صندوق تطوير وإقراض الهيئات المحلية
Municipal Development & Lending Fund

Capacity Development Manual

MDP 4

2023

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Abbreviations

CD	Capacity Development
GAM	Grant Allocation Mechanism
GD	General Director
DO	Director of Operations
GIA	Grant Implementation Agreement
ESMF	Environmental & Social Management Framework
FY	Fiscal Year
FM	Financial Manual
IDTA	Institutional Development and Technical Assistance
LGUs	Local Government Units
LTC	Local Technical Consultant
MDLF	Municipal Development and Lending Fund
MDP	Municipal Development Program
MoLG	Ministry of Local Government
MoF	Ministry of Finance
O&M	Operations and Maintenance
PM	Procurement Manual
PDO	Project Development Objectives
RFA	Request for Applications
RFP	Request for Proposals
SA	Social Accountability
SDIP	Strategic Development and Investment Plan
TO	Technical Operational
TOR	Terms of Reference
EOI	Expression of Interest

Part One: Introduction



1. Background

Capacity building refers to the process by which individuals or organizations obtain, improve, or retain the skills, knowledge, tools, equipment, or other resources to do their work competently. It also refers to further developing performance and thus leading to greater capacity. Capacity building and capacity development are often used interchangeably. So, capacity building in other words is an investment in the effectiveness and future sustainability of society.

The Municipal Development and Lending Fund (MDLF) is a semi-governmental entity established by the Council of Ministers decree in October 2005, followed by the MDLF-law which was endorsed in November 2016, to accelerate Palestine's drive toward high responsiveness, self-sustained, decentralized, prosperous and creditworthy local governments. The MDLF has been enriching its role as the preferred channel of financial resources from the Palestinian Authority and various donors to the Palestinian local government units (LGUs), to improve the delivery of local infrastructure and municipal services, to promote economic development, and to improve municipal efficiency and accountability. Since it was established in 2005, MDLF has made noticeable achievements in community development as well as reform of the local government sector in Palestine. MDLF has overseen implementation of hundreds of projects with a value that exceeds US$650 million, all in the form of municipal infrastructure services, capacity development, and innovative initiatives at the municipal level.

The Capacity Development Manual (CD) is designed to be used mainly by Institutional Development Technical Assistance (IDTA) department staff, alongside with a number of other documents, including and in harmony with all manuals included the Operations Manual of MDLF. As part of its purpose, this manual includes all necessary tools and forms needed to implement Component 2 of the MDP4. This manual is a living document, continuously reviewed and updated according to the requirements raised by MoLG and LGUs. Any updates or revisions will be in line with the agreements with the funding partners.

PROJECT DEVELOPMENT OBJECTIVE (PDO)

Strengthen municipal capacity to deliver accountable, sustainable, inclusive, and resilient services to the municipal population in the West Bank and Gaza.

Table 2: PDO Level Indicators

The achievement of the Project Development Objective (PDO) will be measured against the following proposed key results:

PDO Result Area	*Indicators*
Greater municipal capacity	1. Municipalities that graduate up the performance category in which they are currently classified (Number)
Greater municipal accountability	2. Beneficiaries satisfied with the services provided under the project (Percentage)
Greater municipal service sustainability	3. Direct beneficiaries of activities under Component 1 "Performance Based Service Delivery Grant" and Component 3 "Competitive Grants for Natural hazard and Climate Change Resilience". (Number) 4. Operations Manual for the IGFT finalized and approved
Greater resilience to disasters	5. Number of subprojects completed that address natural hazard and climate change risks (Number)

The Municipal Development Program is a ground-breaking new effort in development and reform designed by the Municipal Development and Lending Fund (MDLF). Under the guidance of the Palestinian National Authority, the MDP recognizes that the first step towards improving municipal services lies in better-managed and more accountable local governments. The MDP provides infrastructure grants to Palestinian municipalities and conditions this on improved performance and improved capacity in operations, planning, and financial capacity. Its cornerstone is the Grant Allocation Mechanism (GAM), a formula-based method for distributing funds to municipalities for capital investments based on needs, population, and good management practices. The MDP4 will be implemented over the period of (2023-2027) in two cycles.

MDP4 will consolidate and scale up past gains in municipal performance and accountability enhancement. In addition, MDP 4 will start to strengthen the enabling environment at the central level and municipal partnerships with the private sector to improve the efficiency and sustainability of municipal services. The basic municipal capacity developed in financial management and budgeting will need to be taken to the next level of improving financial arrears management practices and own-source revenue performance so that municipalities are able to achieve financial sustainability. Participatory processes need to be integrated throughout the municipal investment cycle, thereby strengthening the social contract between municipalities and citizens/stakeholders. In addition, MDP 4 will strengthen the capacity of the Municipal Development and Lending Fund (MDLF) and Ministry of Local Government (MoLG) to enhance the enabling environment for municipalities and sustainability of the municipal sector. MDP 4 will also provide support to MoLG in strengthening its regulatory and oversight role for the LGU sector. Further, municipalities will be supported to develop their capacity to look for partnerships with the private sector to improve efficiency and sustainability of municipal services. More generally, MDP 4 will continue to serve as a model for an eventual fiscal transfer system for the PA.

MDP4 Components

Table No. (3)

No. of Component	Components
Component 1	**Performance Based Service Delivery Grant**
Component 2	**Sector Policy and Institutional Development**
Component 3	**Competitive Grants for Natural hazard and Climate Change Resilience**
Component 4	**Project implementation support and management**
Component 5	**Contingency Emergency Response**

2. The Focus of this manual

- ## Sector Policy and Institutional Development

  The manual is designed to reinforce and complement Component 1: "Performance Based Service Delivery Grant" and component 3: "Competitive Grants for Natural hazard and Climate Change Resilience" with targeted technical assistance, policy guidance, analytical tools, and capacity building training for MOLG, MOF, MDLF and participating municipalities. Its primary aim will be to strengthen intergovernmental systems by improving regulatory oversight of the sector; increasing transparency and accountability in administering the intergovernmental fiscal system; developing ways and means of improving local government revenues (including fiscal transfers and Own Source Revenue); and providing on-demand technical support to participating municipalities seeking to meet RMSP performance criteria or improve their resilience and climate change-related planning and implementation efforts. This component is intended to help migrate and institutionalize many of the project-based sector monitoring tools (e.g., GAM) established under the MDP series. Activities under this component are aligned with the PA's reform agenda and would support ongoing efforts to reduce net lending, improve municipal finance information systems and sector analytics, enhance property tax collection, and strengthen reporting on fiscal transfers and tracking of municipal financial arrears.

On-demand Capacity Development Support for Municipalities.

As participants in the performance grant financing scheme, municipalities will be eligible to receive support under this component to strengthen their capacities in a number of areas, including budget preparation, financial management, procurement, investment planning, operations and maintenance programming, social accountability, climate change, resilience, credit worthiness and e-governance. This sub-component will also fund pre-investment studies for civil works. As with the predecessor MDP3 project, the municipal capacity development activities will be identified by municipalities together with MDLF support. Activities will be aligned with key project performance indicators to facilitate their development and performance in targeted areas.

Policy and Institutional Development Support for PA institutions.

This sub-component will support MOLG in its capacity as policy maker and regulator of the local government sector, and MOF in implementing its property tax devolution to municipalities, municipal net lending portal, and for its fiscal transfer payments to municipalities. Working closely with the newly established Steering Committee for Revenues and Net Lending (Cabinet Decree 18/152/11/2022), MOLG and MOF will be supported with technical assistance and analytical tools to develop a more efficient, transparent, and accountable fiscal transfer system; to formulate policies relating to LGU borrowing rules; to rationalize LGU functional assignments; and to support other measures to strengthen and further develop the intergovernmental fiscal system. MOF will be supported in its pilot aimed at devolving property tax administration to four municipalities. In addition, this sub-component will support MDLF in its evolving role as a financial intermediary for municipalities, including strategy development, market analysis and other relevant measures to strengthen LGU access to private and concessional financing.

- ## Competitive Grants for Natural hazard and Climate Change Resilience

Municipal Development and Lending Fund (MDLF) acknowledges the need for adaptability and alignment with broader national policies. More specifically, the MDLF is committed to supporting municipalities in their efforts to reduce natural hazard-related risks, as stipulated in National Policy 31 “Ensuring a Sustainable Environment” of the National Development Plan 2021-2023. This will assist the Palestinian Authority's (PA) initiatives to alleviate climate change impacts and reduce all forms of environmental pollution. Accordingly, the anticipated interventions will be periodically assessed and adjusted during MDB 4, ensuring the manual stays up-to-date. This consistent review process guarantees that all MDLF's capacity-building interventions, particularly those covering new topics, are comprehensively documented and kept current. More specifically this component will cover:

Natural hazard and climate change risk assessments.

In response to the evolving global climate and the increasing unpredictability of natural hazards, the Municipal Development and Lending Fund (MDLF) is set to broaden the resilience plans originally crafted for 20 municipalities under the third Municipal Development Program (MDP3). This phase will extend the secondary-level Urban Risk Assessments (URAs) with the initial 20 municipalities and simultaneously introduce the Cities Resilience Scorecard (CRS) to an additional 40 municipalities. The CRS acts as a primary-level or preliminary assessment tool, offering an initial insight into a city's resilience and pointing out areas that may warrant more comprehensive analysis through URAs. The applied CRS forms are attached in Annex 1. The forms for the URAs, meanwhile, will be developed as we prepare to initiate the secondary level of assessment for the 20 municipalities.

These URAs will look into the risk profiles of participating municipalities, focusing on the potential impacts of various natural hazards such as floods, earthquakes, and winter storms. The URAs will guide the creation of comprehensive resilience plans, as the URA findings will be instrumental in formulating a range of risk reduction interventions that are tailored to each municipality's specific needs and circumstances. These interventions will include both soft risk mitigation activities and risk mitigating works. Soft risk mitigation activities will focus on enhancing municipal governance capacities and addressing behavioral issues related to hazard management. They may encompass efforts such as awareness campaigns, capacity-building programs, land use planning, and early warning systems.

In addition to the soft measures, risk-mitigating works will be a critical component of the resilience plans. These include infrastructural and environmental interventions such as the construction of flood control infrastructure, seismic-resistant buildings, fire prevention measures, erosion control initiatives, and the establishment of green infrastructure. Furthermore, the MDLF is set to support the piloting of an initiative to integrate the risk mitigation works identified through the resilience plan preparation process into Sustainable Development Investment Plans (SDIPs). This integration ensures that the mitigation works are not standalone efforts but are deeply embedded in broader development strategies. If these resilience plans are completed according to the projected timeline, they may qualify for funding through second-cycle grants, providing a sustainable financing mechanism for their implementation.

MDLF will also offer technical assistance to the municipalities in designing and preparing works, ensuring that the risk mitigation infrastructure adheres to international best practices. This support will be crucial in guaranteeing the long-term effectiveness and durability of the implemented measures, enhancing the resilience of Palestinian municipalities to the ever-present threat of natural hazards and the impacts of climate change.

Natural hazard and climate change adaptation investments.

This sub-component will facilitate the identification, design, and construction of sub-projects aimed at mitigating natural hazard risks by municipalities, thereby advancing the resilience plans established under MDP3. Municipalities will be invited to propose sub-projects from a predefined list of viable options that effectively address the potential threats and impacts of natural hazards and climate change. These actions encompass various measures, including but not limited to:

Urban Planning and Infrastructure: Ensuring the resilience of public infrastructure and buildings to earthquakes and extreme weather.
Storm Preparedness: Such as improving the structural integrity of buildings to withstand strong winds. They could also involve initiatives aimed at reducing the damage caused by fallen trees during storms.
Water Management: This can include implementing and enforcing water conservation measures, ensuring the reliability of water sources, and planning for alternative sources of water in case of severe drought.
Emergency Services and Disaster Response: This includes planning and coordinating for immediate disaster response and emergency support.
Climate Change Adaptation: This includes various projects aimed at increasing the resilience of municipalities to the impacts of climate change.
Public Awareness and Education: This can include raising public awareness about the risks of natural disasters and providing education on how residents can protect themselves and their properties.

MDLF will select these projects through a competitive process. The selection criteria, aligned with the POM, will include alignment with the resilience plan, risk reduction potential, technical feasibility, financial viability, community engagement, environmental impact, long-term sustainability, and equity. Emphasizing these criteria ensures a comprehensive, transparent, and equitable project selection process.
Proposals will be received during the project's first six months, ensuring the timely commencement of sub-projects. The MDLF will publicize the list of financed activities and the selection criteria to all municipalities to maintain transparency and foster trust.
The responsibility of implementing the selected projects will rest with the respective municipalities, under MDLF's expert oversight and supervision. This approach guarantees local ownership and strengthens local capacity while ensuring adherence to the best international practices.

3. The Grant Allocation Mechanism (GAM)

The Grant Allocation Mechanism1 is the most important element of the MDP. The allocated fund under component 1 will be distributed among all municipalities based on this criterion. The grants are divided as the following: 55% based on performance, 10% based on population and 35% based on needs. Municipalities are ranked according to 19 performance proxy indicators which were developed by MDLF in accordance with international standards. The table below describes the indicators of performance criterion and the definition of each indicator.

MDP4- KPIs – 1st Cycle	**Rank**
1. Cost Accounting Systems Set up	A
2. IFMIS implemented	A
3. Green Spaces implemented	A
4. LGU's Liquidity.	A
5. At least 10% of the SDIP-identified priorities (in terms of # of projects) serve vulnerable groups and marginalized areas.	A
6. Electronic Services in place and functional	A
7. 10%< X <15% of the operational expenditure Paid for Maintenance	B
8. Operational Surplus achieved	B
9. LGU's Fiscal Autonomy	B
10. At least two SA tools implemented annually by the municipality and the SA committee	B
11. At least Two major SDIP projects address adaptation to climate change risk.	B
12. Minimum standards for the Grievance Redress Mechanism are met.	B
13. Unqualified audit opinion from annual external audit executed according to standard ToR of MOLG and audit findings from the previous year (if any) are addressed adequately	C
14. Audit opinion disclosed to citizens and stakeholders by foreseen means	C
15. Staff Costs <40% WB <50% GZ of Operational expenditure	C
16. No increase in net lending	C
17. Fixed asset register in place and regularly updated representing actual values	D
18. Executed budget statement for the previous FY submitted to MoLG on time via the foreseen electronic platform.	D
19. Public disclosure of executed budget and executed SDIP	D

4. Eligible Applicants

For MDP4, it was agreed between MDLF and funding partners, that only municipalities fulfilling the eligibility conditions will receive population and needs based grant funds (the Basic Grant). The Basic Eligibility Criteria are:

- Annual Planned? or Executed? of both? Budget submitted via the foreseen electronic platform and approved by MOLG.
- SDIP prepared according to guidelines.
- Public disclosure of annual (planned and executed) budgets, SDIP and MDP performance ranking.

[1] For more info on the GAM, please refer to the GAM manual.

5. Capacity Development Packages for Municipalities

Under this section, the Department of Capacity Development will consider all adjustments and inclusions specified in the Environmental and Social Management Framework (ESMF), Labor Management Procedure (LMP), and Stakeholder Engagement Plan (SEP) during the implementation phase of each package. It's vital that all capacity development packages retain a consistent approach towards stakeholder engagement throughout every phase of each activity. In addition, the department will establish a specific complaint process for each package. These considerations will be incorporated into the Terms of Reference (ToR) for each activity and in the Request for Proposals (RFPs). MDLF will monitor and evaluate this procedure intensively to assure its reflection in reports from consultants, vendors, field visits, and in the MDLF's own Monitoring and Evaluation Reports.

5.1 Strategic development and investment plans (SDIP)

The Eligibility Criteria: there are no specific criteria. All municipalities in the West Bank and Gaza Strip are targeted and expected to develop and implement their SDIPs every four years.

Concise Overview

The Strategic Development and Investment Plans (SDIPs) are tools used to enhance the managerial and technical capacities of municipalities. The process revolves around scientific planning, focusing on local priorities and formulating appropriate objectives, programs, and development projects for a designated four-year period. The approach promotes sustainable growth based on good governance principles.

The SDIP process embodies the following principles:

1. **Community Participation:** By involving all sectors of the community, including vulnerable groups, we ensure the SDIP aligns with the needs and priorities of the municipality's residents.
2. **Transparency and Accountability:** With the use of social accountability tools, we aim to increase transparency, participation, response, and monitoring throughout the process.
3. **Integration:** The SDIP addresses social, economic, and environmental issues in alignment with the urban master plan and the 2033 Sustainable Development Goals.

4. **Efficiency and Effectiveness:** Specialized committees and a core planning team lead the process, ensuring efficiency and effectiveness.

In 2022, the SDIP national methodology was significantly updated to incorporate climate change and social inclusion topics, a move supported by the Ministry of Local Government. This overhaul introduced ESMF (Environmental and Social Monitoring Framework) aligned adaptation and mitigation measures into all programs and projects. Unique to this update was the inclusion of a workshop dedicated to vulnerable groups, emphasizing a proactive approach toward social inclusion. To demonstrate this initiative, an assessment tool was developed to analyze marginalized groups' situations, identifying their primary social strengths and weaknesses. Furthermore, a policy was implemented that mandated 10% of all projects to cater to these vulnerable groups' needs, as reflected in the refreshed MDLF KPIs.
These groups include those who are physically, mentally, or socially disadvantaged such as women, children, youth, the elderly, people with disabilities, and marginalized communities like Bedouins, refugees, and residents in Area (C) and near the wall and Israeli settlements.

While the municipalities should lead the SDIP preparation, external consultants may provide needed technical assistance and facilitation. This requires a Terms of Reference (TOR) prepared by the Institutional Development & Technical Assistance (IDTA) team, ensuring the consultant can effectively integrate our commitment to ethical labor practices, climate change considerations, and social inclusion into the SDIPs.
In summary, SDIPs are not just planning tools; they provide a comprehensive approach to incorporate environmental, social, and labor considerations into strategic planning, fostering sustainable development within Palestinian municipalities.

5.2 Financial Management (FM)

The implementation of the Financial Management packages in municipalities is essential for ensuring effective and efficient management of public funds and improved service delivery to the community. The packages typically comprise on-demand capacity development support for municipalities, such as the Integrated Financial Management Information System (IFMIS), in addition to customized advanced support that reinforces and complements all the past work. The tailored support is specifically designed to assess and support the creditworthiness of municipalities, identifying challenges and necessary steps required to improve their creditworthiness. Such support includes assistance to increase municipalities' revenues, reduce costs, and enhance the financial skills of the municipalities' financial teams, thereby supporting their cognitive and professional capacity in municipal finance, as well as analyzing financial statements.

The following are the main financial management support interventions:

5.2.1 Orientation Training

The Eligibility Criteria: There aren't any requirements. This initial package is designed to target all recently formed municipalities.

MDLF offers a capacity-building package to help new and small municipalities, which often face challenges in financial management. This package provides training in best practices for financial management, including the use of the Cash-Based Fund Accounting and the Financial Policies and Procedure Manual (FPPM), approved by the MOLG. It also offers technical support for finance and accounting teams. This guidance can aid municipalities in establishing robust financial management systems and enhancing service delivery.

5.2.2 Integrated Financial Management Information Systems (IFMIS)

The Eligibility criteria for qualifying to receive the IFMIS package are as follows:

- Does the municipality have an updated fixed asset register in accordance with the fixed asset valuation methodology?
- Does the municipality have an external audit for the last two fiscal years?
- Does the municipality have a budget certified by the Ministry of Local Government for the last two fiscal years?

Package Overview:
The implementation of the Integrated Financial Management Information System (IFMIS) is a crucial component of the Municipal Development Program (MDP) aimed at capacity-building efforts. The objective of IFMIS is to introduce a modern, comprehensive, and integrated financial management system in selected municipalities, facilitating the transition from a cash basis to an accrual basis.

IFMIS serves as a management tool, empowering municipal management with essential information for decision-making, planning, and monitoring outcomes. It integrates various financial processes from related systems such as Budget Preparation Software (BPS), General Ledger (GL), Revenue Management Information System (RMIS), Inventory, Procurement, Fixed Assets, and Human Resources (HR) to optimize performance-based public financial management.

Considering the complexity and readiness of nominated municipalities, the implementation of the complete IFMIS modules may not be feasible at once. As a transitional approach, basic modules are provided to municipalities, enabling

them to operate on a full accrual basis. The basic modules encompass General Ledger (GL), Budget, Revenue Management Information System (RMIS), and Fixed Assets.

This staged implementation strategy ensures that municipalities with limited capacity can still benefit from IFMIS by initially adopting the basic modules. This approach allows for enhanced readiness in implementing and operating the full modules of IFMIS at a later stage, aligning with the overall objective of the Municipal Development Program.

Implementation steps:

1. Assessment for Financial Package Implementation at selected municipalities that aim to:
    - Determine the municipalities that meet the capacity required to qualify for IFMIS modules.
    - Identify gaps and shortcomings against future staffing and skills requirements on an individual and departmental basis to ensure successful Financial Package implementation.
2. Coaching Municipalities in Implementing IFMIS that aims to:
    - Coach the selected municipalities in applying the financial policies and procedures on a full accrual basis.
    - Coach the financial staff of the selected municipalities in realizing the difference between their existing process for the accounting cycle and the optimized process based on the fund accounting method, and generating financial reports based on International Public Sector Accounting Standard (IPSAS).
    - Support financial staff to generate all balance sheet line items as of the latest close month and to support sufficient documentation the process has taken to justify all amounts recorded as opening balances.
    - Perform Quality Control on the implementation process by the software provider.
3. Supply and Implement the Financial Software at selected municipalities, in accordance with the defined functional requirements.
4. Supply the Necessary Hardware which has been specified in the first phase.

In conclusion, steps 2 to 4 will be carried out concurrently. The implementation of the IFMIS package will equip the chosen municipalities with an integrated financial management system, allowing them to transition from a cash basis to an accrual basis, ultimately improving financial management practices and enhancing accountability and transparency.

5.2.3 Creditworthiness

Achieving municipal "creditworthiness" is the highest stage of financial management performance. It also requires deployment of the most advanced capacity building packages to those well-capacitated municipalities in order to enhance their capabilities to access market finance in the long run. MDLF has recognized that achieving creditworthiness requires several sequential steps and needs fulfillment of the foundational building blocks or preliminary steps to in order to advance to creditworthiness status. Accordingly, MDLF interventions will be implemented gradually to achieve continuous improvement through these packages, which are designed to improve revenue and expenditure management, institutional performance, and sustainability. Eligibility for these packages is limited to municipalities that have successfully adopted the full accrual accounting system. Some of these tailored packages were piloted in MDP3, while others will be developed and piloted in MDP4 as follows:

A. Creditworthiness Assessment

This intervention aims to assess and strengthen the financial capacity of municipalities in the West Bank and Gaza, considering the significant challenges they face in financing infrastructure projects and capital investments due to limited grants, resources, and intergovernmental transfers. To address these financial weaknesses, MDLF will assist selected municipalities in implementing a self-assessment tool -- performing a gap analysis to identify areas that require improvement in comparison to international good practice standards. The assessment's output will be compiled into an action plan for each issue, specifying the necessary steps or required outcomes, timeframes, targets, responsibilities, and monitoring arrangements. This comprehensive approach not only provides a deeper understanding of each municipality's financial capabilities, but also facilitates the development and implementation of appropriate actions to enhance creditworthiness.

B. Support to LGUs in Advanced Accounting and Municipal Finance

This intervention aims to enhance the capabilities of the municipalities in advanced accounting practices and municipal finance. The focus is on empowering the financial staff of the selected municipalities with the necessary skills and knowledge, including but not limited to preparing financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), applying various financial statement analysis techniques, implementing best practices in cash management, and providing fundamental expertise in municipal finance and creditworthiness. Furthermore, this intervention involves providing on-the-job training and coaching to the financial staff of selected municipalities to help them apply and adapt to the aforementioned topics.

C. Improve LGUs' Own-Source Revenue Management

Based on the findings of the creditworthiness assessment conducted in the MDP 3, MDLF has identified a critical need to intervene and enhance municipalities' local revenues from existing sources, as well as create new revenue streams. This intervention aims to address one of the biggest challenges of local revenue shortfall and poor collections. To achieve this, the intervention will include developing a Municipal Services Index that considers authorized services, cost of provided services, volume of services per annum, applied rates, revenue projections, wastage percentage, and arrears. These details will be analyzed, and necessary indicators will be extracted to develop Revenue Management Plans for targeted LGUs. The plans will include identifying short, medium, and long-term actions to support the generation and enhancement of Own Source Revenue (OSR).

D. Costing Municipal Services Framework

To enhance the creditworthiness capabilities and service quality of municipalities, this intervention aims to establish a standard approach to costing municipal services. Along with addressing the issues identified in the MDP3 assessment, the intervention will focus on developing a robust framework that incorporates diverse scenarios and characteristics unique to each municipality (land area, terrain, built-up area, etc.). This framework will be designed to measure performance against these generalized cost standards, providing a benchmark for municipalities to compare and improve their performance. It will consider the wide range of services provided by municipalities and the unique size and characteristics of each municipality.

It will guide assumptions and constraints that must be considered when costing any activity or service, providing methodologies for achieving full cost attribution through the development of Full Cost Accounting (FCA) models. These models will enable accurate cost calculation for each service and can be updated as required.

This intervention also plans to identify capacity building and training needed for the implementation of the proposed costing methods and models. In addition, the efficacy of this framework will be validated by simulating it using real data from targeted municipalities.

In line with the MDLP4's emphasis on establishing standards and institutionalizing methods, this approach to the Costing Municipal Services Framework seeks to create a standardized, more transparent, and accountable way for municipalities to calculate service costs, optimize expenses, and enhance service quality.

E. Implementing the Costing Municipal Services Framework on Solid Waste Service

Solid waste management is a crucial municipal service that impacts public health, the environment, and residents' quality of life. However, municipalities often face challenges in determining the actual cost of providing solid waste services due to the complexity and diversity of waste management practices. To overcome this obstacle, a conceptual framework for costing municipal services was developed, which can also be applied to solid waste management services. This pilot project aims to implement the cost framework achieved for solid waste services in selected municipalities. The project will assist municipalities in optimizing costs, improving service quality, and enhancing their creditworthiness capabilities. By utilizing real data, setting up data collection systems, and integrating the cost model into financial reporting systems, the project will simulate the framework to validate progress and identify the necessary capacity building and training required for staff to implement the proposed costing methods and models.
Furthermore, the cost accounting system will be continuously monitored to ensure its effectiveness and accuracy. The system will be evaluated periodically to identify areas for improvement and make necessary adjustments. Ultimately, this project aims to enable municipalities to make informed decisions, allocate resources efficiently, and provide sustainable solid waste management services to their communities.

F. Continue supporting municipalities that have adopted IFMIS

This intervention aims to maintain the usability of the Integrated Financial Management Information System (IFMIS) package for targeted municipalities in the West Bank and Gaza. while ensuring effective implication of the accrual basis of accounting. The intervention will focus on these activities:

1. Monitoring and evaluation: Assess the effectiveness and impact of IFMIS on financial management. Identify common weaknesses and areas for improvement using performance indicators.
2. Peer learning and knowledge sharing: Organize workshops, conferences, and study tours to facilitate knowledge exchange among municipalities. Enable staff to share best practices, learn from experiences, and build support networks for growth and improvement.
3. Train and support municipal staff. Equip them with the necessary skills and knowledge for effective IFMIS use and accrual basis implementation.
4. System updates and improvements: Review and update the IFMIS package periodically based on user feedback and requirements. Ensure its relevance, user-friendliness, and effectiveness in supporting accrual basis adoption.

   By implementing the IFMIS Sustainment, municipalities in the West Bank and Gaza can maintain and enhance financial management practices, ensuring long-term success and sustainability of the IFMIS package.

5.3 Operations and Maintenance (O&M)

The Eligibility Criteria for qualifying to receive the O&M package are as follows:

- Does the municipality have a structural plan or a basic town map that is no more than five years old?
- Does the municipality maintain a detailed and updated register of fixed assets?
- Does the municipality include the maintenance and operation item (for roads and public buildings) in its annual budget?
- Confirmation of the presence of an information technology employee.

The O&M package aims to encourage municipalities to allocate budget for operating and maintaining their fixed assets, primarily focusing on roads and public Buildings as they are registered in their updated fixed assets. The O&M package includes the following activities:

  - Physical Inspection for Roads & Public Buildings.
  - IT Assessment.
  - Hardware Supply and Installation
  - O&M Software

The implementation approach consists of:

- Data Entry on the O&M software.
- Preparing a base-map from the updated master plan.
- Coaching the selected municipalities.

Conducting a physical inspection of roads and following procedures, forms, and templates from the updated O&M manual. This inspection will help establish the O&M database for each selected municipality. The O&M Software provides the “Priority Index” which is an effective tool for prioritizing budget expenditure based on the most urgent and relevant projects. This approach helps avoid relying on inaccurate guesses or biases from those responsible for operations or maintenance. The O&M software efficiently manages the municipalities Fixed Assets including the electronic equipment. MDLF is seeking to include all the fixed assets in the O&M software to eliminate the need for the use of excel sheets.

Fixed Assets Valuation and Registration would provide technical support to Newly Formed municipalities in registering all municipal assets and valuation of the assets and would provide training on assets registration and update of the registration. More specifically FARV will:

- Assist municipalities in registering their fixed assets.
- Valuate the registered fixed assets using the methodology and the standardized

price list which were prepared by MDLF for this purpose.

- Collect all necessary information on each item of fixed assets, as stated in the fixed assets manual and valuation methodology.
- Compile a comprehensive fixed assets register according to specific forms provided by the methodology manual.
- Train municipality staff with the needed procedures to register and update fixed assets.
- Update the standard price list which will be used for establishing the replacement cost.

5.4 Citizen Service Center (CSC)

The Eligibility Criteria for qualifying to receive the CSC package are as follows:

- The number of services provided by the municipality exceeds 10 services.
- The number of municipal employees is no less than 12, with at least five employees dedicated to providing municipal services to citizens.
- The municipality's readiness to "allocate/employ" the necessary staff to operate the civil services center in accordance with the guideline issued by the MOLG and the MDLF, considering the diversity of the team: social gender.
- Confirmation of the presence of an information technology employee.

MDLF will continue to establish Citizen Service Centers (CSCs) under MDP4 with a modified concept based on lessons learned, focusing on the following key aspects:

- Reducing processing time: Streamlining citizens' applications and complaints to enhance efficiency and transparency in service delivery.
- Automating services: Setting a solid platform for future e-government and e-municipality initiatives.
- Optimizing procedures: Enhancing the management of public services by integrating IT solutions to increase the efficiency of service delivery.
- Enhancing resilience: Supporting municipalities during emergencies and enabling efficient communication between citizens and municipalities.
- Consolidating services: Providing all municipal functions under one roof for easy access and communication.
- Supporting vulnerable groups: Ensuring the inclusion of services for women, divorced women, children, and people with disabilities.

These improvements aim to increase debt collection, service response efficiency, and streamline bureaucratic processes while reducing mismanagement and corruption. Overall, the updated CSC concept will better serve citizens and strengthen municipalities' resilience during crises. In MDP 3, MDLF enhanced the CSC system by incorporating an Electronic

Document and Records Management System (EDRMS) with archiving capabilities, streamlining document and record handling through a pre-defined lifecycle and workflow. For MDP 4 implementation, considering the size of the municipalities in the West Bank and Gaza, the focus will be on supporting municipalities with existing CSCs (old systems) that need upgrades, as well as those seeking to establish a new service center with the aforementioned features.

Briefly, this package includes the following essential activities:

1) Design of the Physical CSC.
2) Construction and renovation work for CSC.
3) Provision furniture for the CSC.
4) Institutional and business process management assessments to enhance municipal responsiveness for citizens.
5) IT Assessment to optimize the needed equipment.
6) Supply IT Hardware equipment's to operate the CSC.
7) CMIS – Citizen Management Software.
8) Printings Citizen charter and Guidelines would inform municipalities, citizens and NGOs of their respective obligations, duties, and rights.

5.5 E-Municipality (E-Mun)

The Eligibility Criteria for qualifying to receive the E-Mun package are as follows:

- An Integrated Financial Management Information System (IFMIS) is in place.
- A Centralized Services Center (CSC) exists.
- The number of customer subscriptions for services in the West Bank should be at least 1000, and in Gaza, it should be at least 3000.

E-Municipality focuses on transforming local government interactions with the community through the use of information and communication technologies. MDLF aims to create a more dynamic government with increased citizen involvement by leveraging digital tools. This approach seeks to enhance local participation, build trust, and address implementation challenges commonly found in developing countries. For local government to discharge their duties effectively, municipalities must be able to use information effectively, mobilize data intensively, and share the data with the public.

The E-Mun package aims to:

1. Leverage ICT to provide municipal service information to citizens and municipalities, while integrating with CSC & IFMIS.

2. Showcase modern ICT applications in government-to-citizen interactions across multiple electronic channels.
3. Improve e-maturity, moving from informational to transactional levels, enabling two-way electronic interactions between citizens and municipalities.
4. Strengthen cultural and institutional capacity for managing service delivery across multiple electronic channels.
5. Raise public awareness about the internet and electronic channels as secure means to interact with public institutions. These steps lead to additional efficient debt collection and increase the efficiency of service response.
6. Support transparency, providing functional means for municipal management to communicate electronically with citizens and enhancing resilience during emergencies.

The E-Mun package depends on the verification of the IFMIS /CSC dataflow and data correction. It helps the municipality to verify the data structure of their own local systems and expand the scope to include vulnerable groups (women, divorced women, children handicaps, etc.). The package includes the following essential activities:

1) Readiness Assessment on E-Mun municipalities.
2) Optimized citizen service delivery to measure responsiveness electronically.
3) IT Assessment to optimize the needed.
4) Supply IT Hardware equipment's to operate the ECPS.
5) ECPS – Electronic Citizens portal Software.
6) E-Mun Mobile Application
7) Advertisement and Printings materials.

5.6 Citizenship and Social Inclusion (CSI)

Overview:

The Citizenship and Social Inclusion (CSI) initiative under MDP4 aims to foster social inclusion within local authorities by encouraging the effective engagement of citizens and community groups in planning and service development. This transformative process aligns with the "leave no one behind" principle, a cornerstone of substantial development goals.

At the commencement of the project, the exact scope of implementation will be established by developing necessary policies and procedures. This process will outline several concrete steps and strategies, thereby defining the required tools and setting out the roles and responsibilities of all stakeholders.

The initiative will be implemented across all municipalities in the West Bank and Gaza Strip in the two cycles of MDP4. Municipalities will be selected impartially based on their size, ensuring a mix of small and large municipalities. with no specific conditions, criteria, or applications required. The first cycle will target half of the municipalities, with the remaining half included in the second cycle.

The approach will foster the development of social policies and service delivery planning by municipalities and local communities. The goal is to empower Local Government Units (LGUs), enhance good governance, and boost transparency and efficiency in public service delivery. The MDLF will contract with civil society institutions to facilitate various activities, including capacity-building training, awareness campaigns, and the development of assessment tools and methodologies.

The Environmental and Social Management Framework (ESMF) and the Labor Management Plan (LMP) will guide the selection of contractors and the overall implementation of the initiative.

Specific objectives

- Enhancing local democracy and widening civic participation.
- Improving services delivery in the municipal sector.
- Develop social inclusion strategy that creates mechanisms and tools to oversee the implementation and evaluation of social inclusion practices.
- Support services delivery for disadvantaged communities.
- Mainstreaming gender equality in the municipalities and increasing women's participation in the decision-making process.
- Support the mechanisms to increase municipalities' responsiveness to citizens' complaints and build their capacity to utilize data to improve municipal services.
- Enhance youth leadership skills and participation to lead community initiatives and promote social accountability and civic participation in the local governance.

Briefly, Citizenship and Social Inclusion package includes the following minimum outcomes:

a. Improve responsiveness to complaints through the following activities

- Enhance the capacity of community services centers to assess the responsiveness to complaints and identify the gaps in responsiveness.
- Support the municipalities to utilize the data and develop more appropriate and efficient responsive mechanisms.

- Integrate Human Central Design methodology in municipal services, and provide the engineering department staff with knowledge, concepts, and practices to utilize HCD in the design and provision of the services.
- Support municipalities to develop mechanisms and tools to assess citizen satisfaction and reflect concerns and feedback in the provision of the services.
- Enhance the municipality's capacity to monitor and evaluate the framework of municipal services and impact and increase information dissemination.

b. Mainstreaming gender equality in the municipalities

- Conduct Gender Audit in the targeted municipalities, identify the gaps, propose gender equality indicators, and develop baseline data relevant to gender equality and women's integration.
- Provide training and raising awareness sessions about gender equality.
- Develop gender minimum standards for the municipal sector including municipal services.

c. Strengthening engagement of people with disabilities in the municipalities through series of actions

- Conduct awareness campaigns about PWD's rights, needs, and accessibility to the public services.
- Support community initiatives to improve services delivery for people with disabilities.
- Development of minimum standards for disabilities in the municipal services.

d. Increase interactive portals and events through innovative tools and digital media.

e. Enhance youth engagement and build leadership skills for youth to lead community initiatives.

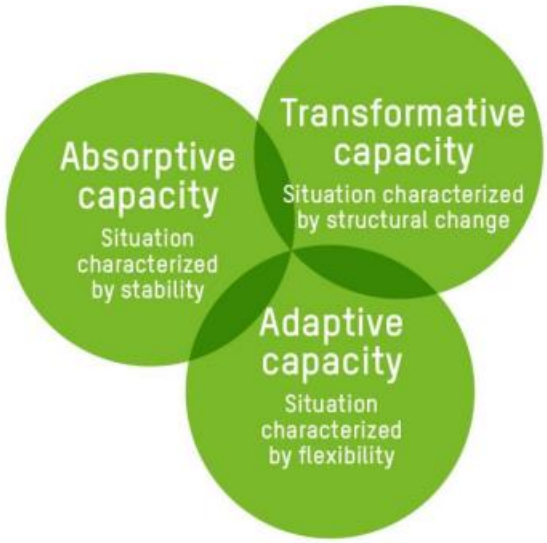
f. Increase social dialogue between the municipalities and various social groups including vulnerable groups, women and people with disabilities, and enhance community groups to develop social policies and implement social accountability tools.

g. Mainstreaming disclosure within the targeted municipalities.

- Building the capacity of targeted LGU's on discloser processes.
- Build and develop disclosure plans for each municipality.
- coaching on implementation of discloser plan.
- developing performance indicator index regarding discloser process

5.7 Resilience (R)

Resilience refers to the ability to act and adapt in the face of adversity or constraint and is the result of a complex interplay of risk and protective factors. In the context of disaster risk management, resilience is the ability of a system, community or society exposed to hazards to resist, absorb, accommodate, adapt to, transform and recover from the effects of a hazard in a timely and efficient manner, including the preservation and restoration of its essential basic structures and functions through risk management. Disasters are becoming increasingly frequent, calamitous, and expensive. The constant increase of disasters and more exposure of people, facilities, built environment and assets are alarming indicators for strengthening disaster preparedness to response and ensuring that capacity planning are in place for effective response and recovery at emergency level. Ad hoc and an unplanned capacity planning by municipalities in disaster events, like in the past corona virus period, can result in further losses or exacerbate the disaster-stricken population.



Resilience capacities

Capacity is broken down into three closely overlapping capacities - these are absorptive, adaptive and transformative capacities.

MDLF will create and implement a capacity building component in MDP4 to create knowledge and practice for building resilience at the local level. The target outcome is to lay the foundation for integrating resilience in local governance through the production of technical knowledge, information, and guidelines and the conduct of the corresponding institutional capacity development. This package aims to develop and enhance the institutional capacity of municipalities for more accountable and sustainable service delivery. In addition to address the impact of the public health emergency, the

aim is to contribute to the long-term resiliency of the affected municipalities and provide relief to vulnerable communities during the crisis.

While providing municipalities with the resilience package in MDP4, MDLF will use the documentation that have been prepared in MDP3 in cooperation with Al-Najah university and National Disaster Risk Management Center (NDRMC), namely the Multi-Hazard Risk Assessment and Mapping, the Guidelines on Local Resilience Planning, as well as resilience standards for critical infrastructure.

Note that 20 pilot municipalities had their resilience plans ready. In MDP4, there is a need to rollout the resilience plans to another 40 municipalities. If the projected resilience plans are completed on time in cycle 1, it could be implemented in component 1 in cycle 2, meaning they could be financed by the second cycle grants. MDLF will support municipalities in the preparation of works and designs to guarantee the technical adequacy of the risk mitigation infrastructure, in accordance with international best practices. IDTA will include soft risk mitigation activities, addressing municipal governance and behavioral issues for hazards (floods, earthquakes, winter storms, etc.). Resilient capacity planning concept implementation will help local community to reduce impact of climate change and disaster risk, and increase safety management.

This package includes the following activities but not limited to:

- Develop and roll out resilience plans for another 40 municipalities.
- Organize training on resilience methodology.
- Facilitate and ensure integration of resilience planning in the strategic development and investment plans (SDIP) of the municipalities.

5.8 Climate Change (CC)

Environment and climate change and adaptation are being considered as rather general cross-cutting topic in the implementation. Due to the numerous challenges the Palestinian state and the society are facing, environment & climate are usually not among the top priorities. Nevertheless, climate risks are extremely significant and will compound current and future development challenges.

The Palestinian territories are exposed to a range of natural hazard risks, and these will likely increase due to climate change in the coming decades. The territories are exposed to various hydrometeorological and climatological events which include extreme temperatures, floods, flash floods, forest fires and severe storms (especially winter storms). climate change is expected to significantly affect the territories' climate and is likely to make extreme hydrometeorological events more frequent and severe, this will significantly impact human, animals, health, agriculture, water resources, and ecosystem.

MDLF will pilot the introduction of the natural hazard and climate change risk informed subprojects, delivered under the planned 60 resilience plans, into the municipal SDIPs. This will result in the identification, design and construction of climate resilient roads, street lighting, solar panels for buildings and water distribution, flood risk mitigation works, etc. Other expected activities could include as part of mitigation activities, energy efficient building rehabilitation, rooftop solar energy, solid waste management, urban nature-based solutions like green roofs, green corridors, urban farming, urban parks and forests. These investments can also support climate adaptation, helping cities to combat the urban heat island effect.

The package is designed to build the capacity of the MOLG, MDLF, and municipalities in climate change and natural hazards. Different stakeholders that play an important role in planning, designing and implementing the climate change interventions will be targeted, such as decision makers, urban planning professionals, MDLF engineers, responsible departments in the Palestinian municipalities...etc.

The capacity building activities will include conducting of trainings, workshops, orientations, awareness campaigns and debates, and may cover the following main topics:

- **Introduction to climate change and resilience for urban planning**: this includes an introduction to the legal and institutional framework as well as the challenges of climate change for Palestinian urban areas. It discusses main existing programs and plans for the sectors, elaborates a stakeholder background, explain the main entry points for action to enhance urban climate change resilience as: access to information, urban planning tools, enhancing infrastructure and services, energy efficiency, water harvesting and stormwater management, public awareness, role of private sector and reflects on the possibilities to improve the administrative processes for improving climate resilience with respect to Palestinian municipalities.

- **Greening and maintenance of urban green spaces:** This includes the needs and possibilities of urban greening / landscaping of cities and the requirements with respect to species, the maintenance and sustainability of urban green spaces and possibilities of rainwater management and rainwater harvesting techniques. Specifics about alternative landscaping and functionalities such as green belts, green roofs, and vegetation engineering.

- **Mobility and its requirements for urban design:** this includes the classification of the hierarchy of streets, the needs and types of mobility, the design of streets as urban green areas and the requirements for mobility improvement, challenges, and requirements for a climate resilient mobility planning.

- **Green cities:** this includes renewable energy, green building retrofitting, green public spaces, and solid waste management interventions. An Enhancement information and sensitization on green building concepts / capacity building for interested stakeholders on green building concepts.

6. Capacity Development of MoLG, MOF and MDLF

Under this domain of Capacity Development, MDLF is Recognizing the importance of a unified understanding and shared action, we, at MDLF, are planning to organize a roundtable meeting that brings together all relevant stakeholders. The objective of this meeting is to collaboratively delineate necessary actions, specify roles and responsibilities, and establish a clear vision of the implementation process. Our ultimate goal is to create a comprehensive roadmap for executing the activities laid out in this section by Q1 of 2024. We firmly believe that this collective approach will enhance alignment among all stakeholders, ultimately driving the successful implementation of these crucial initiatives.

6.1 Developing a National-Level Municipal Finance Information System

MOLG has developed a Municipal Finance Data Portal (Bawaba) in which municipalities are beginning to submit their annual financial and budgetary data. The system now has partial year data for 2021 and is expected to have complete fiscal year data starting in 2022. MDP4 will support MOLG by developing an analytical tool that will help to analyze the data, improve evidence-based policy making, and enable in-country and cross-country comparisons for municipal performance benchmarking purposes. The system will carry over many of the elements of the project-based performance monitoring system (GAM) established under the MDP series with the aim of mainstreaming and institutionalizing the municipal data collection and performance monitoring elements applied to annual budgetary cycle monitoring by MOLG.

6.2 Preparing an Operations Manual for the IGFT at the national level

To improve the efficiency and transparency of Integrated Grant Fiscal Transfer (IGFT) operations, the project through TA would draw on international best practices to support the PA in drafting and formally adopting operational guidelines that would govern the IGFT. It would detail the procedures, roles and functions of different entities, allocation formula for fiscal transfers, timetable and calendar for financial flow transactions, and annual reporting. This subcomponent would also support the PA in producing an Annual Report2 format for the IGFT to improve transparency and accountability.

6.3 Monitoring LGU Net Lending

This subcomponent will support MOF, MOLG and other PA agencies in developing strategies, processes and systems to address the monitoring of LGU net lending. It involves involve the use of existing data and electronic platforms to support the LGU Net Lending Program, including training workshops and preparation of guidelines and manuals for monitoring LGU arrears. Additionally, the program will provide customized support to any chronically distressed municipalities with high stock/flow of arrears and help them to develop municipal financial distress workout plans.

6.4 Identifying policies to increase LGU Own-Source Revenues (OSR)

Analysis will be conducted to develop a detailed picture of municipal OSR with policy recommendations on strategies for strengthening collection effort, broadening local revenue assignment, and ensuring LGUs have OSR commensurate with their expenditure authorities and fiscal transfer allotments. Agreed reforms will be reflected in a time-bound action plan to ensure impact. This TA will also support MOF and select municipalities focus on ways to improve property tax collection, including implementation of the pilot devolution of property tax collection to municipalities.

6.5 Rationalizing LGU Functional Responsibilities

TA would be provided to explore options for developing a more sustainable LGU system and transition away from a project-specific model. Specifically, TA would support rationalizing LGU functions, update LGU classifications, and explore ways of mainstreaming and institutionalizing LGU project performance criteria into a conditional grant facility within the IGFT system. Best practices from other relevant countries will be used for benchmarking and model development suitable in the Palestinian context.

6.6 Support for MDLF Transition

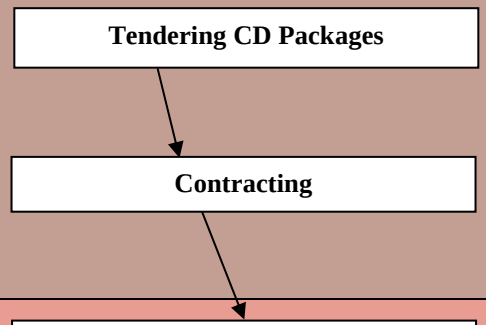
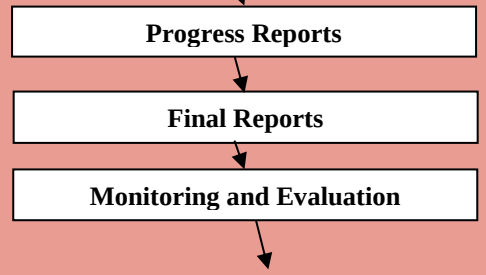
To date, MDLF has performed primarily a grant administration function since its establishment in 2005. Under this sub-component, TA would be provided to MDLF to explore new frontiers in fulfilling its mandate of improving LGU efficiency and financial sustainability. Specifically, market studies and different financial instruments will be considered, drawing on international good practice, that will identify options for improving municipal access to market-based

finance, possibly through a credit enhancement facility or risk guarantee instruments.

Part Two: Flow Chart – CD Operations

Phase	Activity	Responsibility	Tools / Forms	Output	Time Frame
Phase One: Preparation Phase	**Design and develop CD Packages**	IDTA Team – Design IDTA Manager -- Review GDO – Revision	--	**Documents for each of the Technical Assistance Packages:** This will include at least the following: - Draft TOR for each package. - Invitation for Application form - Draft CD Application form - Draft GIA's - Proposed No. of municipalities to be targeted by this TA package. - Orientation Materials in parallel with CD Application forms.	**First two months of the cycle**
	Conduct Orientation Workshop for Each Subgroup of Municipalities	IDTA Team – Design, Execution. IDTA Manager – Review and approval DO – Revision and approval.	Orientation Invitation Letter (CD-F-03) Orientation Presentation Materials (CD-F-02)	- Orientation Invitation Letter - 4 Workshops (North, Middle, South, Gaza) - Municipalities possess knowledge about the CD application forms, the process of applying for them, and the essential documents required for a successful CD application.	

Phase	Activity	Responsibility	Tools / Forms	Output	Time Frame
Phase Two: Technical Evaluation	**Announce "Request of Applications"**	IDTA Team	invitation for Application (CD-F-01)	- Invite municipalities to apply.	3 months after Phase 1 cycle is completed
	Submitting Application Forms by Municipalities	Municipality Submission of the Application. IDTA Team – ensure acknowledgment of the Receipt of the application	Application Form (CD-F-04) Acknowledgment of Application Receipt Letter (CD-F-05)	- Receiving applications from municipalities - Send Acknowledgment of Receipt Letter - Prepare evaluation committee for evaluation of the received application forms.	
	Evaluating Applications	IDTA Team IDTA manager GDO GD	Evaluation Report (CD-F-05) Acknowledgment Letter about status of application (CD-F-06)	- Evaluate Application Forms received from municipalities. - The Evaluation Committee prepares the Evaluation Report, and group Municipalities according to geographical location for each package. - Inform municipalities about their initial approved packages, and their right to appeal.	
	Signing GIA Agreements	MDLF GD and mayors	GIA (CD-F-11)	- Signed GIAs	

Phase	Activity	Responsibility	Tools / Forms	Output	Time Frame
Phase Three: procurement Phase		MDLF & LGUs	Request for No Objection to Award	- Commitments to applying ESMF. - Commitments to applying LMP. - Contracts	3 months after Phase 2 of the cycle
Phase Four: Implementation Phase		MDLF follow-up implementation by municipalities and Consultants through different communication channels, and field visits when needed.	Milestone Progress Report - Municipalities (CD-F-10) Final Report (CD-F-12) Field visit form (CD-F13)	Periodic Progress Reports of the Implemented Projects	from the ninth month to last month of the cycle
Phase Five: Close-up Phase		IDTA team in coordination with M&E staff will conduct an overall evaluation for the program cycle	--	Evaluation report	One last month after Phase 3 of the cycle

Part Three: Detailed Description – CD Operations

The Capacity Building Operation Cycle is a structured process that ensures a systematic and thorough implementation of the program's objectives. ***It is important to note that the steps mentioned below are subject to revision and may change as part of the ongoing optimization process for the entire operational process of MDLF, including the automation of internal operations activities. The final optimization processes will be updated in the manual.*** Nevertheless, this cycle consists of five essential steps, each building upon the previous ones to achieve impactful, sustainable, and measurable outcomes. These steps are:

1. Preparation Phase

This initial phase prepares the groundwork for the Capacity Development (CD) Packages implementation. In this phase, the IDTA team designs, develops, and finalizes the CD Packages, preparing necessary documents for municipalities, including draft forms for each Capacity Building Package. Information regarding the CD packages, their conditions, and requirements is also disseminated. This phase, which takes approximately two to three months, culminates in orientation workshops for municipalities, segmented into four subgroups in the West Bank (North, Middle, South) and one in the Gaza Strip.

1.1 Design and develop the CD Packages

- In this stage the IDTA Team will design, develop, and finalize the draft forms for each Technical Assistance Package.

  This will include at least the following:

  1. **Prepare draft ToR for each package that includes:**
     - Background
     - Assignment Objectives
     - Assignment Scope of Work that includes Activities and tasks.
     - Implementation Methodology
     - Main deliverables
     - Duration and Level of Effort
     - Assignment Administration
     - Consultant Qualifications
     - Payments
  2. **Prepare draft “Invitation for Application” (IFA).**
  3. **Prepare & update the draft “Capacity development Application Forms -**

CDAF".

4. **Prepare Draft GIAs.**
5. **Orientation materials:**
   This step consists of two main activities:
   - Preparing necessary documents and presentation material.
   - Explaining the MDP support program / CD packages conditions and requirements.
   - The IDTA manager will review and finalize each draft document and send it to the GDO for his revision and approval.
   - The GDO will review the draft documents and discuss his notes with the IDTA manager.
   - MDLF may communicate the draft documents with related stakeholders such as MOLG and Donors to take their feedback.

1.2 Conduct Orientation Workshop for each Subgroup of municipalities

- The IDTA Team will coordinate with the Technical Department to conduct the orientation workshops.
- Split the 159 municipality into 4 subgroups in the West Bank (North, Middle, and South) and one in Gaza Strip.
- Send orientation invitation letters to municipalities.
- Deliver the orientation Explain the Application Form requirements per package to participating municipalities in the orientation workshops.
- Help municipalities in completing the application form and clarify the communication plan.
- Answer municipalities questions during workshops and consider their comments on application forms.

2. Technical Evaluation Phase

In this phase MDLF will ask municipalities to apply, evaluate their applications, and inform them about the capacity package that they will receive from MDLF. This Phase will take approximately three months.

2.1 Announcing "Request of Applications" (RFA)

- MDLF will send an invitation letter to municipalities to apply for the CD

packages.

- The invitation letter will be disseminated through email, while all municipalities will receive an electronic notification via the MDLF web application system. Moreover, it will also be published on the MDLF website.
- The invitation letter shall include the following:
  - Brief description of the MDP
  - Available CD Application Form (attached in annex 3) of packages, and submission conditions.
  - Asking municipalities to apply for the CD Application Form packages and informing them how they can obtain the application form and other related documents (download the Application form and other necessary documents from MDLF website or picking them directly from MDLF offices (in West Bank and Gaza Strip).
  - Deadline for application.
  - Specifying ways of submitting the applications, the submittal provisions, responsible persons to receive the applications, and any other applicable provisions at the time of the announcement.
- The IDTA team will be sure that municipalities receive the invitation letter within 4 days from the advertisement.

2.2 Submitting Applications by municipalities

Municipalities will submit CD Packages according to their needs and priorities:

- Each municipality - according to its rank, priority, and requirements - will select the appropriate CD packages.
- MDLF may request the service of LTC to help municipalities in completing the application form.
- Each municipality should complete the application form and provide all needed information and supporting documents.
- The municipality will submit the completed application to MDLF.
- MDLF will send the “Acknowledgment of Receipt” Letter to municipalities informing them that their application has been received.

2.3 Evaluating Applications

MDLF will evaluate the Application forms according to the following:

- GDO will prepare an **evaluation committee** to start the evaluation process.
- MDLF will **group** the municipalities into four different groups: One in Gaza, and Three in West Bank (north, middle, south).

- Evaluation committee **review and assess** all applications using the CD application assessment criteria provided per package. The CD application assessment annex attached to the application form contains further explanation for the assessment criterion. The revision and assessment process will take 4-6 weeks.
- The evaluation committee will prepare an initial evaluation report that is composed of initial packages results. Each CD package will contain the list of municipalities grouped by geographical locations.
- The evaluation committee will send the initial report to the GDO for approval.
- The GDO will send the initial evaluation report to GD for approval.
- MDLF will prepare a letter to be sent to municipalities to inform them about the package they will receive.
- Each municipality is asked to confirm its acceptance of the granted package and then will be notified for signing the GIA of the granted package.
- Results shall be published on the MDLF website.

2.5 Signing GIA Agreements

- IDTA team will prepare the GIA (attached in annex 4) for all municipalities.
- MDLF might conduct one signing ceremony for all municipalities or conduct separate signing sessions at MDLF for groups of municipalities.
- Two copies of the GIA must be prepared and signed. One copy for the municipality and the second copy for MDLF.

3. Procurement Phase

This phase involves the initiation of the procurement process, evaluation of proposals, and contract awarding, ensuring compliance with procurement manual instructions. The details of the procurement process are covered in the procurement operation manual. The Procurement Phase is expected to last up to three months, depending on the selected procurement method.

4. Implementation Phase

This Phase starts after the procurement phase, the ill end of the cycle.

- MDLF will ask the consultant (or service provider) to start the implementation or provision of services according to the signed contract.

- The consultant/provider shall start the implementation/provision according to the schedule provided in the contract.
- MDLF during the implementation phase shall ensure effective supervision of all quality control, technical, and financial provisions in accordance with the contract agreement, the technical requirements and MDP guidelines.
- MDLF during the implementation phase shall ensure verification and approval of payments requested by the consultant/provider in conformity with the signed contract.
- MDLF asks the consultant to prepare milestone progress reports (CD-F-10). Reports shall include progress of the work against the original working schedule, technical and managerial constraints, solutions, divergence from MDLF guidelines and justification, and payments request submitted by the consultant.
- The MDLF will process the payment requests according to the contract administration guidelines documented in the procurement manual. The IDTA responsible staff will prepare the payment request that has to be approved by the IDTA manager and the Director of Operations.
- The MDLF - during the implementation phase - shall monitor the work process and verify the output and the progress of the work to ensure compliance with MDLF guidelines and quality control.
- IDTA team staff conduct selective supervision visits to municipalities as needed, oversee the work implementation, and solve any arising constraints, ensure the quality control implementation and outputs.
- The IDTA team will update the achievements and percentages of disbursements in the IDTA Plan.
- Within thirty days from the contract item's completion date, the IDTA team will receive a project final report from the consultant.

  Such a report will include and verify the following:

  a. All deliverables of the project
  c. Approved variation orders
  d. Actual time schedule vs. contract time schedule
  e. Approved time extension
  f. Actual dates of payments to the consultant
  g. Documentation of all quality control measures.

5. Closure Phase

This Phase will take approximately one month.

- Upon completion of MDP cycle, the M&E department in coordination with the IDTA team will conduct an evaluation of the Impact of the Capacity Building packages. The purposes of such evaluation will be to:
    a. Evaluate the outputs against its objectives.
    b. Verifying that the project is consistent with the support program indicators.
    c. Meet with the benefited municipalities if necessary.
- A copy of the project evaluation report will be sent to the GDO & GD for revision and approval.

Part 4: Annexes (Attached Folders with the Manual)

Annex 1: Cities Resilience Scorecard (CRS) Bundle Files (Excel Sheets)

Annex 2: Detailed Key Performance Indicators (KPIs) Sheet

Annex 3: Demand-Driven Capacity Building Application Forms (Arabic)

Annex 4: Grant Implementation Agreements

END