

**Local Government Units Development and Lending
Fund**

**Financial Statements
For the Year Ended December 31, 2021**

Together with Independent Auditors' Report

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of the Local Government Units Development and Lending Fund (MDLF) which comprise the statement of financial position as at December 31, 2021, the statement of activities and change in net assets and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of MDLF as of December 31, 2021, the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of MDLF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing MDLF's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate MDLF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing MDLF's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MDLF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MDLF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the

related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MDLF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mazars
(Permit No. 203/2012)



Musa Abu Dieh
(Permit No. 223/1994)

Ramallah, Palestine
February 21, 2022

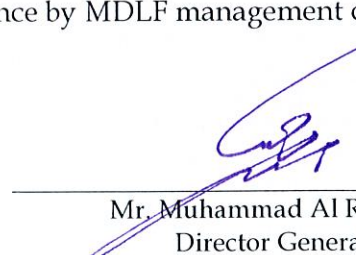
Local Government Units Development and Lending Fund
Statement of Financial Position
As at December 31, 2021
(Currency: USD)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>			
Non-current Assets			
Property and Equipment, Net	4	146,534	171,056
Total Non-current Assets		146,534	171,056
Current Assets			
Pledges Receivable	5	64,208,383	74,609,557
Prepaid Expenses and Other Current Assets	6	1,865,403	1,943,465
Cash and Cash Equivalents	7	55,201,382	57,594,494
Total Current Assets		121,275,168	134,147,516
Total Assets		121,421,702	134,318,572
<u>NET ASSETS AND LIABILITIES</u>			
Net Assets			
Restricted	8	94,196,162	112,599,491
Unrestricted		7,095,349	6,436,606
Total Net Assets		101,291,511	119,036,097
Non-current Liabilities			
Provision for Provident Fund	9	1,659,340	1,484,167
Provision for End of Service Benefits	10	1,945,212	1,919,528
Total Non-current Liabilities		3,604,552	3,403,695
Current Liabilities			
Accrued Expenses and Other Current Liabilities	11	16,525,639	11,878,780
Total Current Liabilities		16,525,639	11,878,780
Total Liabilities		20,130,191	15,282,475
Total Net Assets and Liabilities		121,421,702	134,318,572

- These financial statements were approved for issuance by MDLF management on February 21, 2022 and were signed on its behalf by:



 Mr. Eyad Othman
 Financial Manager



 Mr. Muhammad Al Ramahi
 Director General

The Accompanying Notes form an Integral Part of these Financial Statements

Local Government Units Development and Lending Fund
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(Currency: USD)

	<u>Note</u>	<u>2021</u>	<u>2020</u>
<u>Changes in Unrestricted Net Assets</u>			
MDLF Management Fees	12	5,284,479	3,499,463
Interest Income		579,448	410,365
Gain on Disposal of Property and Equipment		-	-
Other Revenues		6,349	-
Currency Variance Gain	14	-	1,436,244
Total Revenues, Gains and Other Support		5,870,276	5,346,072
Released from Restricted Net Assets	8	75,529,311	41,766,262
Total Revenues		81,399,587	47,112,334
Expenses			
Projects' Expenses and Management Fees	12	75,593,584	41,778,210
General and Administrative Expenses	13	2,964,222	2,926,831
Depreciation Expenses	4	53,863	78,494
Currency Variance Loss	14	2,129,175	-
Total Expenses		80,740,844	44,783,535
Net Change in Unrestricted Net Assets		658,743	2,328,799
<u>Changes in Restricted Net Assets</u>			
Grants and Donations	8	63,870,300	45,313,444
Net Assets Released from Restriction - Management Fees	8	(5,284,479)	(3,499,463)
Net Assets Released from Restriction - Projects' Expenses	8	(70,244,832)	(38,266,799)
Grants Written-off During the Year	8	(349,981)	(412,863)
Currency Variance	8	(6,394,337)	6,845,252
Net Changes in Restricted Net Assets		(18,403,329)	9,979,571
Change in Net Assets		(17,744,586)	12,308,370
Net Assets, Beginning of Year		119,036,097	106,727,727
Net Assets, End of Year		101,291,511	119,036,097

The Accompanying Notes form an Integral Part of these Financial Statements

Local Government Units Development and Lending Fund
Statement of Cash Flows
For the Year Ended December 31, 2021
(Currency: USD)

	2021	2020
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	(17,744,586)	12,308,370
<u>Adjustments:</u>		
Depreciation	53,863	78,494
End of Service Benefits and Provident Fund Expenses	574,986	769,294
Adjustments to Reconcile Changes in Net Assets to Net Cash Flow from Operating Activities:		
Decrease in Pledges Receivable	10,401,174	5,620,324
Decrease (increase) in Prepaid Expenses and Other Current Assets	78,062	(938,761)
Increase in Accrued Expenses and Other Current Liabilities	4,646,859	4,785,505
Paid Provident Fund Benefits	(161,687)	(70,115)
Paid End of Service Benefits	(212,442)	(73,078)
Net Cash Flow (Used in) From Operating Activities	(2,363,771)	22,480,033
<u>Cash Flows from Investing Activities</u>		
Purchase of Property and Equipment	(29,341)	(21,842)
Net Cash (Used in) Investing Activities	(29,341)	(21,842)
Net (Decrease) increase in Cash and Cash Equivalents	(2,393,112)	22,458,191
Cash and Cash Equivalents, Beginning of Year	57,594,494	35,136,303
Cash and Cash Equivalents, End of Year	55,201,382	57,594,494

The Accompanying Notes form an Integral Part of these Financial Statements

Local Government Units Development and Lending Fund
Notes to the Financial Statements
For the Year Ended December 31, 2021
(Currency: USD)

1. MDLF and its Activities

The Local Government Units Development and Lending Fund (MDLF) had been established according to Cabinet Decree No. 05/13/12 dated August 2007. MDLF is a semi-governmental juridical independent organization aiming at accelerating Palestine's drive toward self-sustained, decentralized, prosperous and creditworthy local government units. The main objective of MDLF is to encourage the flow of financial resources to Local Government Units (LGU). According to Decree by Law No. 25 dated November 10, 2016, MDLF shall undertake the following missions: -

- Management of funds received through support from the Palestinian National Authority (PNA) or provided by donor countries or any other sources in compliance with the terms and conditions specified in MDLF's internal bylaws.
- Assist local authorities develop their capacities in compliance with the bases of modern management practices to help them provide better services to the public.
- Guide assistance from donor countries and provide modern fiscal services to support and develop the services offered to local authorities and to improve their credit abilities.
- Encourage local authorities to adopt developmental projects to expand their geographic jurisdiction so as to serve their developmental plans.
- Facilitate and provide loans to local authorities and follow up the expenditures thereof from their revenues.

MDLF is structured to ensure an efficient, transparent, and professional institution capable of fulfilling its mission and objectives, and comprises a Board of Directors, executive departments, and other advisory committees.

The Board of Directors is the policy and strategy setting authority responsible for the direction and performance of MDLF. The Board comprises nine voting directors and includes representatives of the core ministries involved in utilizing the fund including the Ministry of Local Government (the Minister is the Chairman of the Board), the Ministry of Finance, and the Ministry of Public Works and Housing, in addition to the Head of Association of Palestinian Local Authorities (APLA), two members from the local authorities, the Captain of Palestinian Engineers, the Palestine Monetary Authority and a member from the civil society.

2. Accounting Policies

2.1 Basis of Preparation

The financial statements have been prepared on a going concern basis using the historical cost convention and presented in USD. Currently, International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB"), do not include specific standards for the Not-for Profit sector, especially in connection with revenue recognition and financial statements presentation. Therefore, MDLF management developed and applied accounting policies, in the preparation of the accompanying financial statements, in line with IFRS standards applicable to transactions similar to those of MDLF and with consideration of general IFRS principles included in IASB framework. The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the entity's accounting policies.

These financial statements were approved for issuance by MDLF management on February 21, 2022.

2.2 IFRS and Related Amendments

Issued Accounting Pronouncements Which Became Effective in 2021 and 2020

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 7, *Financial Instruments and Disclosures*, IFRS 9, *Financial Instruments*, and IAS 39, *Financial Instruments: Recognition and Measurement*, to provide reliefs applying to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments were effective for annual periods beginning on or after January 1, 2020.

In August 2020, the IASB issued further amendments to provide a practical expedient from discontinuing hedging relationships and the related hedge accounting treatment as a result of the interest rate benchmark reform as well as additional disclosures. The disclosures are to provide additional information on the effect of the reform on the financial instruments and risk management strategy. These amendments apply retrospectively and are effective for annual periods beginning on or after January 1, 2021 with earlier application permitted; however, companies are not required to restate prior periods. These amendments had no impact on the MDLF financial statements.

Amendment to IFRS 16, COVID-19-Related Rent Concessions beyond June 30, 2021

In March 2021, the IASB extended, by one year, the May 2020 amendment that permits lessees, as a practical expedient, not to assess whether particular rent concessions that reduce lease payments occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The amendment is effective for annual periods beginning on or after April 1, 2021, with earlier application permitted. The amendment did not have an impact on the MDLF financial statements.

Issued But Not Yet Effective Accounting Pronouncements

MDLF has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Deferral of Effective Date

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements, to provide a more general approach to the presentation of liabilities as current or non-current based on contractual arrangements in place at the reporting date. These amendments:

- Specify that the rights and conditions existing at the end of the reporting period are relevant in determining whether the entity has a right to defer settlement of a liability by at least twelve months;
- Provide that management's expectations are not a relevant consideration as to whether the entity will exercise its rights to defer settlement of a liability; and
- Clarify when a liability is considered settled.

On July 15, 2020, the IASB issued a deferral of the effective date for the new guidance by one year to annual periods beginning on or after January 1, 2023 and is to be applied retrospectively. MDLF has not yet determined the impact of these amendments on its financial statements.

Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. MDLF expects the impact of these amendments on its financial statements to not be material.

Amendments to IFRS 3: Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3, Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's *Conceptual Framework* (1989) with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, *Levies*, if

incurred separately. The amendments also added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The new guidance is effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. MDLF has not yet determined the impact of these amendments on its financial statements.

Amendments to IAS 8: Definition of Accounting Estimate

In February 2021, the IASB issued amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, in which it introduces a new definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify the measurement techniques and inputs used to develop accounting estimates. The new guidance will be effective for annual periods beginning on or after January 1, 2023, with earlier application permitted, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of the effective date.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, and IFRS Practice Statement 2, *Making Materiality Judgments*, to provide guidance in the application of materiality judgments to accounting policy disclosures. These amendments also replaced the requirement for disclosures around 'significant' accounting policies with a requirement to disclose 'material' accounting policies.

The amendment is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted as long as this fact is disclosed. MDLF expects the impact of these amendments on its financial statements to not be material.

2.3 Estimates and Assumptions

The preparation of the financial statements involves certain estimates and assumptions made by management relating to reporting of assets, liabilities, at the statement of financial position date, and the reporting of revenue, expenses, gains, and losses during the year. As these estimates are used, actual results may differ from estimates and may require an adjustment to the carrying amounts of future assets or liabilities.

Key estimates and assumptions used in the preparation of the financial statements are as follows:

- **Collectability of Pledges Receivable-** A periodic review is performed on the carrying balance of pledges receivable to assess its collectability. Provisions are established whenever events or changes in circumstances indicate that the carrying value of these receivables may not be collectable. Established provisions, if any, are reflected in the statement of activities and changes in net assets.

- **Employees End of Service Benefits Provision;** Provision for employees end of service benefits is maintained and calculated in accordance with Palestinian Labour Law.

2.4 Summary of Significant Accounting Policies

The accounting policies applied in the preparation of the financial statements have been consistently applied among all years. The significant accounting policies are set out below.

General

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as unrestricted and restricted. Unrestricted net assets are those whose use by MDLF is not subject to donor-imposed stipulations. Restricted net assets are those whose use by MDLF has been limited by donors' specific time period or purpose.

Restricted net assets

Unconditional promises to give cash, with no donor-imposed restriction on use, are recognized as revenues at the date promises to give are made. Unconditional promises to give cash, with donor-imposed restriction on use, are recorded as restricted net assets at the date promises to give are made, and recognized as revenues when the related costs are incurred. Unconditional promises with donor-imposed restriction are promises that depend only on passage of time and certain performance requested by the promising donors. Conditional promises to give and indications of intention to give are recorded at the fair market value at the date contribution is received by MDLF.

Property and equipment

Property and equipment are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the following annual rates:

	%
Vehicles	10-15%
Office equipment	10-20%
Furniture and fixtures	10-20%
Computer software	7-20%

The cost of the property and equipment includes all the expenditures incurred so as to make the assets ready for use. Any subsequent expenditure is capitalized only when they increase the future economic benefits of the related asset.

Pledges receivable

Pledges receivable are stated at the original amount of the signed agreement less the amount received, uncollectable amount (if any) and currency variances resulting

from the fact that original agreements with the donors may be in currencies other than USD.

Cash and cash equivalents

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

Provision for provident fund

MDLF established a provident fund plan for its employees whereby MDLF deducts 5% from employees' salaries and contributes 10% from its own funds.

Provision for end of service benefits

End of service benefits are provided for in accordance with the local labour laws (law number 7 of the year 2000) and MDLF's bylaw.

Accruals and other current liabilities

Accruals and other current liabilities are recognized for the amounts to be paid in the future for goods and services received, whether or not a bill is received from the supplier.

Revenue recognition

Donations and contributions with donor-imposed restriction on use are recorded as pledges receivable and restricted net assets upon signing of the agreement with the donor. During the yearly close out process, the amount of expenses incurred is recognized as revenue under net assets released from restrictions and the restricted net assets account is reduced thereof.

Expenses

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

Foreign currencies

MDLF's basic functional currency is the U.S. Dollar (USD). Transactions which are expressed or denominated in other currencies were translated to USD using exchange rates in effect at the time of each transaction. Assets and liabilities which are denominated in other currencies are translated to USD using exchange rates prevailing at the date of the statement of financial position. Gains and losses arising from the translation are reflected in the statement of activities.

Exchange rates against USD as at the statement of financial position date were as follows:

<u>Currency</u>	<u>2021</u>	<u>2020</u>
One New Israeli Shekel (ILS)	0.321	0.311
One Euro (EUR)	1.132	1.229
One Swiss Franc (CHF)	1.092	1.133

3. Financial Risk Management

- **Credit risk:**

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

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

Item	Carrying amount
Pledges receivable	64,208,383
Cash and cash equivalents	55,201,382

- MDLF has a total amount of USD 64,208,383 as pledges receivable from the donors. MDLF management believes that the risk of default of its donors is low.
- MDLF has an amount of USD 55,201,382, mainly as cash at local banks with moderate credit rating.

- **Liquidity risk:**

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The schedule below presents expected cash outflows resulting from financial liabilities broken down by time brackets:

Item	Expected timing of cash outflow		
	Carrying Amount	0 - 6 Months	7 Months - 1 Year
Accrued expenses and other current liabilities	16,525,639	16,525,639	-
	16,525,639	16,525,639	-

- MDLF expect to pay an amount of USD 16,525,639 during the first 6 months of the year 2022. MDLF will use the available cash to settle these obligations.

- **Market risk:**

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

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

Fluctuations in the exchange rates against USD resulted in a loss of USD 2,129,175 and a gain of USD 1,436,244 for the years ended December 31, 2021 and 2020 respectively.

4. Property and Equipment, Net

Composition property and equipment and movement thereon during the year follow: -

	2021				
	Vehicles	Office Equipment	Furniture & Fixtures	Computer Software	Total
<u>Cost</u>					
Balance as of January 1, 2021	225,500	305,912	149,124	64,962	745,498
Additions during the Year	-	22,320	7,021	-	29,341
Disposals during the Year	-	-	-	-	-
Balance as of December 31, 2021	225,500	328,232	156,145	64,962	774,839
<u>Accumulated Depreciation</u>					
Balance as of January 1, 2021	141,668	273,619	99,085	60,070	574,442
Additions during the Year	21,300	20,135	11,659	769	53,863
Disposals during the Year	-	-	-	-	-
Balance as of December 31, 2021	162,968	293,754	110,744	60,839	628,305
Net Book Value as of December 31, 2021	62,532	34,478	45,401	4,123	146,534
	2020				
	Vehicles	Office Equipment	Furniture & Fixtures	Computer Software	Total
<u>Cost</u>					
Balance as of January 1, 2020	225,500	305,625	132,949	59,582	723,656
Additions during the Year	-	287	16,175	5,380	21,842
Disposals during the Year	-	-	-	-	-
Balance as of December 31, 2020	225,500	305,912	149,124	64,962	745,498
<u>Accumulated Depreciation</u>					
Balance as of January 1, 2020	96,632	252,429	87,309	59,578	495,948
Additions during the Year	45,036	21,190	11,776	492	78,494
Disposals during the Year	-	-	-	-	-
Balance as of December 31, 2020	141,668	273,619	99,085	60,070	574,442
Net Book Value as of December 31, 2020	83,832	32,293	50,039	4,892	171,056

5. Pledges Receivable

Composition of pledges receivable and movement thereon during the year follow: -

Program	Donor / Detail	Balance, Beginning of Year	Addition during the Year	Received during the Year	Currency Variance	Write-Off	Balance, End of Year
MDP Phase III	The International Development Association (IDA) -COVID 19 - Component 6	-	15,000,000	(5,882,275)	-	-	9,117,725
	Kreditanstalt für Wiederaufbau (KfW)-COVID 19 - Component 6	-	26,035,100	(16,723,731)	(688,603)	-	8,622,766
	Agence Française de Development (AFD)-COVID 19 - Component 6	-	12,835,200	(3,667,200)	(678,000)	-	8,490,000
	Palestinian National Authority (PNA)	8,276,614	-	-	(651,689)	-	7,624,925
	The European Union (EU)	7,986,875	-	-	(628,875)	-	7,358,000
	Multi-Donor Trust Fund (MDTF) -COVID 19 - Component 6	-	10,000,000	(3,693,003)	-	-	6,306,997
	Agence Française de Development (AFD)	8,601,250	-	(4,610,514)	(723,738)	-	3,266,998
	MDTF	4,318,817	-	(3,798,745)	-	-	520,072
	IDA	3,100,688	-	(2,627,797)	-	-	472,891
	Multi-Donor Trust Fund (MDTF)	2,135,174	-	(1,806,193)	-	-	328,981
	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	589,801	-	(250,629)	(50,490)	-	288,682
	The Swiss Federal Department of Foreign Affairs (FDFA)	1,005,118	-	(719,880)	(38,462)	-	246,776
	Kreditanstalt für Wiederaufbau (KfW)	10,007,297	-	(9,052,758)	(879,239)	-	75,300
	The International Development Association (IDA)- Component 5	805,460	-	(797,367)	-	-	8,093
The International Agency of the Association of Netherlands Municipalities (VNG)	892,828	-	(574,544)	(44,624)	(273,660)	-	
MDP Phase II	PNA	7	-	-	-	-	7
Other Programs/ projects	Jericho Multi Site Regeneration Project (MSR) - AFD	5,335,049	-	-	(420,073)	-	4,914,976
	Gaza Solid Waste Management Project (GSWMP - IDA)	4,403,899	-	(1,424,806)	-	-	2,979,093
	Gaza Solid Waste Management Project (GSWMP - AFD)	1,712,812	-	(397,738)	(86,610)	-	1,228,464
	EU Area C 5	6,034,535	-	(4,608,069)	(292,204)	-	1,134,262
	LGSIP- MDTF	1,800,483	-	(1,140,482)	-	-	660,001
	Integrated Cities and Urban Development Project (ICUD) - IDA	2,340,335	-	(1,776,961)	-	-	563,374
	LGSIP- KfW	3,079,181	-	(2,913,663)	(165,518)	-	-
	MDLF Support to Village Councils - Area C Infrastructure - FDFA	1,371,842	-	(1,239,827)	(124,217)	(7,798)	-
	Gaza Vulnerable Communities Development (GVCD) - FDFA	566,765	-	(498,598)	(52,703)	(15,464)	-
SRGVC - GIZ	244,727	-	(174,150)	(17,518)	(53,059)	-	
		74,609,557	63,870,300	(68,378,930)	(5,542,563)	(349,981)	64,208,383

6. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise: -

	<u>2021</u>	<u>2020</u>
Advances to LGUs & contractors	1,784,183	1,851,189
Prepaid expenses	76,602	91,689
Due from employees	4,618	587
	<u>1,865,403</u>	<u>1,943,465</u>

7. Cash and Cash Equivalents

Cash and cash equivalents comprise: -

<u>Program</u>	<u>Donor / Detail</u>	<u>2021</u>	<u>2020</u>
MDLF	Petty cash	5,133	4,975
	Current accounts	4,206,751	3,483,706
	ESB and provident fund accounts	4,039,685	3,642,966
MDP Phase III Cycle II	KfW -COVID 19 - Component 6	10,699,663	-
	KfW	8,997,565	13,250,289
	IDA-COVID 19 - Component 6	2,934,185	-
	IDA- Component 5	2,542,325	5,980,756
	MDTF-COVID 19- Component 6	1,546,908	-
	MDTF	1,422,716	2,922,781
	AFD	1,116,176	1,467,874
	AFD -COVID 19 - Component 6	849,991	-
	GIZ	193,828	135,010
	EU	15,708	4,302,390
MDP Phase III Cycle I	MDTF	3,077,990	5,030,858
	IDA	2,752,746	4,811,077
	FDFA	1,206,396	1,628,251
	KfW	157,486	1,522,360
	PNA	1,305	2,319
	VNG	4	182,570
	AFD	-	334,054
MDP Phase II	PNA	13,977	286,453
MDP Phase I	PNA	5	694,624
Other Programs/ projects	EU Area C 5	4,218,289	1,055,049
	GSWMP - IDA	1,987,186	1,510,365
	ICUD - IDA	1,661,386	1,055,179
	LGSIP - KfW	1,109,515	2,041,930
	MSR - AFD	217,135	235,575
	GSWMP - AFD	118,739	64,395
	Area C Infrastructure - FDFA	65,659	535,303
	GVCD - FDFA	45,530	544,872
	Development of Area "C" 4 - EC	79	80
	Development of Area "C" 2 - EC	7	8
	SRGVC- GIZ	6	804,465
	Development of Area "C" 3 - EC	4	5
	LGRDP 2 - Enabel	-	6
LGSIP- IDA	(7)	9,585	
LGSIP - MDTF	(2,689)	54,364	
		<u>55,201,382</u>	<u>57,594,494</u>

8. Restricted Net Assets

Composition of restricted net assets and movement thereon during the year follow: -

Program	Donor / Detail	Balance, Beginning of Year	Additions- Grants and Donations	Released from Restriction			Currency Variance	Write off	Balance, End of Year
				Projects' Expenses	Management Fees	Total			
	KfW-COVID 19 – Component 6	-	26,035,100	(6,332,818)	(469,726)	(6,802,544)	(1,038,913)	-	18,193,643
	IDA-COVID 19 - Component 6	-	15,000,000	(3,839,366)	(284,514)	(4,123,880)		-	10,876,120
	AFD-COVID 19 - Component 6	-	12,835,200	(3,148,599)	(234,059)	(3,382,658)	(878,138)	-	8,574,404
	MDTF-COVID 19- Component 6	-	10,000,000	(2,507,883)	(187,364)	(2,695,247)		-	7,304,753
	KfW	20,845,373	-	(12,017,688)	(866,644)	(12,884,332)	(1,271,759)	-	6,689,282
	EU	12,279,361	-	(6,487,406)	(446,582)	(6,933,988)	(812,191)	-	4,533,182
	IDA	7,070,598	-	(3,367,782)	(255,042)	(3,622,824)	-	-	3,447,774
MDP Phase III	MDTF	8,085,462	-	(4,686,077)	(358,484)	(5,044,561)	-	-	3,040,901
	AFD	9,305,536	-	(5,280,627)	(453,297)	(5,733,924)	(601,611)	-	2,970,001
	PNA	3,465,483	-	(1,522,483)	(122,196)	(1,644,679)	(218,181)	-	1,602,623
	MDTF	4,397,788	-	(2,653,807)	(239,108)	(2,892,915)	-	-	1,504,873
	FDFA	2,043,172	-	(682,024)	(54,030)	(736,054)	(144,738)	-	1,162,380
	GIZ	712,575	-	(164,657)	(17,570)	(182,227)	(49,422)	-	480,926
	IDA	6,243,293	-	(5,648,860)	(431,585)	(6,080,445)	-	-	162,848
	KfW	650,780	-	(487,055)	(44,990)	(532,045)	(43,519)	-	75,216
	VNG	1,070,766	-	(707,570)	(49,934)	(757,504)	(39,602)	(273,660)	-
	AFD	155,309	-	(133,561)	(11,273)	(144,834)	(10,475)	-	-
MDP Phase II	PNA	3,365,150	-	(172,923)	-	(172,923)	398,042	-	3,590,269
MDP Phase I	PNA	1,010,460	-	-	-	-	(75,525)	-	934,935
Other Programs/ Projects	MSR - AFD	5,568,024	-	(33,778)	(14,422)	(48,200)	(438,784)	-	5,081,040
	EU Area C 5	7,055,380	-	(1,551,150)	(110,569)	(1,661,719)	(521,261)	-	4,872,400
	GSWMP - IDA	5,703,000	-	(827,825)	(64,910)	(892,735)	-	-	4,810,265
	ICUD - IDA	3,201,099	-	(1,075,386)	(94,471)	(1,169,857)	-	-	2,031,242
	GSWMP - AFD	1,652,068	-	(159,473)	-	(159,473)	(130,727)	-	1,361,868
	LGSIP - KfW	4,866,715	-	(3,479,473)	(319,207)	(3,798,680)	(332,845)	-	735,190
	LGSIP - MDTF	1,308,132	-	(1,148,091)	(14)	(1,148,105)	-	-	160,027
	Area C Infrastructure - FDFA	973,537	-	(864,654)	(65,659)	(930,313)	(35,426)	(7,798)	-
	GVCDD - FDFA	1,013,063	-	(821,964)	(49,802)	(871,766)	(125,833)	(15,464)	-
SRGVC- GIZ	557,367	-	(441,852)	(39,027)	(480,879)	(23,429)	(53,059)	-	
		112,599,491	63,870,300	(70,244,832)	(5,284,479)	(75,529,311)	(6,394,337)	(349,981)	94,196,162

9. Provision for Provident Fund

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

	<u>2021</u>	<u>2020</u>
Balance, Beginning of Year	1,484,167	1,169,522
Add: provision made during the year	274,151	270,526
Less: payments made during the year	(161,687)	(70,115)
Currency variance	62,709	114,234
Balance, End of Year	<u>1,659,340</u>	<u>1,484,167</u>

10. Provision for End of Service Benefits

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

	<u>2021</u>	<u>2020</u>
Balance, Beginning of Year	1,919,528	1,608,072
Add: provision made during the year	163,010	233,946
Less: payments made during the year	(212,442)	(73,078)
Currency variance	75,116	150,588
Balance, End of Year	<u>1,945,212</u>	<u>1,919,528</u>

11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise: -

	<u>2021</u>	<u>2020</u>
Due to contractors	16,363,564	11,800,655
Accrued expenses and other payables	162,075	78,125
	<u>16,525,639</u>	<u>11,878,780</u>

12. Projects' Expenses and Management Fees

Projects' expenses and management fees comprise: -

Program	Donor	Related Reference in Appendix 1	2021			2020		
			Projects' Expenses	MDLF Management Fees	Total	Projects' Expenses	MDLF Management Fees	Total
MDP Phase III	IDA- Component 5	1.1.a	5,648,860	431,585	6,080,445	3,499,691	257,016	3,756,707
	MDTF	1.1.b	2,653,807	239,108	2,892,915	602,185	27	602,212
	AFD	1.1.c	5,280,627	453,297	5,733,924	2,677,071	201,501	2,878,572
	KfW	1.1.d	12,017,688	866,644	12,884,332	3,378,601	287,307	3,665,908
	GIZ	1.1.e	164,657	17,570	182,227	24,257	-	24,257
	EU	1.1.f	6,487,406	446,582	6,933,988	8,110	28	8,138
	AFD	1.1.g	133,561	11,273	144,834	669,668	54,571	724,239
	FDFA	1.1.h	682,024	54,030	736,054	1,124,119	97,767	1,221,886
	MDTF	1.1.i	4,686,077	358,484	5,044,561	3,155,622	247,541	3,403,163
	IDA	1.1.j	3,367,782	255,042	3,622,824	1,586,811	115,766	1,702,577
	PNA	1.1.k	1,522,483	122,196	1,644,679	2,490,797	164,653	2,655,450
	VNG	1.1.L	707,570	49,934	757,504	94,592	9,833	104,425
	KfW	1.1.m	487,055	44,990	532,045	3,028,541	254,592	3,283,133
	KfW -COVID 19 – Component 6	1.1.n	6,332,818	469,726	6,802,544	-	-	-
	MDTF -COVID 19 – Component 6	1.1.o	2,507,883	187,364	2,695,247	-	-	-
	WB -COVID 19 - Component 6	1.1.p	3,839,366	284,514	4,123,880	-	-	-
	AFD -COVID 19 - Component 6	1.1.q	3,148,599	234,059	3,382,658	-	-	-
MDP Phase II Cycle II	PNA	1.1.r	172,923	-	172,923	480,481	-	480,481
Other Programs / projects	GSWMP - IDA	1.2	827,825	64,910	892,735	357,050	28,163	385,213
	GSWMP - AFD	1.2	159,473	-	159,473	1,129,303	85,522	1,214,825
	ICUD - IDA	1.3	1,075,386	94,471	1,169,857	381,169	15,494	396,663
	Area C Infrastructure - FDFA	1.4	900,567	65,659	966,226	1,909,166	144,236	2,053,402
	MSR - AFD	1.5	33,778	14,422	48,200	320,778	22	320,800
	GVCD - FDFA	1.6	828,594	49,802	878,396	1,329,159	102,000	1,431,159
	LGSIP - MDTF	1.7	1,148,091	14	1,148,105	2,582,291	861,014	3,443,305
	LGSIP - KfW	1.8	3,479,473	319,207	3,798,680	3,395,662	249,678	3,645,340
	SRGVC - GIZ	1.9	463,582	39,027	502,609	1,005,628	73,525	1,079,153
	Development of Area "C" 5 - EC	1.10	1,551,150	110,569	1,661,719	39,457	36	39,493
LGRDP 2 - Enabel	-	-	-	-	2,542,374	213,473	2,755,847	

Program	Donor	Related Reference in Appendix 1	2021			2020		
			Projects' Expenses	MDLF Management Fees	Total	Projects' Expenses	MDLF Management Fees	Total
	Development of Area "C" 2 - EC	-	-	-	-	86,239	6,984	93,223
	Development of Area "C" 3 - EC	-	-	-	-	-	25	25
	Development of Area "C" 4 - EC	-	-	-	-	363,143	28,638	391,781
	LGSIP - IDA	-	-	-	-	16,782	-	16,782
	Total		70,309,105	5,284,479	75,593,584	38,278,747	3,499,463	41,778,210
	Amount covered from unrestricted net assets*		(64,273)	-	(64,273)	(11,948)	-	(11,948)
			70,244,832	5,284,479	75,529,311	38,266,799	3,499,463	41,766,262

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

Project/ grant	2021	2020
Area C Infrastructure - FDFA	35,914	-
SRGVC - GIZ	21,729	-
GVCD - FDFA	6,630	-
LGRDP 2 - Enabel	-	11,948
Total	64,273	11,948

13. General and Administrative Expenses

General and administrative expenses comprise:

	<u>2021</u>	<u>2020</u>
Salaries and related benefits*	2,553,667	2,557,064
Rent	100,431	97,629
Telephone, postage and internet	39,802	44,813
Consultants and professional fee	46,518	43,811
Utilities expense	34,475	33,065
Fuel expenses	40,813	31,758
Car rental	22,945	28,910
Hospitality and cleaning	25,354	14,785
Software expenses	9,376	14,368
Vehicle expenses	15,896	13,455
Office supplies and maintenance	31,791	11,987
Insurance expenses	11,810	11,138
Board of Directors remuneration	8,400	9,500
Printing and stationery	6,088	4,070
Travel and transportation expenses	4,188	3,903
Training and workshops	5,562	3,045
Bank charges	1,578	920
Advertisement and newspaper	4,886	849
Translation expenses	-	580
Other	642	1,181
	<u>2,964,222</u>	<u>2,926,831</u>

* Salaries and related benefits details follow:

	<u>2021</u>	<u>2020</u>
Salaries and wages	1,879,260	1,822,629
End of service expenses	163,010	233,946
Provident fund expenses	182,767	180,351
Bonus	108,265	107,601
Transportation allowance	91,722	89,584
Health insurance	82,538	78,293
Family allowances	46,105	44,660
	<u>2,553,667</u>	<u>2,557,064</u>

14. Currency Variance (Gain)/Loss

Currency variances have resulted from the revaluation of MDLF's monetary assets and liabilities in foreign currencies (mainly bank balances and pledges receivable) to USD using exchange rates prevailing at the date of the statement of financial position. The fluctuations in the exchange rates against USD resulted in a loss of USD 2,129,175 and a gain of USD 1,436,244 as of December 31, 2021 and 2020 respectively.

Major items resulted in currency variances are as follows:

	<u>2021</u>	<u>2020</u>
Restricted net assets – year end revaluation (Note 8)	6,394,337	(6,845,252)
Pledges receivable – year end revaluation (Note 5)	(5,542,563)	4,620,743
Currency variances from daily transactions and year end revaluation of other monetary assets and liabilities balances	<u>1,277,401</u>	<u>788,265</u>
Loss (gain) included in changes of unrestricted net assets	<u>2,129,175</u>	<u>(1,436,244)</u>

15. Related Parties

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

- Transactions with related parties include:

	<u>2021</u>	<u>2020</u>
Director General salary and related benefits	58,726	23,822
Board of directors' remuneration	8,400	9,500
MDLF management fees	5,284,479	3,499,463

-Balances with related parties comprise:

	<u>2021</u>	<u>2020</u>
Director General - End of service benefits and provident fund	13,924	52,784

16. Pandemic Uncertainty

On March 10, 2020, the World Health Organization declared the 2019 Novel Coronavirus (Covid-19) outbreak to be a pandemic. Actions were taken around the world to help mitigate the spread including restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. Covid-19 has adversely affected and may continue to adversely affect economic activity globally, nationally, and locally. While it is unknown how long these conditions will last and what the complete financial effect will be to MDLF.

The extent and duration of these impacts remain uncertain and dependent on future developments that cannot be accurately predicted at the present time. The management of MDLF has adopted an emergency plan, and mechanisms have been put in place to continue its works as needed. Note that future developments may have an impact on future financial results, cash flows and the financial position of MDLF.

Appendix 1: Details of Projects' Expenses & Management Fees by Donor

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

Municipal Development Program - Phase III (MDP III), is supported by the Palestinian National Authority (PNA) along with the World Bank-International Development Association (IDA), the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF) through the World Bank, Kreditanstalt für Wiederaufbau (KfW), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Netherlands (through VNG International), the Switzerland (through the Swiss Federal Department of Foreign Affairs (FDFA)), the Agence Française de Développement (AFD) and the European Union (EU). Further, it has been agreed with AFD to invest the residual fund from AFD contribution in MDP II in the amount of EUR 875,000 in Component 1 of the MDP III. The PNA contribution was committed to be 10% of the total fund plus the residual fund from PNA contribution in MDP II disclosed under sub-note (1.1.r) below.

Objective of MDP III

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

Description of MDP III

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

The MDP III is at the center of a series of interlocking interventions by the multi donors in collaboration with the central government to strengthen the institutional development, accountability and financial sustainability of local governance and service delivery in Palestine. The MDP III will consolidate and scale up past gains under MDP I and MDP II in municipal performance and accountability enhancement and will start enabling the environment for municipal partnerships with the private sector to improve the efficiency and sustainability of municipal services. The total cost of the MDP III amounts to EUR 102,883,800 – out of which EUR 51,049,083 will be utilized in cycle I, and EUR 51,834,717 will be utilized in cycle II.

MDP III Components:

MDP III has been launched in 2017 with four original components (1 to 4 below). Subsequently, on June 17, 2019 an agreement was signed between IDA and the Palestinian Liberation Organization, for the benefit of Palestinian Authority (PA), to finance a new component launched under MDP III, entitled “Component 5: Support to Gaza Municipalities”, in the amount of USD 10,000,000. The expected closing date of this agreement is February 28, 2022. In addition, in April 2021, four new financing agreements have been signed between MDLF and certain Financing Partners, as further stated in MDP III Agreements with Financing Partners table below, to finance a new component under MDP III, entitled “Component 6: Emergency Municipal Response to COVID-19 pandemic”. Details of MDP III components, as at June 30, 2021, are follow:

Component 1 - Municipal Performance and Service Delivery

Previous MDP phases financed municipal infrastructure and service delivery through the provision of basic block and performance-based grants, and provided demand-driven capacity development support for municipalities. This approach was very innovative at design and has proven to be highly effective. The MDP III will continue this overall approach while focusing more on improving financial sustainability and accountability in municipal service provision.

Component 2 - Capacity Development

This component will continue to strengthen municipal capacity in MDP's three performance areas: (i) financial sustainability, ii) institutional performance and iii) transparency, accountability and participation. In addition, specific attention will be paid to higher order needs of municipalities that will enable them to improve their financial sustainability and credit worthiness, strengthening other core municipal functions as well as strengthening of their social accountability to their citizens and stakeholders.

Municipal capacity development activities will continue to be identified by municipalities and 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 results achieved.

Component 3 - Municipal Partnership Projects

This component will provide technical assistance and project financing to municipalities to engage more effectively with the private sector, and work across administrative boundaries to develop joint and/or innovative investments for municipal service delivery and local economic development.

- **Sub-Component 3A: Private Sector Partnership Support.** In order to better leverage private sector engagement, this component will support municipalities to identify, develop, and structure opportunities for private sector participation in municipal service delivery and local economic development on a demand-driven basis.
- **Sub-Component 3B.** This sub-component will finance top-up payments complementary to the grant allocations under Component 1 to incentivize municipal joint and/or innovative investments based on municipal demands to leverage economies of scale for municipal investments and facilitate financially sustainable municipal investments.

Component 4: Project Implementation Support and Management

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

Component 5: Support to Gaza Municipalities

This component will finance the costs associated with the scaling-up of MDP III support to Gaza municipalities to enable them to expand local services provision through labor-intensive Operation and Maintenance (O&M) and municipal infrastructure development activities.

Component 6: Emergency Municipal Response to COVID-19 pandemic

This component will scale up MDP III support as an emergency municipal response to the COVID-19 pandemic through carrying out temporary labor-intensive public works related to O&M and infrastructure projects, that will enable municipalities to sustain a minimum level of services and provide employment support for lost incomes.

MDP III Agreements with Financing Partners:

Financing Partner	Fund Amount	Signature Date
IDA	USD 16,000,000	September 18, 2017
MDTF	USD 20,000,000	November 27, 2017
AFD (Cycle I)	EUR 4,000,000	April 26, 2017
FDFA	EUR 4,818,000	November 6, 2017
GIZ	EUR 150,000	December 5, 2017
VNG	EUR 1,200,000	October 2017
KfW	EUR 40,000,000	December 12, 2018
Saving from AFD contribution in MDP II	EUR 875,000	-
AFD (Cycle II)	EUR 10,000,000	June 17, 2019
MDTF Additional Contribution	USD 5,000,000	June 17, 2019
GIZ (Cycle II)	EUR 600,000	November 28, 2019
EU	EUR 10,000,000	November 8, 2020
Component 5: Support to Gaza Municipalities		
IDA Additional Contribution	USD 10,000,000	June 17, 2019
Component 6: Emergency Municipal Response to COVID-19 pandemic		
IDA- Additional Financing for Covid 19	USD 15,000,000	April 1, 2021
MDTF- Additional Financing for Covid 19	USD 10,000,000	April 1, 2021
AFD- Additional Financing for Covid 19	EUR 10,500,000	April 1, 2021
KfW- Additional Financing for Covid 19	EUR 22,000,000	April 1, 2021

Details of the MDP III by each donor are presented from sub-note (1.1.a) to sub-note (1.1.m) below

1.1.a. International Development Association (IDA) TF0A8699

On June 17, 2019 an agreement was signed between the International Development Association (IDA), acting as administrator of the Trust Fund for Gaza and West Bank and the Palestinian Liberation Organization, for the benefit of Palestinian Authority (PA), to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 10,000,000. The expected closing date of TF0A8699 is February 28, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

Budget USD	
Component 4: Project Implementation Support and Management Cost	800,000
Component 5: Support to Gaza Municipalities	9,200,000
Total	10,000,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 4: Project Implementation Support and Management Cost	431,585	274,769
Component 5: Support to Gaza Municipalities	5,648,860	3,481,938
Total	6,080,445	3,756,707

1.1.b. Multi-Donor Trust Fund (MDTF) TF0B0101

On June 17, 2019 an agreement was signed between the International Bank for Reconstruction and Development and International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 5,000,000. The expected closing date of TF0B0101 is June 30, 2022.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

Budget USD	
Component 1: Municipal Grants for Capital Investments & Operation	2,450,000
Component 2: Capacity Building for Municipalities and MDLF	2,200,000
Component 4: Project Implementation Support & Management Cost	350,000
Total	5,000,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	1,603,125	520,879
Component 2: Capacity Building for Municipalities and MDLF	1,046,013	81,306
Component 4: Project Implementation Support & Management Cost	243,777	27
Total	2,892,915	602,212

1.1.c. The Agence Française de Development (AFD) CPS 1197 01

On June 17, 2019 an agreement was signed between the Agence Française de Development (AFD) and Palestine, represented by the Ministry of Finance, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 10,000,000. The expected closing date of CPS 1197 01 is December 31, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

Budget		
	EUR	USD
Component 1: Municipal Grants for Capital Investments & Operation	8,235,000	9,228,965
Component 2: Capacity Building for Municipalities and MDLF	1,000,000	1,120,700
Component 4: Project Implementation Support & Management Cost	765,000	857,335
Total	10,000,000	11,207,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	4,504,009	2,596,163
Component 2: Capacity Building for Municipalities and MDLF	769,661	80,908
Component 4: Project Implementation Support & Management Cost	460,254	201,501
Total	5,733,924	2,878,572

1.1.d. Kreditanstalt für Wiederaufbau (KfW) Cycle II

On December 12, 2018 an agreement (the Agreement) was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Finance and MDLF, to contribute into the finance of Phase III of the Municipal Development Program (MDP III) in the amount of EUR 40,000,000 (EUR 20 Million for each cycle). This sub-note pertains only to Cycle II of the contribution, Cycle I is disclosed under (1.1.m) sub-note. The completion date of KfW contribution as per the Agreement is December 30, 2022. The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant under Cycle II and the allocations of the amounts of the grant to each component:

	Budget	
	EUR	USD
Component 1: Municipal Grants for Capital Investments & Operation	18,294,288	20,502,409
Component 2: Capacity Building for Municipalities and MDLF	223,212	250,154
Component 4: Project Implementation Support & Management Cost	1,482,500	1,661,437
Total	<u>20,000,000</u>	<u>22,414,000</u>

Details of expenses are as follows:

	Expenses USD	
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	12,002,676	3,378,601
Component 2: Capacity Building for Municipalities and MDLF	6,099	-
Component 4: Project Implementation Support & Management Cost	875,557	287,307
Total	<u>12,884,332</u>	<u>3,665,908</u>

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

On November 28, 2019 an agreement was signed between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the MDLF, Contract No. 81250257 to contribute into the finance of Phase III (cycle II) of the Municipal Development Program (MDP III), (the Project), in the amount of EUR 600,001. The implementation of the Project begins on December 1, 2019 and ends on December 31, 2022. The following table specifies the eligible expenditure to be financed by GIZ Contribution:

	Budget	
	EUR	Equivalent in USD
External Experts	377,180	420,179
Training Costs	12,000	13,368
Procurement of Goods	120,000	133,680
Other Cost	48,960	54,541
Administration costs (up to 7.5%)	41,861	46,633
Total	<u>600,001</u>	<u>668,401</u>

Details of expenses are as follows:

Expenses USD		
	2021	2020
External Experts	62,373	24,257
Procurement of Goods	102,284	-
Administration costs (up to 7.5%)	17,570	-
Total	182,227	24,257

1.1.f. The European Union (EU), Represented by the European Commission (EC)

The European Union (EU), represented by the European Commission (EC) and MDLF signed a grant contract (the Grant Contract) dated November 8, 2020 in respect of “EU contribution to the Municipal Development Programme, Phase III- MDP III” (ENI/2020/416-269) (the Action), whereby EU undertook to finance a maximum amount of EUR 10,000,000 for 36 months.

The table below presents the cost categories to be financed by EC:

Budget		
	EUR	Equivalent in USD
5.3 Expenditure verification/ Audit	15,000	17,903
5.4 Evaluation costs	50,000	59,675
5.8. Visibility actions	50,000	59,675
6.1 Municipal Performance and Service Delivery	9,200,000	10,980,200
6.2 studies and Surveys	32,950	39,326
8. Indirect costs 6.98%	652,050	778,221
Total	10,000,000	11,935,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
6.1 Municipal Performance and Service Delivery	6,468,835	-
6.2 studies and Surveys	18,571	8,110
8. Indirect costs 6.98%	446,582	28
Total	6,933,988	8,138

1.1.g. The Agence Française de Development (AFD)

On April 26, 2017 an agreement was signed between the Agence Française de Development (AFD) and Palestine, represented by the Ministry of Planning and Administrative Development, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 4,000,000 (AFD Contribution into MDP III cycle I). AFD Contribution into MDP III cycle I was closed on December 31, 2021.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

	Budget	
	<u>EUR</u>	<u>USD</u>
Component 1: Municipal Grants for Capital Investments & Operation	3,620,000	4,286,804
Component 2: Capacity Building for Municipalities and MDLF	100,000	118,420
Component 4: Project Implementation Support & Management Cost	280,000	331,576
Total	<u>4,000,000</u>	<u>4,736,800</u>

Details of expenses are as follows:

	Expenses USD	
	<u>2021</u>	<u>2020</u>
Component 1: Municipal Grants for Capital Investments & Operation	66,190	638,650
Component 2: Capacity Building for Municipalities and MDLF	67,945	31,018
Component 4: Project Implementation Support & Management Cost	10,699	54,571
Total	<u>144,834</u>	<u>724,239</u>

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

On November 6, 2017 an agreement was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office- Gaza and West Bank, and the MDLF to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 4,818,000. The expected closing date is December 31, 2022.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

	Budget	
	<u>EUR</u>	<u>USD</u>
Component 1: Municipal Grants for Capital Investments & Operation	4,030,000	4,835,193
Component 2: Capacity Building for Municipalities and MDLF	450,740	540,798
Component 4: Project Implementation Support & Management Cost	337,260	404,645
Total	<u>4,818,000</u>	<u>5,780,636</u>

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	538,633	1,075,245
Component 2: Capacity Building for Municipalities and MDLF	142,685	48,874
Component 4: Project Implementation Support & Management Cost	54,736	97,767
Total	736,054	1,221,886

1.1.i. Multi-Donor Trust Fund (MDTF) TF0A6154

On November 27, 2017 an agreement was signed between the International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 20,000,000. The expected closing date of TF0A6154 is February 28, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

Budget	USD
Component 1: Municipal Grants for Capital Investments & Operation	16,642,553
Component 2: Capacity Building for Municipalities and MDLF	531,915
Component 4: Project Implementation Support & Management Cost	2,825,532
Total	20,000,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	4,386,862	2,739,297
Component 2: Capacity Building for Municipalities and MDLF	-	52,783
Component 4: Project Implementation Support & Management Cost	657,699	611,083
Total	5,044,561	3,403,163

1.1.j. International Development Association (IDA) TF0A4800

On September 18, 2017 an agreement was signed between the International Development Association (IDA), acting as administrator of the Trust Fund for Gaza and West Bank and the Palestinian Liberation Organization, for the benefit of Palestinian Authority (PA), to contribute into the finance of Phase III of the Municipal Development Program (MDP III), in the amount of USD 16,000,000, through enhancing the institutional capacity of municipalities in the West Bank and Gaza for more accountable and sustainable service delivery. The expected closing date of TF0A4800 is February 28, 2023.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

Budget	
	USD
Component 1: Municipal Grants for Capital Investments & Operation	13,311,702
Component 2: Capacity Building for Municipalities and MDLF	531,915
Component 3: Municipal Partnership Projects:	
(A) Private Sector Partnership Support	930,000
Component 4: Project Implementation Support & Management Cost	1,226,383
Total	<u>16,000,000</u>

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	3,252,664	1,430,786
Component 2: Capacity Building for Municipalities and MDLF	53,176	64,891
Component 3: Municipal Partnership Projects:		
(A) Private Sector Partnership Support	58,856	69,834
Component 4: Project Implementation Support & Management Cost	258,128	137,066
Total	<u>3,622,824</u>	<u>1,702,577</u>

1.1.k. Palestinian National Authority (PNA)

The Palestinian National Authority (PNA) will contribute into the finance of MDP III in the amount of EUR 9,000,800 representing 10% of the contributions committed by MDP III donors.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

	Budget	
	EUR	USD
Component 1: Municipal Grants for Capital Investments & Operation	8,370,744	9,781,215
Component 4: Project Implementation Support & Management Cost	630,056	736,220
Total	9,000,800	10,517,435

Details of expenses are as follows:

	Expenses USD	
	2021	2020
Component 1: Municipal Grants for Capital Investments & Operation	1,522,483	2,485,841
Component 4: Project Implementation Support & Management Cost	122,196	169,609
Total	1,644,679	2,655,450

1.1.L. The International Agency of the Association of Netherlands Municipalities (VNG)

In October 2017 an agreement (the Agreement) was signed between the International Agency of the Association of Netherlands Municipalities (VNG) and MDLF to contribute into the finance of Phase III of the Municipal Development Program (MDP III) in the amount of EUR 1,200,000. Subsequently, three amendments to the Agreement have been approved by VNG, as a result of these amendments, the financial contribution of VNG under the Agreement has been modified to be EUR 1,000,000. VNG contribution into Phase III of MDP was closed on June 30, 2021.

The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant and the allocations of the amounts of the grant to each component:

	Modified Budget	
	EUR	Equivalent USD
Component 3: Municipal Partnership Projects: (B) Local Economic Development	930,000	1,086,705
Component 4: Project Implementation Support & Management Cost	70,000	81,795
Total	1,000,000	1,168,500

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 3: Municipal Partnership Projects: (B) Local Economic Development	707,570	94,592
Component 4: Project Implementation Support & Management Cost	49,934	9,833
Total	757,504	104,425

1.1.m. Kreditanstalt für Wiederaufbau (KfW) Cycle I

As further disclosed in (1.1.d) sub-note, EUR 20 Million of KfW grant is allocated for each cycle. This sub-note pertains only to Cycle I of the grant. The following table specifies the components of eligible expenditure that may be financed out of the proceeds of the grant under Cycle I and the allocations of the amounts of the grant to each component:

Cycle I Budget		
	EUR	USD
Component 1: Municipal Performance and Service Delivery	18,240,712	20,918,449
Component 2: Capacity Development	276,788	317,420
Component 4: Project Implementation Support & Management Cost	1,482,500	1,700,131
Total	20,000,000	22,936,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 1: Municipal Performance and Service Delivery	458,682	3,005,419
Component 2: Capacity Development	28,373	15,266
Component 4: Project Implementation Support & Management Cost	44,990	262,448
Total	532,045	3,283,133

1.1.n. Kreditanstalt für Wiederaufbau (KfW) Phase III- COVID 19

On April 1, 2021 an agreement (the Agreement) was signed between the Kreditanstalt für Wiederaufbau (KfW) and MDLF, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III) in the amount of EUR 13,000,000. Subsequent to the date of signing the Agreement one amendment to the Agreement has been approved by KfW to increase the financial contribution of KfW under the Agreement to be EUR

22,000,000. The completion date of KfW contribution as per the Agreement is December 30, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

Budget		
	EUR	USD
Component 6: (A) Cash for Work	12,255,000	14,502,735
Component 6: (B) Recurrent Expenditures	8,170,000	9,668,491
Component 6: (C) Management Cost	1,575,000	1,863,874
Total	22,000,000	26,035,100

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 6: (A) Cash for Work	176,769	-
Component 6: (B) Recurrent Expenditures	6,151,808	-
Component 6: (C) Management Cost	473,967	-
Total	6,802,544	-

1.1.o. MDTF Phase III- COVID 19 TF0B5172

On April 1, 2021 an agreement was signed between the International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III), in the amount of USD 10,000,000. The expected closing date of TF0B5172 is February 28, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

Budget	
	USD
Component 6: (A) Cash for Work	4,980,000
Component 6: (B) Recurrent Expenditures	3,320,000
Component 6: (C) Management Cost	1,700,000
Total	10,000,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 6: (A) Cash for Work	101,208	-
Component 6: (B) Recurrent Expenditures	2,385,828	-
Component 6: (C) Management Cost	208,211	-
Total	2,695,247	-

1.1.p. IDA Phase III- COVID 19 TF0B5173

On April 1, 2021 an agreement was signed between the International Development Association (IDA), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III), in the amount of USD 15,000,000. The expected closing date of TF0B5173 is February 28, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

Budget	
	USD
Component 6: (A) Cash for Work	8,370,000
Component 6: (B) Recurrent Expenditures	5,580,000
Component 6: (C) Management Cost	1,050,000
Total	15,000,000

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 6: (A) Cash for Work	221,180	-
Component 6: (B) Recurrent Expenditures	3,615,956	-
Component 6: (C) Management Cost	286,744	-
Total	4,123,880	-

1.1.q. AFD Phase III- COVID 19 CPS 1253 01 E

On April 1, 2021 an agreement was signed between the Agence Française de Développement (AFD) and Palestine, represented by the Ministry of Finance, to contribute into the finance of Local Government COVID 19 Response under component 6 of Phase III of the Municipal Development Program (MDP III), in the amount of EUR 10,500,000. The expected closing date of CPS 1253 01 E is March 1, 2023.

The following table specifies the sub-components of eligible expenditure that may be financed out of the proceeds of the grant under Local Government COVID 19 Response and the allocations of the amounts of the grant to each sub-component:

Budget		
	EUR	USD
Component 6: (A) Cash for Work	5,835,725	7,133,590
Component 6: (B) Recurrent Expenditures	3,890,484	4,755,728
Component 6: (C) Management Cost	773,791	945,882
Total	10,500,000	12,835,200

Details of expenses are as follows:

Expenses USD		
	2021	2020
Component 6: (A) Cash for Work	271,211	-
Component 6: (B) Recurrent Expenditures	2,874,621	-
Component 6: (C) Management Cost	236,826	-
Total	3,382,658	-

1.1.r. Palestinian National Authority (PNA)

On July 1, 2013, an agreement was signed between the Palestinian National Authority (PNA) and the MDLF to contribute into the finance of the Municipal Development Program - Phase II (MDP II) Cycle I in the amount of ILS 20,000,000 (PNA Additional Contribution) in addition to 10% of the contributions committed by MDP II donors other than BTC (PNA Contribution to MDP II).

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

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

In addition, PNA will contribute into the finance of MDP II Cycle II in the amount of EUR 4,810,000 representing 10% of the contributions committed by MDP II Cycle II donors.

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

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

Details of expenses under the two cycles are as follows:

Expenses USD		
	2021	2020
MDP III - Component 2: Capacity Development	172,923	480,481
Total	172,923	480,481

1.2 Gaza Solid Waste Management Project (GSWMP), (Grants No. TF 16835, TF B3582, TF B3583 and TF B3584), Co-funded by the International Development Association (IDA) and the Agence Francaise De Development (AFD)

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

1. Agreement signed between the International Development Association (IDA) and MDLF on April 24, 2014 to finance part of GSWMP in a maximum grant amount of USD 10,000,000. *“TF 16835, the expected closing date is June 30, 2022”*. In addition, on September 16, 2020, three subsidiary agreements have been signed between IDA and Palestine Liberation Organization (PLO) for the benefit of the PNA for the purpose of furthering the objectives of the GSWMP in the total amount of USD 3,250,000 as additional financing to GSWMP. Details of the three Subsidiary Agreements with related closing date follow:

Subsidiary Agreement Number	Agreement Amount in USD	Stated Closing date
TF0B3582	1,000,000	June 30, 2022
TF0B3583	1,000,000	June 30, 2022
TF0B3584	1,250,000	June 30, 2022

2. Agreement signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on August 24, 2013 to finance part of GSWMP in a maximum grant amount of EUR 14,750,000 (equivalent to USD 19,002,425) made of EUR 10,000,000 from AFD and EUR 4,750,000 from the European Union (EU). *The expected closing date is September 30, 2022.*

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

Specific Objectives of GSWMP:

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

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

Component	Total Budget (USD)	Co-financiers	
		AFD	IDA
Component 1: Solid Waste Transfer and Disposal Facilities	22,385,038	13,774,915	8,610,123

Component	Total Budget (USD)	Co-financiers	
		AFD	IDA
Component 2: Institutional Strengthening	1,280,098	577,223	702,875
Component 3: Primary Collection and Resource Recovery	2,510,056	2,469,169	40,887
Component 4: Project Management	6,077,233	2,181,118	3,896,115
	32,252,425	19,002,425	13,250,000

Details of expenses are as follows:

	Expenses USD	
	2021	
	IDA	AFD
Component 1: Solid Waste Transfer and Disposal Facilities	152,889	49,287
Component 2: Institutional Strengthening	3,791	-
Component 3: Primary Collection and Resource Recovery	-	110,186
Component 4: Project Management	736,055	-
	892,735	159,473

	Expenses USD	
	2020	
	IDA	AFD
Component 1: Solid Waste Transfer and Disposal Facilities	-	713,165
Component 2: Institutional Strengthening	108,211	351,503
Component 3: Primary Collection and Resource Recovery	-	64,671
Component 4: Project Management	277,002	85,486
	385,213	1,214,825

1.3 Integrated Cities and Urban Development project (ICUD) funded by the International Development Association (IDA) TF A2846

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

The objective of ICUD is to enhance the capacity of Participating Urban Areas to plan for sustainable urban growth. The planned closing date of ICUD was June 30, 2021. On April 8, 2021, IDA approved the ICUD restructuring documents which aimed mainly at changing the ICUD implementation period and amending the scope of Component 1 activities of the ICUD to include additional works, revising the results framework to incorporate previously

undefined targets and capture additional project results and modifying the ICUD budget without additional costs. As a result of this restructuring, the ICUD closing date is amended to be June 30, 2022 and the ICUD budget has been modified/reallocated as follows:

Activity	Budget in USD	
	Original	Modified
Component 1: Planning for Sustainable Urban Growth	4,550,000	3,850,000
Component 2: Project Implementation Support and Management Cost	450,000	1,150,000
Total	5,000,000	5,000,000

Details of expenses are as follows:

	USD	
	2021	2020
Component 1: Planning for Sustainable Urban Growth	930,768	233,685
Component 2: Project Implementation Support and Management Cost	239,089	162,978
	1,169,857	396,663

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

On November 17, 2016 a contract was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office - Gaza and West Bank, and the MDLF concerning the granting of a contribution to the project entitled "MDLF Support to Village Councils - Area C Infrastructure (the Project), in the amount of EUR 2,885,714.

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

The Project implementation period is planned to be November 1, 2016 to December 31, 2020. However, subsequently, four amendments have been approved by FDFA. These amendments aimed mainly at changing the Project implementation period and amending the Project budget, changing certain provisions, realigning the payments and reporting requirements. As a result of these amendments, the total Project budget increased from EUR 2,885,714 to EUR 3,607,453. The Project was closed on September 30, 2021.

The following table specifies the amended Project budget breakdown:

	Amended Budget	
	EUR	Equivalent USD
Infrastructure sub-projects	2,398,097	2,679,634
LTC for design and supervision	160,617	179,473

	Amended Budget	
	EUR	Equivalent USD
Project engineer (consultant)	90,000	100,566
Legal fee	10,000	11,174
Audit	7,000	7,822
Monitoring and evaluation	18,000	20,113
Management fees (7%)	252,522	282,168
Emergency response to Covid 19 area C localities	671,217	765,972
	3,607,453	4,046,922

Details of expenses are as follows:

	USD	
	2021	2020
Infrastructure sub-projects	799,894	980,883
LTC for design and Supervision	41,108	53,883
Project engineer (consultant)	36,884	34,262
Audit	7,825	-
Management fees (7%)	65,659	144,236
Monitoring & Evaluation	14,856	-
Emergency response to Covid 19 area C localities	-	840,138
	966,226	2,053,402

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

A Financing agreement was signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on April 26, 2017 to finance the Jericho Multi Site Regeneration Project “MSR” in the amount of EUR 6,200,000. The expected closing date is June 30, 2023.

MSR aims to enhancing the economic development of the city through the re-localization and rehabilitation of key infrastructures. MSR, prepared under the Urban Project Finance Initiative (UPFI), promotes an integrated urban approach to optimize public land management, upgrade key infrastructures, and strengthen the management capacities of the municipality related to the enforcement of national health policies and improvement of its financial accountability. The rehabilitated infrastructures are the slaughterhouse, the Spanish Garden and the Municipal garage, which shall contribute to support the main city’s economic activities (tourism and farming).

In addition to the financing of the Slaughterhouse and Municipal Garage, AFD contribution shall be given to a technical assistance program, which includes not only the supervision of work and management fees to MDLF, but also training and capacity building to support the implementation of the municipal action plan on mitigating illegal slaughtering processes. The table below describes the components to be financed by AFD:

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

Details of expenses are as follows:

	USD	
	2021	2020
Advances (management fees & consultancy work)	48,200	34,395
Construction of slaughterhouse and remediation of the old site	-	1,654
Construction of the garage and remediation of the old site	-	284,751
	48,200	320,800

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

On November 3, 2017, an agreement (the Agreement) was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office - Gaza and West Bank, and the MDLF to contribute into the Project entitled "Gaza Vulnerable Communities Development - GVCD" (the Project), in the amount of Swiss franc (CHF) 3,000,000.

Subsequent to the date of signing of the Agreement, three amendments have been approved by FDFA. These amendments aimed mainly at changing the Project implementation period and reallocating the Project budget, changing certain provisions, realigning the payments and reporting requirements. The Project was closed on September 30, 2021.

The following table specifies the amended Project budget breakdown:

Component/ Sub-component	Modified Budget	
	CHF	USD
1. Improving accountable service delivery for vulnerable communities through small infrastructure projects		
1.1. 10-15 hard and social infrastructure projects	2,116,460	2,172,065
1.2. Recruitment of project coordinator	-	-
1.3. Local Technical Consultant (LTC)	61,692	63,313
2. Capacity building and community development projects		
2.1. 5 Training packages (on HRBA and conflict sensitive programme management, on social inclusion and social cohesion, civic participation practices, social accountability practices, on light maintenance and monitoring practices)	-	-

Component/ Sub-component	Modified Budget	
	CHF	USD
2.2. Small grants for CP and SA and community development projects	243,600	250,000
2.3. Contracting of CSO/s	188,219	193,164
2.4. Recruitment of social and community mobilization specialist	75,029	77,000
3. Policy Dialogue		
3.1. Studies and surveys	-	-
3.2. Workshop's facilitation and communications activities	20,000	20,526
4. Program Management		
4.1 Monitoring and evaluation (Baseline, midterm review and exist survey)	80,000	82,102
4.2 Management fees	210,000	215,517
4.3 External audit	5,000	5,131
Total	3,000,000	3,078,818

Details of expenses are as follows:

	USD	
	2021	2020
1.1. 10-15 hard and social infrastructure projects	305,510	1,224,607
1.3. Local Technical Consultant (LTC)	12,600	44,319
2.2. Small Grants for CP & SA & Communit Dev. Proj.	402,553	
2.3. Contracting of CSO/s	48,290	38,633
2.4. Recruitment of social and community mobilization specialist	22,950	21,600
3.2. Workshop's Facilitation & Communications Activity	14,020	
4.1. Monitoring and evaluation (Baseline, midterm review and exist survey)	17,540	-
4.2. Management fees	49,802	102,000
4.3. External Audit	5,131	
	878,396	1,431,159

1.7 Local Government and Services Improvement Program (LGSIP) Co-Funded by Multi-Donor Trust Fund (MDTF), through the International Development Association (IDA) TF0A4511

The Palestinian Liberation Organization (PLO), for the benefit of the Palestinian Authority (PA), and the International Development Association (IDA), in its capacity as administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), signed a Trust Fund Grant Agreement dated March 14, 2017 (the Grant Agreement), whereby the MDTF made a grant, to the PA, in an amount equals to USD 13,000,000, grant number TF0A4511, to co-finance the "Local Governance and Services Improvement Program" (LGSIP, the Program). In accordance with the Grant Agreement, LGSIP is to be carried out jointly by MDLF and the Ministry of Local Government (MoLG), (together the "Implementing Agencies"). The Program was closed on December 31, 2021.

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

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

The Program consists of the following parts:

Part 1: Supporting local services delivery through provision of Annual Capital Investment Grants to eligible Village Councils (VCs) for carrying out activities identified in the Annual Capital Investment Plans (ACIPs).

Part 2: Supporting community infrastructure development through the provision of Conditional Capital Investment Grants to eligible Joint Service Councils (JSCs) for carrying out projects identified in the ACIPs jointly developed by two or more VCs (Joint Projects).

Part 3: Strengthening the capacity of VCs and JSCs to improve their local governance functions, service delivery, and prepare and implement ACIPs; and strengthening the capacity of relevant agencies at the central level, including, inter alia, MoLG and MDLF, to effectively implement the Program.

The following table specifies the Program budget breakdown:

Component	Budget USD	Fund Transfer Modality
Delivery of Local Services by VCs (Disbursement Linked Indicators (DLI) 1, DLI 2, DLI 3, DLI 6)	6,600,000	World Bank to MoLG (through MoF)
Infrastructure Service Delivery through Joint Projects (DLI 4 and 5)	4,270,000	World Bank to MoLG (through MoF) and then to MDLF
Capacity Support for strengthening Local Governance Institutions (DLI 7)	900,000	World Bank to MoLG (through MoF)
Program Management:		
Management fee	910,000	
Local technical consultant (LTC) for Joint Project	250,000	World Bank to MoLG (through MoF) and then to MDLF
Beneficiaries impact assessment	70,000	
	1,230,000	
	13,000,000	

Details of expenses are as follows:

	USD	
	2021	2020
Infrastructure Service Delivery through Joint Projects	1,148,091	2,561,594
Program Management	14	881,711
	1,148,105	3,443,305

1.8 Local Government and Services Improvement Program (LGSIP) Co-Funded by Kreditanstalt für Wiederaufbau (KfW)

On March 6, 2017 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Finance and Planning and MDLF, to contribute into the finance of "Local Governance and Services Improvement Program" (LGSIP, the Program) in the amount of EUR 8,000,000.

The objective of the Program is to strengthen the local government financing system and improve local service delivery in Program Villages. The Program is a part of the PA's public-sector reform program as outlined in the National Development Plan 2014-2016 and in the supplemental sector strategies developed by MoLG.

The Program consists of the following parts:

Part 1: Supporting local services delivery through provision of Annual Capital Investment Grants to eligible Village Councils (VCs) for carrying out activities identified in the Annual Capital Investment Plans (ACIPs).

Part 2: Supporting community infrastructure development through the provision of Conditional Capital Investment Grants to eligible Joint Service Councils (JSCs) for carrying out projects identified in the ACIPs jointly developed by two or more VCs (Joint Projects).

Part 3: Strengthening the capacity of VCs and JSCs to improve their local governance functions, service delivery, and prepare and implement ACIPs; and strengthening the capacity of relevant agencies at the central level, including, inter alia, MoLG and MDLF, to effectively implement the Program.

The following table specifies the Program budget breakdown:

Component	Budget		Fund Transfer Modality
	EUR	USD	
Infrastructure Service Delivery through Joint Projects (DLI 4 and 5)	6,920,000	8,045,884	
Program Management:			
Management fee	560,000	651,112	KfW to MDLF directly
Local technical consultant (LTC) for Joint Project	420,000	488,334	
Technical audit	50,000	58,135	
Procurement audit	50,000	58,135	
	1,080,000	1,255,716	
	8,000,000	9,301,600	

Details of expenses are as follows:

	USD	
	2021	2020
Infrastructure Service Delivery through Joint Projects	3,479,473	3,389,825
Program Management	319,207	255,515
	3,798,680	3,645,340

1.9 *Strengthening the Resilience of Gaza Vulnerable Communities (SRGVC) funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)*

On December 10, 2018, an agreement (Grant Agreement) was signed between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the MDLF to finance a Project entitled “Strengthening the Resilience of Gaza Vulnerable Communities (SRGVC)” (the Project), in the amount of EUR 1,300,000. Subsequently, a supplement to the Grant Agreement has been approved by GIZ to increase the Project financing to be EUR 1,369,168. The Project was closed on March 31, 2021.

The primary aim of the Project is strengthening the resilience of a selected number of vulnerable communities in the Gaza Strip by means of supporting the delivery of basic services.

The following table specifies the modified Project budget breakdown:

	Modified Budget	
	EUR	Equivalent USD
Staff	30,187	34,139
External experts/consultants	65,000	73,509
Transportation	13,000	14,701
Procurement of goods	1,165,139	1,317,655
Administration costs (7.5269%)	95,842	108,388
	1,369,168	1,548,392

Details of expenses are as follows:

	USD	
	2021	2020
Staff	46,705	24,105
External experts	832	814
Transportation	-	8,289
Procurement of goods and works	416,048	972,420
Administration costs (7.5269%)	39,024	73,525
	502,609	1,079,153

1.10 *Area C Development Programme in the West Bank- Package V, funded by the European Union (EU), Represented by the European Commission (EC)*

The European Union (EU), represented by the European Commission (EC) and MDLF signed a grant contract (the Grant Contract) dated June 23, 2020 in respect of “Development of Area “C” Package V in the West Bank Project” (EIN/2019/410-568) (the Action), whereby EU undertook to finance a maximum amount of EUR 5,775,142 for 40 months.

The overall objective of the Action is to improve the social and economic condition of Palestinian communities in Area “C” which is critical for maintaining Palestinian presence in Area “C” and for the development of the Palestinian economy. The specific objectives of

the Action are to improve access to essential and public infrastructure in Area C and strengthening the Palestinian institutions' capacity to deliver essential social and public infrastructure in Area C.

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

	Budget	
	EUR	Equivalent USD
Direct eligible cost:		
Other costs and services		
Expenditure verification/audit	10,000	11,788
Evaluation cost	15,000	17,682
Visibility action	30,000	35,364
<i>Subtotal-Other costs and services</i>	55,000	64,834
Other		
Legal fees	15,000	17,682
Cost of infrastructure projects	4,890,000	5,764,332
Local technical consultant	240,000	282,912
Technical support expert	125,000	147,350
Consultancy for civic engagement	70,000	82,516
<i>Subtotal-Other</i>	5,340,000	6,294,792
<i>Subtotal-Direct eligible cost</i>	5,395,000	6,359,626
MDLF management fees (indirect costs maximum 7% of direct eligible cost)	377,650	445,174
Provision for contingency reserve (maximum 5% of direct eligible cost)	2,492	2,938
	5,775,142	6,807,738

Details of expenses are as follows:

	USD	
	2021	2020
Cost of infrastructure projects	1,424,418	-
Local technical consultant	98,233	21,160
Technical support expert	28,500	18,297
MDLF management fees (indirect costs maximum 7% of direct eligible cost)	110,568	36
	1,661,719	39,493