beginning of the program as one of the most urgent needed materials and was thought to be feasible to implement. The situation in Gaza has also affected the implementation of the MDP, which made the BoD reallocate the available Gaza funds to West Bank municipalities.
- The continues practices of the Israeli occupation of hindering the real development and prosperity through of preventing the free access and movement in the West Bank and between the West Bank and Gaza along with the acquisition and separation of land through the apartheid wall. This major obstacle faces almost every project and activity of MDLF.
- The continuous fluctuation and the decrease in the value of the dollar during the past months resulted in the increase of prices of many construction materials which made the contractors raise their prices. As a result to that, the contractor went into strike for several months which impacted the progress of many of the infrastructure projects.
- Many LGUs lack the capacity and needed skills to identify their needs and understand and fill the sub-projects application forms. MDLF worked closely with the municipalities and the LTCs to overcome this challenge through training, workshops, and visits.
- Another major challenge is the capacity of municipalities and LTCS related to procurement procedures, preparations of bidding documents and

procurement plans. The MDLF will strengthen its procurement capacity and will arrange for conducting further training to strengthen procurement capacity at the LTCs and municipalities who will carry out procurement for the coming projects.

- Most municipalities are still lacking the appropriate capacity and skills in terms of financial planning, and investment and development planning. This was clear during the collection of baseline data, financial data, and needs assessment data. Many municipalities don't have the systems required for collecting, verifying and analyzing these types of data.
- There is limited participation of the community in general, and by the women and the marginalized groups at specific in community participation meetings to identify needs and priorities. In many cases the participants represent the community based organizations. Recommendations for future in this regard include the need for prior arrangements for the meetings, sending invitations, preparation of meeting agenda, etc.

EMSRP II:

- There was a delay in signing the agreements with SIDA and the KFW which delayed the allocation of funds and the implementation of sub-projects in 2008.
- The municipalities are still using old financial management practices, especially in regard to budgeting, which makes it difficult if not impossible to link the proposed municipal sub-projects/ budget items under EMSRP I fund with the municipal annual budget. This was mainly due to the fact that: (i) municipalities are using the cash basis, (ii) with the limited forecasted revenue, municipalities normally are focusing on the employee's salaries in their expenditures, and giving little attention to other running costs. In general, municipalities are trying to finance these items through donations and external support which are not included in their yearly budgets. MDLF, in such cases verified the needs of the municipalities by on site investigations (for 1.a and 1.b components) and through consultation and coordination with other institutions (especially for fuel sub-projects).
- During the preparation and implementation stages it was obvious that municipalities in general suffer from poor management of operation and maintenance (O&M) experience as well as systems and lack of monitoring and tracking of their existing infrastructure and services. The MDLF will include M&O capacity building components in any future support to the municipalities. The MDLF also started to ask the municipalities to submit a

simple M&O plan in any project application.

- As a result of Palestinian Energy Authority intervention with the MOLG and the World Bank, all donor funded pre-paid electricity meter projects require prior approval from the MOLG and subject to municipalities consent to join up with the electricity company in their region. All MDLF pre-paid metering projects are therefore conditional on municipalities obtaining the necessary approvals.

LGCBP:

- The LGCBP has been faced by several specific challenges including: the delay in signing the amendment and the new agreement with the World Bank, the delay in receiving the World Bank No Objection on the consultancy assignments, and the large number of consultants that need to be managed by the MDLF.

Jenin Pilot:

- At the beginning of Jenin Pilot Project, the concept of partnership and collaboration between the JSC1 and other institutions was weak. MDLF worked with the JSC1 and relevant partners to enhance and emphasize the idea of cooperation and partnership. The new LDP project will build on the experience and lessons learned from the Pilot Project and will work with all stakeholders to facilitate the amalgamation process of individual communities.

LGCDP:

- On a similar project, the LGCDP many civil institutions and NGOs is lacking the experience and the efficiency required to plan and implement the joint community projects. Therefore, MDLF will work with its partner to raise the capacity of these institutions.

PMSP

- The Freezing of the PMSP funds in the Bank caused negative economical impact on the contractors who have waited to be paid for more than two years, taking into consideration that the objective of the project is to improve the economical situation of the people. Similarly, the PMSP funds are still frozen in the Bank on a time where the local government sector is in vital need for such projects to improve their services.

SWMP:

- Obtaining the Israeli Authorities approval on the proposed site for the sanitary landfill is a major challenge to the SWMP project. The MDLF will work with all stakeholders and the international community to overcome this challenge.



- The acceptance of the local community to the idea of having a sanitary landfill is still immature and required a lot of efforts. The consultant of the SWMP project along with the MDLF team will conduct public awareness campaigns and outreach activities to secure the local community smooth acceptance of the proposed site

6. LESSONS LEARNED AND RECOMENDATIONS

- The fund transfer mechanism should be modified to reflect the objectives of the national government and the MDLF which is building the capacity of municipalities and improve their performance as the basic requirement for development. The recommended transfer mechanism should include incentives to reward better financial, planning and management practices in the municipalities.
- Based on the Paris Declaration (endorsed on March, 2005) it's highly recommended to work with donors and relevant ministries to ensure the harmonization of the donors' projects through coordination and continuous discussion among different parties. Working together will maximize the benefits and the impact of international support to the Palestinian community. The PRDP should serve as the guidance to all donors who are active in the local government sector.⁷
- Furthermore, donors shall coordinate their efforts with each other's and with the Palestinian counter parts to eliminate funds earmarking so to achieve better impact and more transparent approach of allocations and have efficient implementation. The MDLF has been promoting the idea of pooling and having one basket of funds from all donors.
- It is recommended to further develop the M&E system at the MDLF and build the capacity of the staff of MDLF and municipalities on this issue. It is important to start thinking about measuring impact and outcomes of different projects and not only the progress and the outputs.
- The Italian Partner is recommended to take actions and work with the MDLF team to finalize the project modified guidelines and resume the project activities.
- The MDLF approach in building the capacity of municipalities through training and workshops as well as following of unified procedures have improved the municipalities' capacities in project and financial management.

⁷ Paris Declaration: is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organizations to continue to increase efforts in harmonization, alignment and managing aid for results with a set of monitorable actions and indicators

This is one of the bases of encouraging the development of sound governance institutions and programs at the central and local sector level. The use of different donor's procedures and procurement guidelines in the past caused some confusion to small municipalities. Therefore, simple unified procedures should be always developed and used.

- MDLF has learned that the involvement of MOLG in the early stages of projects has added a great value as it enhanced the ownership and understanding of the MOLG to the work of the MDLF. It is still recommended that MOLG should continue facilitating the dialogue between different players in the local government sector to identify the roles and responsibilities of different institutions and to guide the local government development process.
- MDLF shall keep and continue the consultation and coordination with different stakeholders and other programs to keep cost effective, better results and efficient outcomes.
- The MDLF should continue its approach in strengthening the municipalities' institutions and improving their staff capacities through in job training and transfer of know-how. This will enable the municipalities to be efficient and sustained institution as well as better rank to the municipality toward the implementation of the MDLF's transfer mechanism.
- Through urging the municipalities to propose projects linked to the annual municipal budgets, MDLF achieved some progress towards enhancing the municipalities' capacity in financial management/ investment planning (this for component 1.a and 1.b). Moreover the fund believes that progress to some extent was achieved in improving the municipalities' capacity in the financial planning regarding the maintenance and operation (M&O) of their basic infrastructure and services. These achievements will support and integrate the efforts of the MDLF in reforming the municipal sector financially through the current LGCBP project
- It is recommended to coordinate with relevant authorities, ministries, and consultants regarding similar activities to those related to building of know-how and capacity of the municipalities and executed through the EMSRP II and LGCBP Project. Other similar training and capacity building activities had been implemented by the MOLG and the MDLF through other programs. It is believed that coordinated efforts will maximize benefits of the trained Municipal Staff.

- It is recommended to pay more attention to gender balance in the selection of participants for trainings and workshops especially for social projects. This will result in a better representation of the community.
- It is recommended to increase the public awareness activities and outreach programs to the local communities in order to reduce their resistance to new initiatives (examples: sanitary landfill, amalgamation, etc) and to enhance their involvement in the local decision making process.
- It is recommended to initiate and facilitate the discussion about the electric services and the initiative to take out the electricity service from the municipalities. A discussion on the implication of this initiative and the impact it will have on the municipal financial situation should be organized with different stakeholders.
- As the MDLF web site was successfully used to submit the application forms, it is recommended to further develop the MDLF website to be utilized in the follow up of projects technically and financially. It is expected that PGMIS will help in the communication and application process between the MDLF and the municipalities.
- It is recommended to start training the municipalities on how to prepare their budgets prior as early as possible and before the start of the next fiscal year. It is also recommended to focus on training the municipal council on budgeting because of the weaknesses in the preparation of budgets, especially as related to planning, and identifying and prioritizing needs. Therefore, need exists to the adoption of methods thus linking budgeting with planning.
- It is recommended to encourage using accrual basis for accounting in the municipalities, in order to enhance the predictability of the financial status. Variations will be lowered between budgeted and actual numbers. Budgets as a planning tool will become more useful and understandable.

7. DONORS SUPPORT AND CONSULTATION

During the first half of 2008, more donors have already approached the MDLF to explore the potential for more support and projects. During the reporting period financing agreements with SIDA, and KFW were papered and were signed before the end of 2008. A new Local Development Programme in Jenin Governorate (LDP)-Phase 1 agreement was signed on June 25, 2008. The program is funded by Denmark and will build on the success of the ongoing Jenin Pilot project currently implemented by the MDLF. Another program titled the “Local Government Institutional Development Program-LGIDP” is currently under discussion with the Belgium Government through the MoP and the MoLG. The program concept was discussed with the Belgians during their meetings with the MoP in March 2008. The duration of the program will be five years and the total fund is estimated to be 15 million Euros.

As stated in the PRDP, the MDLF is the PNA’s preferred mechanism for channeling reform and development assistance to local government, and therefore, a new PNA initiative was designed and signed before the end of 2008. The initiative (titled: Community Development Stability Fund-CDSF) will act as a quick response mechanism for the PNA to respond by focused and visible quick start-up and quick impact efforts to (1) emerging political priorities, and (2) emergency situations. The indirect objective of the CDSF will be to strengthen the positive role and visibility of the Government and local government at crucial junctures, where the PA has to react rapidly and/or show positive presence in order to forge closer links with the local population. The mechanism will interact with the Joint Service Councils below the municipal level, the municipalities and the governorates as well as where relevant with independent organizations and associations, in coordination with the LGUs, in the process of planning and implementation. The Dutch government decided to contribute by Euros 5.0 millions to the CDSF and the agreement was signed early December 2008 and the implementation will start in 2009.

The MDLF has been engaged with Mr. Tony Blair office in designing and preparing for the preparation of the Municipal Recreational and Public Facilities component. The component is part of the Palestinian Education Action Fund (PEAF) which is an initiative of Mr. Tony Blair, the Representative of the Quartet in the Middle East and former British Prime Minister. The component will cost about US \$50 million and will provide permanent facilities for extracurricular activities – which can be managed by schools, CSOs, and municipalities. It will help municipalities build recreational

facilities for young people and families by financing playgrounds, urban green spaces, and public and sports facilities.

The different activities of the MDLF draw the attention of several instantiations and agencies. On October 22, 2008 the UN Special Coordinator for the Middle East Peace Process Mr. Robert Serry visited the MDLF projects in Jenin City and discussed with MDLF staff and Jenin City representatives the challenges facing the area and the need for more coordination between different actors in the LG sector. Following that visit, the MDLF was invited to on November 7, 2008 to brief the UN country team and present the MDLF programs and vision in the UN Government House in Jerusalem.

The Municipal Sector Working Group (SWG) was reactivated as a platform to coordinate and share information among all actors in the local government sector. As a member in the SWG, the MDLF presented to the group members the concept of the new Municipal Development Program (MDP) which is designed based on the Sector Wide Approach (SWAp) principles.

The different allocation mechanisms that donors proposed and adopted made it hard for the MDLF to cope with its mandate to adopt transparency and reach equity in funds allocation for the municipalities. Therefore, the MDLF through discussion with partners including donors, ministries, and municipalities is developing the Transfer Mechanism to channel funds to municipalities based on performance and other criteria. The MDLF has started the preparation for the new Municipal Development Program which will be based on the Transfer Mechanism and pooling of donors' money.

Table 19 provides a summary of donors support to MDLF.

Tables 20 to 22 and Charts 8 to 10 illustrate the donors support to the emergency and development infrastructure projects.



Table 19: Donors Support to MDLF

Project /Program	Donor	Estimated Amount (Million US\$) ⁸	Focus Area	Start Date & End Date	Status
Emergency Scheme Support					
EMSRP II	World Bank	10.0	Emergency municipal services rehabilitation	Signed in February 2007 Will end in June 2009	On-going and will be completed early 2009
EMSRP II	Netherlands	6.17	Emergency municipal services rehabilitation	Signed in February 2007 Will end in February 2009	On-going and will be completed early 2009
EMSRP II	Germany (KFW)	21.0	Emergency municipal services rehabilitation (Poverty-Oriented Infrastructure Municipal Finance)	Signed in September 2008 Will end in September 2011	On-going
EMSRP II	Sweden (SIDA)	5.0	Emergency municipal services rehabilitation	Signed in December 2008 Will end in 2009	On-going
Development Scheme Support					
MDP	France (AFD)	16.08	Municipal infrastructure development	Signed on July 24, 2007 Will end in July 2010	On-going

⁸Exchange rate: 1€=1.4\$



PMSP	Italy	33.5	Infrastructure (water, waste water, roads, agriculture & others), capacity building, health, education, women, children & youth, etc	Signed on November 2004	Frozen Italian and Palestinian sides are discussing the possibilities of unfreezing the project and resume its activities.
Institutional development and Capacity Building Scheme Support					
LGCBP	Denmark (Through the World Bank)	9.9	Financial and physical planning capacity building for the local sector	Signed in March 2005 Extended until the end of 2010	On-going
LGIDP	Belgium	21.0	Institutional development, strategic and investment planning, and infrastructure support	Expected late 2009	Under discussion and preparation
SWMP	Japan (Through The World Bank)	0.385	Feasibility Study of solid waste situation in the Southern West Bank area.	Signed in December, 2007 Will end in March 2009	On-going (in the final stage)
PHRD	Japan (Through The World Bank)	0.495	Capacity building and institutional support to the MDLF to prepare for the upcoming MDP	Signed in December, 2008 Will end in September, 2009	On-going
Innovative Window Scheme Support					
Jenin Pilot Project	Denmark	1.30	Support to the municipal development in Northern WB (pilot project)	Signed in December 2006 Completed in December 2008	Completed in December 2008
LGCDP	Germany (GTZ)	0.84	LGUs-NGOs collaboration and MDLF capacity building	Signed in August 2007	On-going (in the final stage)



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				Will end in March 2009	
LDP-Phase 1	Denmark	6.0	Support the amalgamation of two areas in Jenin Governorates through capacity building and infrastructure projects.	Signed on June 25, 2008 Will end in 2010	Agreement signed Implementation of the first phase started in August 2008, and the implementation of the second phase will start after the completion of the first phase.
Community Development Stability Fund (MDP)	Netherlands	7.0	Strengthen the positive role and visibility of the Government and local government at crucial junctures, where the PA has to react rapidly and/or show positive presence in order to forge closer links with the local population.	Signed in December 2008 Will end in 2009	Ongoing
Total		138.67			



Table 20: Distribution of Fund Allocations (Emergency and Development Infrastructure) by Donor Per Governorate (2007 & 2008)

West Bank Governorates										
Governorate	World Bank (\$)	Dutch 2007 (\$)	Dutch 2008 (\$)	AFD (Euro)	Dutch 07&08 (\$)	AFD (\$)	KFW (Euro)	KFW (\$)	Sida (\$)	Total (\$)
Bethlehem	404,243	207,918	0	635,000	207,918	895,350	680,113	958,959	0	2,466,470
Hebron	1,555,612	645,219	0	1,740,000	645,219	2,453,400	3,373,024	4,755,963	0	9,410,194
Jenin	683,051	264,355	1,296,550	685,000	1,560,905	965,850	0	0	0	3,209,806
Jericho	38,163	9,624	59,773	560,000	69,397	789,600	0	0	0	897,160
Jerusalem	583,658	235,132	42,036	0	277,168	0	735,139	1,036,546	0	1,897,372
Nablus	435,838	135,856	0	1,475,000	135,856	2,079,750	1,422,868	2,006,244	0	4,657,688
Qalqilia	164,534	53,002	0	755,000	53,002	1,064,550	314,821	443,897	0	1,725,983
Ramallah	564,089	227,233	0	1,320,000	227,233	1,861,200	831,629	1,172,597	0	3,825,119
Salfeet	199,719	88,022	403,803	475,000	491,825	669,750		0	0	1,361,294
Tubas	91,719	39,631	0	530,000	39,631	747,300	128,942	181,808	0	1,060,458
Tulkarm	449,631	155,252	1,070,970	825,000	1,226,222	1,163,250		0	0	2,839,103
JSCs				1,600,000		2,256,000				2,256,000
Total	5,170,257	2,061,244	2,873,132	10,600,000	4,934,376	14,946,000	7,486,535	10,556,014	0	35,606,647

Table 21: Distribution of Fund Allocations (Emergency and Development Infrastructure) by Donor Per Governorate (2007 & 2008)

Gaza Governorates										
Governorate	World Bank (\$)	Dutch 2007 (\$)	Dutch 2008 (\$)	AFD (Euro)	Dutch 07&08 (\$)	AFD (\$)	KFW (Euro)	KFW (\$)	Sida (\$)	Total (\$)
Deir Al Balah	806,278	352,709	0	0	352,709	0	735,818	1,037,503	898,301	3,094,791
Gaza	548,794	28,815	0	0	28,815	0	2,364,531	3,333,989	1,925,655	5,837,253
Khan Younis	614,807	210,590	0	0	210,590	0	966,727	1,363,085	809,848	2,998,330
North Gaza	768,983	282,728	0	0	282,728	0	656,143	925,162	997,123	2,973,996
Rafah	192,278	32,981	0	0	32,981	0	237,017	334,194	386,994	946,447
Total	2,931,140	907,823	0	0	907,823	0	4,960,236	6,993,933	5,017,921	15,850,817

Chart 8: Total Allocations Per Donor for 2 cycles (2007 & 2008) – West Bank & Gaza

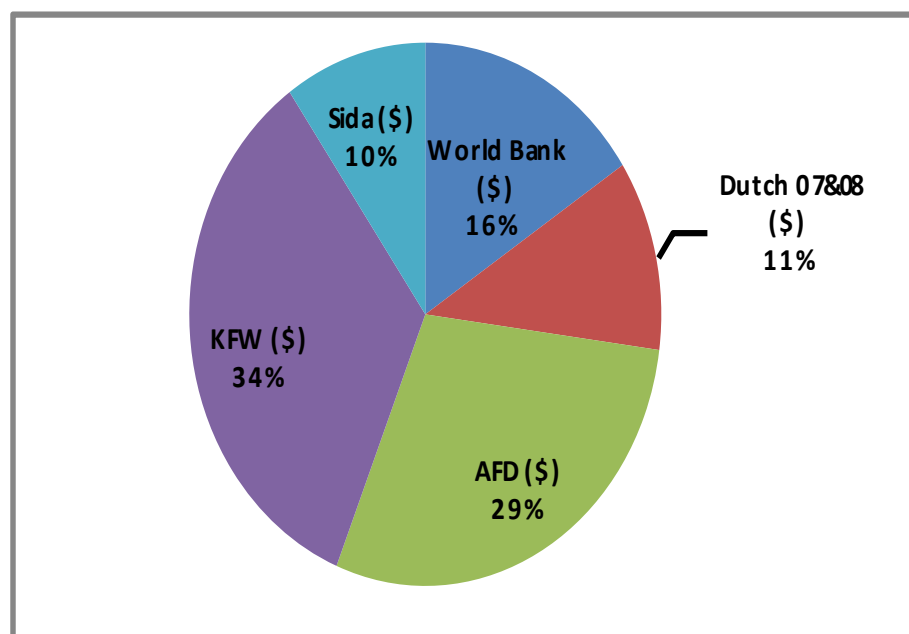


Chart 9: Distribution of Fund Allocations by Donor Per Governorate for 2 cycles (2007 & 2008) – West Bank & Gaza

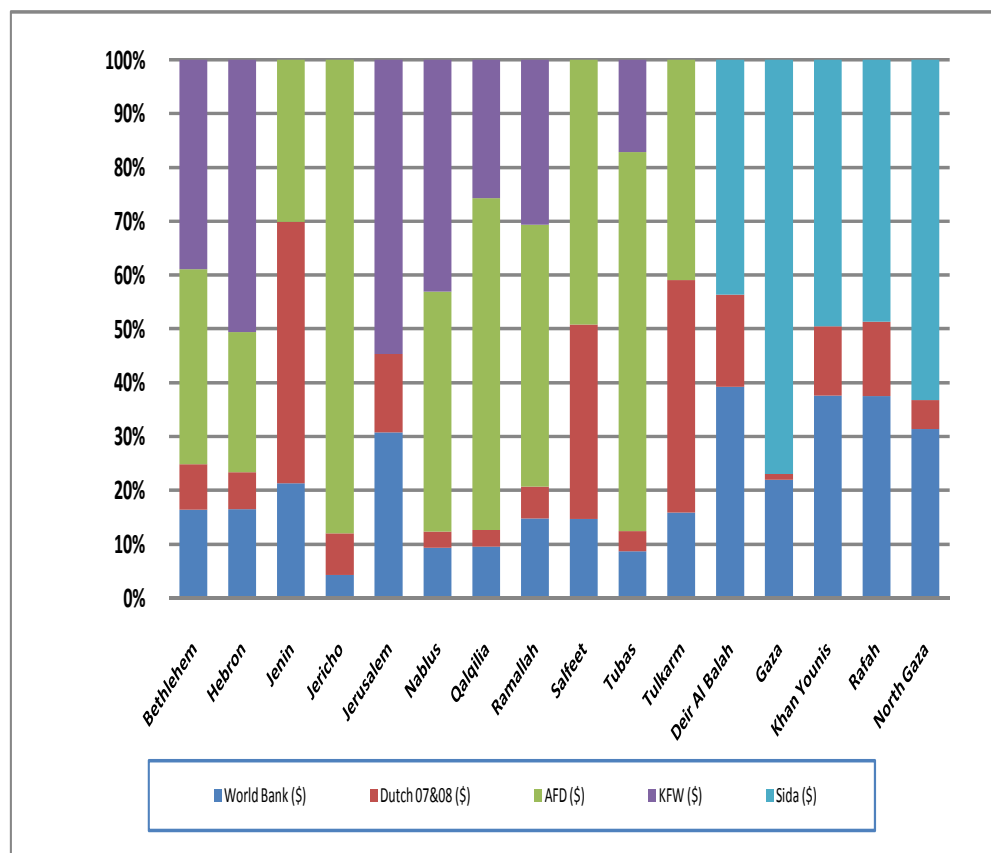




Table 22: Distribution of Fund Allocations (Emergency and Development Infrastructure) by Sector Per Donor (2007 & 2008)

Donor / Sector	Roads	Water	Wastewater	Electricity	Solid Waste	Public Facilities	Health	Others	Not Appraised Yet	Total (\$)
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
World Bank	3,223,231	438,110	193,443	564,791	1,355,084	425,467	0	1,901,270	0	8,101,396
Dutch 07&08	4,017,004	296,606	116,076	841,336	115,394	378,648		77,136	0	5,842,199
AFD	10,278,676	208,401	1,389,114	569,880	0	2,499,930	0	0	0	14,946,000
KFW	9,526,544	46,419	141,801	395,735	270,158	175,357	0	0	6,993,933	17,549,947
Sida	319,285	359,965	202,138	188,426	1,550,332	197,273	38,000	1,938,503	223,999	5,017,921
Total	27,364,740	1,349,501	2,042,572	2,560,167	3,290,968	3,676,675	38,000	3,916,909	7,217,932	51,457,464
Percentage	53.2%	2.6%	4.0%	5.0%	6.4%	7.1%	0.1%	7.6%	14.0%	100.0%

Chart 10: Distribution of Fund Allocations Per Sector for 2 cycles (2007 & 2008) – West Bank & Gaza

