



Municipal Development and Lending Fund

Municipal Development Program

(MDP III – Cycle1)

Terms of Reference

For

Implement Municipal Creditworthiness Self-Assessment Tool

for Selected Municipalities in West Bank & Gaza

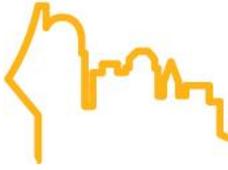
Assignment number 2.1.1.D9

April 2021



Track of TOR' development process

Version No.	Issuance Date	Changes	Status / Comments
V# 1	20/04/2021		Draft. And sent to GIZ for their no objection.
V#2	19/05/2021	Change the number of municipalities from 41 to 21. Accordingly, adjust the LOE and the number of the required team	Final as approved by GIZ  RE The TOR for Creditworthiness Asses
V#3	19/05/2021	Adding Qalqeila municipality as representative for the governate Qalqeila. Accordingly, the LOE has been adjusted.	Final



Introduction

The Palestine Liberation Organization, for the benefit of the Palestinian National Authority (PNA), has received initial financing of *91 Million* Euros from the World Bank-International Development Association (IDA), Central Government, KFW, Denmark, SDC, VNG, GIZ, and AFD towards the cost of the 3rd phase of the Municipal Development Program (MDP3).

The MDP3 is aligned with the PA's long-term strategy to consolidate and strengthen service delivery in the LG sector towards financially sustainable LGUs, as specified in the MoLG's Sector Strategy 2017-2022.

MDP 3 is at the center of a series of interlocking interventions by the multi-donors in collaboration with the central government to strengthen the institutional development, accountability, and financial sustainability of local governance and service delivery in Palestine.

The MDP3 will consolidate and scale up past gains under MDP 1 and MDP 2 in municipal performance, and accountability enhancement and will start enabling the environment at the central level and municipal partnerships with the private sector to improve the efficiency and sustainability of municipal services.

MDP III Project Components

Component 1: Municipal performance and Service Delivery. MDPIII is the third municipal development project to support and incentivize improvements in the development of municipal management capacity. Previous MDPs financed municipal infrastructure and service delivery through the provision of basic block and performance-based grants and provided demand-driven capacity development support for municipalities. This approach was very innovative in the design and has shown to be highly effective. The proposed MDP III would continue this overall approach while focusing more on improving financial sustainability and accountability in municipal service provision. Like MDPI and MDPII, municipal performance will be measured through Key Performance Indicators (KPIs), yet these have been substantially revised to reflect a greater focus on the sustainability of municipal services. Performance measurements will encompass three main areas of reform: i) Financial Performance and Sustainability, ii) Institutional Performance, and iii) Transparency, Accountability, and Participation.

Component 2: Capacity Development. This component of the project would continue to strengthen municipal capacity in the project's three performance areas: (i) financial sustainability, ii) institutional performance and iii) transparency, accountability and participation. Also, specific attention will be paid to the higher-order needs of municipalities that will enable them to improve their financial sustainability and creditworthiness, strengthening other core municipal functions as well as strengthen their social accountability to their citizens and stakeholders.

Municipal capacity development activities will continue to be identified by municipalities and MDLF to enable municipalities to achieve results and improve their performance. The performance measuring system will be applied to identify relevant capacity-building activities to the municipality, which will be delivered to improve capacity and sustain the results achieved.



Component 3: Municipal Partnership Projects. This component will provide technical assistance, and project financing to municipalities to a) engage more effectively with the private sector, and b) work across administrative boundaries to develop joint and innovative investments for municipal service delivery and local economic development. The Bank will finance only the technical assistance portion under Sub-component A.

Sub-Component A: Private Sector Partnership Support.: To better leverage private sector engagement, this component will support municipalities to identify, develop, and structure opportunities for private sector participation in municipal service delivery and local economic development on a demand-driven basis. This component will support municipalities to identify the potential modalities for private sector engagement, select the most relevant or appropriate modality based on feasibility, and design the implementation of the agreed modality. Specific areas for support would range from permitting and other processes to structuring private sector participation in infrastructure and service delivery (contracting out, joint ventures, special purpose vehicles, and build-operate-transfer agreements), as well as strategic land use planning and associated infrastructure development related to economic growth priorities. The component will be particularly important regarding supporting technical and human capacity development at the municipal level. This sub-component, through DP parallel financing, will also provide project financing to facilitate local economic development in cooperation with the private sector.

Sub-Component B. This sub-component will finance top-up payments complementary to the grant allocations under component 1 to incentivize municipal joint and innovative investments based on municipal demands to leverage economies of scale for municipal investments and facilitate financially sustainable municipal investments.

Component 4: Project Implementation Support and Management. This component will finance goods and consultant services for monitoring and evaluation, outreach and communication, and local technical consultants for the engineering supervision of Component 1 and the MDLF management fee.

The Municipal Development and Lending Fund (MDLF), as the delegated implementation agency, intend to use part of the Grant to contract a **specialized consulting firm** (the Consultant) to perform specific tasks under the contract entitled “**Implement Municipal Creditworthiness Self-Assessment Tool for Selected Municipalities in West Bank & Gaza**” at the selected municipalities in West Bank & Gaza as listed in **Annex 2**. (total **22 municipalities** divided into **two** clusters)

Background of the Assignment:

Almost all municipalities in the West Bank and Gaza looking for substantial investments in infrastructure, as most of them don't receive enough grants, as well as their resources, are limited. This shortfall requires that municipalities look for alternative funding sources such as borrowing, or face the prospect that infrastructure backlogs become insurmountable, with seriously negative implications for the quality of life and the economic productivity of the urban area.



In connection with the foregoing, the issue of searching for alternative finance through borrowing constitutes a new challenge for the Palestinian municipalities notably that the borrowing is classified as own resources because the municipalities must repay the loan from its resources. Moreover, their ability to meet its short-term and long-term financial obligation is questionable within the current political and economic circumstances.

In this regard, MDLF's interest in creditworthiness comes within the context of its accumulated effort to implement the national reform agenda through implement the base level of Capacity Support Packages to all municipalities. Whereas the creditworthiness represents the advanced capacity-building packages to those well-capacitated municipalities to enhance their capabilities to access market finance in the long run.

In light of the aforementioned, MDLF has recognized that the creditworthiness is sequential steps and needs preliminary steps to establish. Accordingly, the MDLF' interventions will be carried out gradually/in parallel to achieve continuous improvement through the following stages:

- 1) Deliver an orientation workshop to all municipalities to illustrate the creditworthiness' fundamentals i.e., a separate assignment could be implemented in parallel with the below assignment.
- 2) Implementing the self-assessment based on the tool that has been customized by MDLF to identify the areas that need improvement. That where the outputs of the assessment will be compiled on an action plan for each issue, specify what must be done or the outcomes required, timeframes and targets, and responsibilities and monitoring arrangements. i.e., **This assignment**
- 3) Subsequential to the self-assessment assignment, developing capacity-building packages that tackle the financial aspects in the action plan which may have an impact on empowering the municipalities' creditworthiness

The objective of the Assignment

To ensure sufficient starting for the subject of creditworthiness, MDLF intends to assess municipalities' financial health and to identify specific actions to improve their financial performance, financial management, and access to external financing (borrowing & donor funding).

In specific, the assignment aims to provide a basic overview of the many technical, management, and governance issues relating to municipal borrowing that include but not limited to:

- Identify and Prioritize Creditworthiness Challenges
- Create Preliminary Action Plan
- Develop capacity-building packages to empower the municipalities' creditworthiness based on the findings of the assessment, the **consultant** will analyze the common weakness of the municipalities that address the actions to be taken to enhance the municipalities' capacity and capability to become creditworthy.



Scope of Work

In realization of the objectives of the assignment, the following approach will be considered sequentially in implementing the assignment' activities as follow:

- Examine the self-assessment tool which has been customized by MDLF as the consultant will review the tool's documents thoroughly and do the necessary editing.
The tool' documents are linked to this TOR belongs to Annex 1
- Validate the tool to issue the final version of the tool before starting the implementation.
- Develop an orientation session (one session for each cluster) for presenting the user manual¹ of the assessment tool that targeting the municipalities 'financial team.
- Implement the tool and present the result of the assessment of each municipality in the form of a dashboard. i.e., the form is part of the tool.
- Identify the actions to be taken by MDLF to enhance the municipalities' capacity and capability to become creditworthy. i.e., Capacity Building Packages.
- Develop the TORs for the proposed CB packages.

The outputs of the assignment' activities are:

- Final Version (must be in Arabic) of the Creditworthiness Self- Assessment Tool.
- Successful implementation of the Assessment Tool. i.e., Assessment report of each municipality.
- Booklet for the proposed intervention by MDLF that including the TORs.

Based on the above, in close cooperation with the MDLF team, the following activities will be rendered.

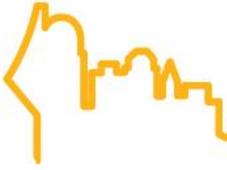
Task One: Preparation for the Tool Implementation

Studying the assessment tools thoroughly by the consulting team is a preliminary step to achieve a successful assessment. Whereby, the validation of the tool is essential to recognize the indicators realism of the outputs and realize the reasonability of the proposed action plan. And, also grasping all potential challenges and obstacles and how to overcome them, notably that the target municipalities do not follow a unified financial basis in treating their financial operations.

In liaison with the above context, the following activities will be carried out as follow:

- 1) Review all material related to the assignment that including but limited to:
 - The user guide for implanting the assessment tool
 - The three parts of the assessment tool
 - The Chart of Accounts (COA)

¹ The user manual is part of the assessment documents which will be provided to the consultant.



- 2) Validate the assessment tool in two municipalities. i.e., the selected municipalities will be nominated by MDLF.
 - 3) Present and discuss the result of the validation test for the assessment tool with all relevant staff of MDLF.
 - 4) Based on the validation result, perform the necessary editing and finalize the tool.
 - 5) In line with the above step, discuss the final version of the tool with the MDLF, get feedback, and amend accordingly.
 - 6) Finalize a new updated version of the creditworthiness assessment tool that including the translation to Arabic. **The final version must be in Arabic.**²
 - 7) Develop and deliver a one-day presentation session for each cluster (targeting the municipalities' financial team in West Bank & Gaza) about:
 - The role of each of the stakeholders in contributing to fulfilling the objective of this assignment as well as the consultancy's tasks & activities will be performed.
 - Background about the tool that including the benefit of implementing such tool.
 - The structure of the tool
 - The process of implementing the tool, as the trainees must practice the tools with some dummy figures for a specimen of accounts will be identified by the consultant.
 - 8) Develop the Implementation Plan by dividing the team into two clusters that work in parallel for performing the assessment.
- ✓ **Presenting the process of implementation should be based on practical exercises i.e., the validation data.**
- ✓ **The presentation material should get prior approval from MDLF.**

The output of this task:

- I. The Inception Report;
- II. The final version of the assessment tool; i.e., validation report
- III. Progress Report that including the orientation material and the accomplished activities of the workshops.

Task Two: Implement the Creditworthiness Assessment Tool

- 9) The consultant will perform the assessment in the location of each municipality within the following key assumptions:
 - The team of the consulting company must be able to work in parallel in multi-physical locations. i.e., at least in six locations at once.

² The customized tool by MDLF is developed in English as the selected consulting company will translate it to Arabic.



- The assessment will be performed based on the user guide of implementing the tool and the final version of the assessment tool.
 - Coordinate with each municipality to notify them of the required data for each part of the assessment separately.
 - Ensure that the assigned team of each municipality understanding the required data of each part.
 - Verify the received data in terms of matching the criteria of assessment and covering the examined period of assessment.
 - The municipality must attest their responsibility for their provided data as well as attest their acknowledgment for the result of the assessment on the dashboard sheet.
 - Performing the above required multi visits to each municipality.
- 10) In order to complete the assessment task effectively, the consultant will develop a register for tracking the steps of implementing and monitoring the progress of each assessment as MDLF will be able to respond on the spot for the unresponsive from the municipality side. This report should be updated accumulatively and submitted to MDLF biweekly.
- 11) After completing the data collection and verifying the inserted data, the consultant will re-read the evaluation results from the angle of analyst aspect to verify the realism of the results and their suitability for the proposed action plans against each set of results. i.e., for each municipality
- 12) Based on the assessment's findings, the consultant will consolidate the results of the three parts of the assessment in a dashboard sheet that aggregating the proposed plans and interpreting the results of the creditworthiness assessment. i.e., for each municipality
- 13) After completing the assessment, the consultant will present the findings of the assessment in a discussion session with the MDLF relevant team. This will be followed by developing a comprehensive assessment report that includes the following:
- Cover Report that summarizing the achieved progress with a detailed table for the conducted meetings to accomplish the assessment.
 - Separate electronic folder for **each cluster** that including a **sub-folder for each municipality**;
 - The folder of each municipality comprises the three parts of the assessment tool along with the dashboard report (as specified in the user guide);
 - A hard copy of the dashboard report must be signed and stamped by the municipality.

The output of this task:

- I. The Comprehensive Assessment Report as the assessment report of each cluster can be submitted partially and the cover report will be submitted along with the last accomplished cluster;



- II. Progress Report that including the updated accumulatively track register of assessment progress.

Task Three: Develop a Booklet for the proposed intervention by MDLF

After completing the second task successfully, the consultant will analyze the common weakness of the municipalities and develop a booklet of the proposed intervention by MDLF. Accordingly, the following activities will be carried out as follow:

- 14) Develop a consolidated sheet for the resulted dashboards of the assessment that including the common weakness and the actions to be taken within the mandate of MDLF.
- 15) Develop outlines for the proposed intervention by MDLF that identifying the subject of intervention, the objective, the targeted municipalities, and the duration.
- 16) Develop and deliver a presentation session for **the consolidated dashboard** of all achieved assessments that addressing the actions to be taken by MDLF to enhance the municipalities' capacity and capability to become creditworthy. The presentation will include also the outlines of the proposed intervention by MDLF.
- 17) Following the above session, MDLF will identify the subjects of the capacity building which will be executed. Accordingly, the consultant will develop the TORs for the identified subjects of MDLF intervention.
- 18) Each TOR must include but not limited to the following:
 - The subject of the assignment
 - Background about the assignment
 - The objective of the assignment
 - Scope of work with identifying the required deliverables.
 - The Qualification of the consultant (either individual or firm)
 - The level of effort & the proposed duration of the project.

The TOR must be organized into steps, avoiding long and complex sentences.

The output of this task:

- I. Booklet for the proposed intervention by MDLF that including the following:
 - The presentation material (as specified in step # 15)
 - The outlines of the proposed intervention y MDLF
 - Summary of the discussion result with MDLF that including the subjects of intervention as identified by MDLF.
 - The TORs for the final identified subjects of intervention. i.e., the proposed CB packages.
- II. The final report.



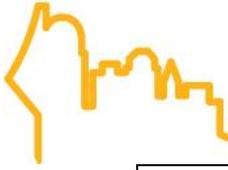
Consultant Qualifications:

The consulting company must have profound experience and credential records **for the last five years in public finance, institutional development, and financial assessment.**

And, proven engagement management and service delivery approach to conducting the assignment within organized phases and stages.

The consulting firm must provide the expertise and team of experts with the below qualifications to be able to implement the assignment:

Title	Qty	Qualifications
Team Leader	1	<ul style="list-style-type: none">• Hold a professional degree in accounting (CPA/ACCA/CMA or Master in Accounting) or any other related field.• At least 12 years of experience in the financial and accounting field.• Has previous experience as a team leader in similar assignments.• Demonstrated knowledge and experience in analyzing financial data and create financial models for decision support.• Demonstrated experiences in analyzing results, perform variance analysis, identify trends, and make recommendations for improvements.• Strong quantitative and analytical competency• Demonstrated skills in facilitating stakeholder/working group consultations and training.• Relevant regional and international experience will be an added advantage.• Demonstrated skills in working with public sector accounting concepts and procedures, as well as with international best practice rules and procedures• Have extensive experience in training communication, presentation and negotiation, and leadership skills; especially with the training of trainer's methodology.• Possess strong analytical, communication, and management skills, as well as solid mediating and consensus-building skills.• Fluent spoken and written Arabic and a good working knowledge of English is a must.
Municipal Financial Expert (at least one expert is required for	8	<ul style="list-style-type: none">• Hold a professional degree in Accounting or any other related field.• At least 10 years of experience in the financial and accounting field.• Prove a record of prior work experience in the field of training for senior levels for at least 5-7 years.



three municipalities)		<ul style="list-style-type: none">• Have prior experience in the field of municipal financial management.• Demonstrated knowledge and experience in analyzing financial data perform variance analysis and identify trends.• Proficiency with Microsoft Excel with data query/data management tools.• Demonstrated ability to interact effectively with individuals at senior levels of government ministries and departments.• Considerable relevant work experience in teaching the assignment' subjects would be a particular advantage.
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In addition to the core above expertise, the Consulting firm possesses enough administrative, logistical, and financial management capacity.

The above is subjected to the availability of the team who will perform the assessment in the two clusters. i.e., at the same time in both West Bank and Gaza Strip.

Communication

- The Consulting company should maintain continuous and timely communication with MDLF to ensure the rapid transmission of all information.
- The team leader should attend bi-weekly meetings as requested by the MDLF.
- The consulting team must adhere to the protocol of communication assigned by the MDLF project coordinator.

Deliverables, timeline, and level of effort:

The estimated level of effort for performing this assignment is **99** working days within a total duration of **four months** will be distributed over the required team.

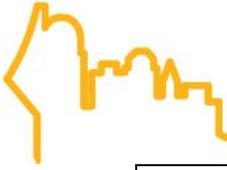
The consulting firm is expected to accomplish the tasks associated with this assignment within the designated timeframe. The table below provides the required team structure to accomplish all project tasks:

Expert	Total	WB Clusters	Gaza Cluster
Team Leader		1	
Financial Expert	6	5	1
Total		7	



The Consulting company is expected to provide the following reports and deliverables for MDLF review and approval:

Deliverables	Due Date
<p>Deliverable #1: An Inception Report setting for the proposed work plans. This report should be in English. The inception report should be prepared and agreed upon at the end of the second week of the assignment and will include the following:</p> <ul style="list-style-type: none">• Detailed scope of the assignment• Work plan (Schedule plan) for the main deliverables and the activities• Milestones plan for the deliverables• Communication plan with the different project stakeholders• Provide the form of the monthly progress report.• Anticipated risks and obstacles and the response activities	two weeks after signing the contract.
<p>Deliverable #2: Validation report that including the final version of the assessment tool.</p> <p>The report should be in English and the final version of the creditworthiness assessment tool should be in Arabic.</p>	Four Weeks after signing the contract
<p>Deliverable #3: The progress report must include but not limited to:</p> <ul style="list-style-type: none">• Summary of the activities which have conducted during the reporting period within the context of the scope of work. And, obstacles encountered during the reporting period.• Documenting the changes in the implementation of the assignment.• Updating the work plan on a cumulative basis.	At the end of every task or upon request. i.e., biweekly.
<p>Deliverable #4: The Comprehensive Assessment Report as specified in task # 2</p>	Three Months from the commencement date
<p>Deliverable #5: Booklet for the proposed intervention by MDLF as specified in task # 3</p>	Three weeks after completing the assessment.



Deliverable # 6: The Final Report , would be prepared, summarizing the work done under this assignment, the obstacles encountered, lessons learned, outputs and achievements. And, propose recommendations.	One week after the end of the assignment' activities
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All deliverables shall be submitted in editable format as well as it should start with the objective of the deliverable, the proposed date for submitting according to the work plan, and a justification is required if the delivery date is overdue.

Consultancy Selection Method

The consulting firm will be selected based on the **CQS** method according to the procedures outlined in the MDLF Procurement Manual for procuring the services.

Contract Type and Payment Schedule

This is a lump-sum contract. Payments will be arranged according to the following:

- **Payment 1: 10%** of the total contract sum on submission of the Inception Report, acceptable to the MDLF.
- **Payment # 2: 50 %** of the contract value on submission of the Comprehensive Assessment Report, acceptable to the MDLF. ***Proceeding with this payment conditioned to the acceptance of MDLF to submitting and approving the Validation report. i.e., deliverable # 2***
- **Payment # 3: 30%** of the contract value on submission of the **Booklet for the proposed intervention by MDLF**, acceptable to the MDLF.
- **Payment # 4: 10%** of the contract value on submission of the **Final Report**, acceptable to the MDLF.

Project Administration

The Municipal Development and Lending Fund (MDLF) will be responsible for coordinating activities with the consulting team, processing payments, and acceptance the deliverables. The project will be managed by **Institutional Building and Technical Assistance Department Manager**:

Main Office: Al-Amal Bldg.
Mecca Street, Al-balou' RD
Al-Bireh, Palestine
Tel: 02- 2426610, Fax: 02-2420685
E-mail: info@mdlf.org.ps



Annex 1

The Tools 'documents could be downloaded through the below links.

The user guide for implementing the tool (Word File)

<https://drive.google.com/file/d/18gNdzYexig-en6bQcHQVw0LKWundDmc/view?usp=sharing>

The three parts of the assessment tool (Excel Files)

<https://drive.google.com/drive/folders/1gS047L3hjtnMBGOO093g8t9cxQSqYq5W?usp=sharing>



Annex2

✓ **West Bank cluster (total number of municipalities are 17):**

#	Mun. Name	Mun. Name	GOVERNORATE	Rank
1	Az Zababedah	الزبابدة	Jenin	A+
2	Jenin	جنين	Jenin	B
3	Qarawat Bani Hassan	قراوى بني حسن	Salfit	B++
4	Salfit	سلفيت	Salfit	A
5	Tulkarem	طولكرم	Tulkarm	B
6	Anabta	عنبتا	Tulkarm	B++
7	Aqraba	عقربا	Nablus	B++
8	Qalqilia	قلقيلية	Qalqilia	B
9	Nablus	نابلس	Nablus	B
10	Tubas	طوباس	Tubas	B+
11	Ramallah	رام الله	Ramallah & Albireh	A++
12	Beitunia	بيتونيا	Ramallah & Albireh	A+
13	Bethlehem	بيت لحم	Bethlehem	A+
14	Beit Jala	بيت جالا	Bethlehem	B+
15	Jericho	أريحا	Jericho	B++
16	AdDaheriyya	الظاهرية	Hebron	A+
17	Hebron	الخليل	Hebron	A+

✓ **Gaza cluster (total number of municipalities are 5):**

#	Mun. Name	Mun. Name	GOVERNORATE	Rank
1	Rafah	رفح	Rafah	B++
2	Khan Younis	خان يونس	Khan Younis	B+
3	Deir Al Balah	دير البلح	Deir Albalah	C++
4	Jabaliala	جباليا	North Gaza	C++
5	Gaza	غزة	Gaza	B++