

Local Government Units Development and Lending Fund

Financial Statements

For the Year Ended December 31, 2017

Together with Independent Auditors' Report

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7- 46

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm
"MAZARS"

Abu Shosheh bldg., 1st floor, Opposite of
Arab Bank Al Balad Branch, Ramallah
P.O. Box: 2056 Ramallah
Tel: (+970 2) 2966210/1
Fax: (+970 2) 2966212
E-mail: musa.abudieh@el-wafa.ps

Independent Auditors' Report

**To: 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 (LGUDLF) which comprise the statement of financial position as at December 31, 2017, the statement of activities 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 LGUDLF as of December 31, 2017, the results of its activities and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 LGUDLF 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 International Financial Reporting Standards, 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 LGUDLF's ability to continue as a going concern, disclosing, as applicable, matters

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm
"MAZARS"

Abu Shosheh bldg., 1st floor, Opposite of
Arab Bank Al Balad Branch, Ramallah
P.O. Box: 2056 Ramallah
Tel: (+970 2) 2966210/1
Fax: (+970 2) 2966212
E-mail: musa.abudieh@el-wafa.ps

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

Those charged with governance are responsible for overseeing LGUDLF'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 LGUDLF'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 LGUDLF'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

El Wafa Company

For Financial Consulting & Accounting Services

Correspondents of the International firm
"MAZARS"

Abu Shosheh bldg., 1st floor, Opposite of
Arab Bank Al Balad Branch, Ramallah
P.O. Box: 2056 Ramallah
Tel: (+970 2) 2966210/1
Fax: (+970 2) 2966212
E-mail: musa.abudieh@el-wafa.ps

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 LGUDLF 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.

El Wafa Company
(Permit No. 203/2012)




Musa Abu Dieh
(Permit No. 223/1993)

Ramallah, Palestine
March 15, 2018

Local Government Units Development and Lending Fund
Statement of Financial Position
As at December 31, 2017
(Currency: USD)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
ASSETS			
Non-current assets			
Property and equipment, net	3	210,804	240,000
Total non-current assets		210,804	240,000
Current assets			
Pledges receivable	4	98,914,630	85,230,931
Prepaid expenses and other current assets	5	884,129	1,108,096
Cash and cash equivalents	6	37,213,184	21,096,315
Total current assets		137,011,943	107,435,342
Total assets		137,222,747	107,675,342
NET ASSETS AND LIABILITIES			
Net assets			
Temporarily restricted net assets	7	122,226,908	95,324,748
Unrestricted net assets		2,845,888	762,560
Total net assets		125,072,796	96,087,308
Non-current liabilities			
Provision for provident fund	8	1,181,826	873,112
Provision for end of service benefits	9	1,182,208	904,058
Total non-current liabilities		2,364,034	1,777,170
Current liabilities			
Accrued expenses and other current liabilities	10	9,785,917	9,810,864
Total current liabilities		9,785,917	9,810,864
Total liabilities		12,149,951	11,588,034
Total net assets and liabilities		137,222,747	107,675,342

- These financial statements were approved for issuance by LGUDLF management on March 15, 2018 and were signed on its behalf by:


 Mr. Muhammad Al Ramahi
 Finance and Administrative Manager


 Dr. Tawfiq Albudairi
 Director General

The Accompanying notes form an integral part of these financial statements

Local Government Units Development and Lending Fund
Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(Currency: USD)

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets			
LGUDLF management fees	7, 11	3,003,561	3,651,298
Interest income		307,593	178,538
Other revenues		34,870	17,144
Currency variance gain (loss)	13	1,540,047	(573,942)
Total revenues, gains and other support		4,886,071	3,273,038
Released from temporarily restricted net assets	7	45,395,191	50,904,425
Total revenues		50,281,262	54,177,463
Expenses			
Projects' expenses	11	45,471,358	50,936,091
Depreciation expenses	3	69,062	86,093
General and administrative expenses	12	2,657,514	2,472,181
Transfer of interest revenue accumulated balance to Donor		-	175,333
Total expenses		48,197,934	53,669,698
Net change in unrestricted net assets		2,083,328	507,765
Changes in temporarily restricted net assets			
Grants and donations	7	64,736,025	52,415,914
Net assets released from restriction – management fees	7, 11	(3,003,561)	(3,651,298)
Net assets released from restriction – projects' expenses	7, 11	(42,391,630)	(47,253,127)
Grants written off during the year	7	(1,242,544)	(224,386)
Refunded/ to be refunded to donor		-	(5,114)
Currency variance	7, 13	8,803,870	(3,601,723)
Net changes in temporarily restricted net assets		26,902,160	(2,319,734)
Change in net assets		28,985,488	(1,811,969)
Net assets, beginning of year		96,087,308	97,899,277
Net assets, end of year		125,072,796	96,087,308

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, 2017
(Currency: USD)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	28,985,488	(1,811,969)
Adjustments:		
Depreciation	69,062	86,093
End of service benefits and provident fund expenses	647,994	416,346
Adjustments to reconcile changes in net assets to net cash flow (used in) operating activities:		
(Increase) in pledges receivable	(13,683,699)	(6,676,563)
Decrease (increase) in prepaid expenses and other current assets	223,967	(1,023,590)
(Decrease) increase in accrued expenses and other current liabilities	(24,947)	1,993,685
Provident fund benefits paid	(35,230)	(87,680)
End of service benefits paid	(25,900)	(10,111)
Net cash flow from (used in) operating activities	<u>16,156,735</u>	<u>(7,113,789)</u>
Cash flows from investing activities		
Purchase of property and equipment	(39,866)	(13,972)
Net cash (used in) investing activities	<u>(39,866)</u>	<u>(13,972)</u>
Net increase (decrease) in cash and cash equivalents	16,116,869	(7,127,761)
Cash and cash equivalents, beginning of year	<u>21,096,315</u>	<u>28,224,076</u>
Cash and cash equivalents, end of year	<u><u>37,213,184</u></u>	<u><u>21,096,315</u></u>

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, 2017
(Currency: USD)

1. LGUDLF and its Activities

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

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

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

The Board of Directors is the policy and strategy setting authority responsible for the direction and performance of LGUDLF. The Board comprises 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 Planning, 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. Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS) based on the historical cost convention and presented in USD. Currently, International Financial Reporting Standards do not include any specific requirements regarding not-for-profit organizations in connection with revenue recognition

and financial statements presentation. The preparation of the financial statements in conformity with 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.

Following is a summary of LGUDLF's significant accounting policies:

a. General

Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are those whose use by LGUDLF is not subject to donor-imposed stipulations. Temporarily restricted net assets are those whose use by LGUDLF has been limited by donors' specific time period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by LGUDLF in perpetuity. During the years 2017 and 2016, LGUDLF had no permanently restricted net assets.

b. Temporarily restricted net assets

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

c. Property and equipment

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

	<u>%</u>
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.

d. 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.

e. Cash and cash equivalents

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

f. Provision for provident fund

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

g. Provision for end of service benefits

End of service benefits are provided for in accordance with the local labour laws and LGUDLF's bylaw.

h. Accruals and other current liabilities

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

i. Revenue recognition

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

j. Expenses

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

k. Foreign currencies

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

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

Currency	2017	2016
One New Israeli Shekel (ILS)	0.287	0.260
One Euro (EUR)	1.200	1.046

l. Changes in the accounting policies

The accounting policies used is the same as those used in the previous year, unless otherwise stated.

m. Financial Risk Management:

• **Credit risk:**

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

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

Item	Carrying amount
Pledges receivable	98,914,630
Cash and cash equivalents	37,213,184

- LGUDLF has a total amount of USD 98,914,630 as pledges receivable from the donors.

- LGUDLF has an amount of USD 37,213,184 as cash at local banks and on hand.

• **Liquidity risk:**

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

Item	Expected timing of cash outflow		
	Carrying amount	0 - 6 Months	7 Months - 1 Year
Accrued expenses and other current liabilities	9,785,917	9,785,917	-
	9,785,917	9,785,917	-

- LGUDLF will pay an amount of USD 9,785,917 during the first 6 months of the year 2018. LGUDLF will use the available cash to settle these obligations.

- **Market risk:**

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

The main market risk faced by LGUDLF is foreign 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 gain of USD 1,540,047 and a loss of USD 573,942 for the years ended December 31, 2017 and 2016 respectively.

3. Property and Equipment, Net

Property and equipment comprises: -

2017					
<u>Cost</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Computer Software</u>	<u>Total</u>
January 1, 2017	212,461	248,138	135,502	59,582	655,683
Additions	-	34,922	4,944	-	39,866
Disposals	-	-	-	-	-
December 31, 2017	212,461	283,060	140,446	59,582	695,549
<u>Accumulated depreciation</u>					
January 1, 2017	117,319	188,070	61,326	48,968	415,683
Additions	23,800	29,604	12,118	3,540	69,062
Disposals	-	-	-	-	-
December 31, 2017	141,119	217,674	73,444	52,508	484,745
Net book value as of December 31, 2017	71,342	65,386	67,002	7,074	210,804
2016					
<u>Cost</u>	<u>Vehicles</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Computer Software</u>	<u>Total</u>
January 1, 2016	212,461	236,012	133,656	59,582	641,711
Additions	-	12,126	1,846	-	13,972
Disposals	-	-	-	-	-
December 31, 2016	212,461	248,138	135,502	59,582	655,683
<u>Accumulated depreciation</u>					
January 1, 2016	76,871	158,515	48,776	45,428	329,590
Additions	40,448	29,555	12,550	3,540	86,093
Disposals	-	-	-	-	-
December 31, 2016	117,319	188,070	61,326	48,968	415,683
Net book value as of December 31, 2016	95,142	60,068	74,176	10,614	240,000

4. Pledges Receivable

Pledges receivable comprises: -

Program	Donor / Detail	2017					
		Balance, beginning of year	Addition during the year	Received during the year	Currency variance	Write off	Balance, end of year
MDP Phase III	Agence Française de Development (AFD)	-	4,736,800	-	62,400	-	4,799,200
	The Swiss Federal Department of Foreign Affairs (FDFA)	-	5,780,636	(1,199,800)	-	-	4,580,836
	Multi-Donor Trust Fund (MDTF)	-	20,000,000	-	-	-	20,000,000
	The International Development Association (IDA)	-	16,000,000	-	-	-	16,000,000
MDP Phase II Cycle II	IDA	2,018,417	-	(2,018,417)	-	-	-
	MDTF	4,807,454	-	(4,889,799)	82,345	-	-
	Kreditanstalt für Wiederaufbau - European Union (KfW - EU)	537,660	-	(584,753)	47,093	-	-
	AFD	1,768,558	-	(1,230,895)	140,884	-	678,547
	The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	221,097	179,970	(230,487)	9,503	-	180,083
	KfW Additional Contribution	10,458,000	-	(11,094,534)	661,750	-	25,216
	Palestinian National Authority (PNA)	5,030,298	-	(5,463,198)	432,900	-	-
	MDTF 2 nd Additional Contribution	3,471,229	-	(3,678,388)	207,159	-	-
	KFW-EU Gaza Emergency Response (Window 5)	4,456,534	-	(4,733,683)	307,176	-	30,027
	The Belgian Development Agency (Enabel, formerly BTC) Window 2- under LGRDP 2	589,831	-	-	86,856	-	676,687
MDP Phase II Cycle I	KfW	30,729	-	(40,563)	9,834	-	-
	FDFA	590,528	-	(765,913)	175,385	-	-
	IDA Additional Contribution (Window 5)	144,288	-	(144,039)	-	-	249

Program	Donor / Detail	2017					
		Balance, beginning of year	Addition during the year	Received during the year	Currency variance	Write off	Balance, end of year
Continued...							
MDP	MDTF Additional Contribution (Window 5)	2,469,868	-	(2,023,817)	-	-	446,051
Phase II	AFD	623	-	-	91	-	714
Cycle I	PNA	6,269,199	-	(6,604,120)	334,928	-	7
Other Programs/ projects	Support to Local Government Reform and Development Programme (LGRDP) - Enabel	897,888	-	(91,561)	92,662	(898,989)	-
	Gaza Solid Waste Management Project (GSWMP - IDA)	8,868,437	-	(1,344,366)	-	-	7,524,071
	Gaza Solid Waste Management Project (GSWMP - AFD)	13,017,709	-	(2,246,747)	2,071,273	-	12,842,235
	Development of Area “C” in the West Bank Project - the European Commission (EC)	453,375	-	(160,835)	51,015	(343,555)	-
	Regeneration of Historical Centers in Local Government Units (RHC) - Enabel	4,749,840	-	(786,147)	655,144	-	4,618,837
	Local Government Reform and Development Programme - Phase II (LGRDP 2) - Enabel	4,808,254	-	(1,064,377)	648,068	-	4,391,945
	Integrated Cities and Urban Development Project (ICUD) - IDA	5,000,000	-	(520,000)	-	-	4,480,000
	LGUDLF Support to Village Councils - Area C Infrastructure - FDFA	2,468,835	-	-	363,550	-	2,832,385
	Development of Area “C” in the West Bank Project 2 - EC	2,102,280	-	(1,493,859)	89,577	-	697,998
	Development of Area “C” in the West Bank Project 3 - EC	-	3,670,156	(1,373,254)	120,911	-	2,417,813
	Jericho Multi Site Regeneration Project (MSR) - AFD	-	7,342,040	(355,260)	92,040	-	7,078,820

2017

Program	Donor / Detail	Balance, beginning of year	Addition during the year	Received during the year	Currency variance	Write off	Balance, end of year
Continued...							
Other Programs/ projects	Gaza Vulnerable Communities Development (GVCD) - FDFA	-	3,078,818	(1,128,900)	-	-	1,949,918
	Development of Area “C” in the West Bank Project 4 - EC	-	2,662,991	-	-	-	2,662,991
		85,230,931	63,451,411	(55,267,712)	6,742,544	(1,242,544)	98,914,630

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets comprise: -

	2017	2016
Advances to contractors	816,934	1,050,044
Prepaid expenses	56,180	51,049
Advances for training sessions	6,550	6,550
Due from employees	4,465	453
	884,129	1,108,096

6. Cash and Cash Equivalents

Cash and cash equivalents comprise: -

Program	Donor / Detail	2017	2016
LGUDLF	Petty Cash	3,010	2,154
	Current Accounts	1,791,423	314,331
	End of service benefits and provident fund accounts	2,411,810	1,823,260
MDP Phase III	AFD	(6)	-
	FDFA	1,199,694	-
MDP Phase II Cycle II	IDA	575,583	428,549
	MDTF	1,185,075	706,454
	KfW - EU	954,802	2,595,156
	AFD	378,294	2,445,481
	GIZ	276,590	88,189
	KfW	2,920,680	1,759,979
	PNA	2,884,698	-
	MDTF 2 nd Additional Contribution	677,551	1,465,354
	KfW-EU Window 5	4,014,863	-
	Enabel	810,118	752,976
MDP Phase II Cycle I	Enabel	-	5
	KfW	554,196	1,053,030
	FDFA	169,228	877,704
	IDA Window 5	50,807	311,000
	MDTF Window 5	1,077,644	731,123
	AFD	679,132	707,808
	PNA	4,527,160	418,992
	KfW Window 5	111,290	322,437
MDP Phase I Cycle I	AFD	-	2
MDP Phase I Cycle II	AFD	-	3
	PNA	1,001,415	67,597

Program	Donor / Detail	2017	2016
Continued...			
Other Programs/ projects	LGRDP - Enabel	-	407,191
	LDP III - DRO	71	72,296
	Water Supply System - AFD	2,932	104,885
	GSWMP - IDA	1,016,690	348,552
	GSWMP - AFD	1,272,312	1,395,464
	UN Habitat	-	22,070
	HIMI - SDC	-	42,564
	Development of Area "C" - EC	3	133,697
	RHC - Enabel	422,664	812,681
	LGRDP 2 - Enabel	611,217	335,970
	ICUD - IDA	378,479	-
	Area C Infrastructure - FDFA	628,785	549,361
	Development of Area "C" 2 - EC	1,719,537	-
	Development of Area "C" 3 - EC	1,416,716	-
	MSR - AFD	359,936	-
	GVCD - FDFA	1,128,785	-
		37,213,184	21,096,315

7. Temporarily Restricted Net Assets

Temporarily restricted net assets comprises: -

Program	Donor / Detail	2017						
		Balance, beginning of year	Additions- Grants and donations	Released from restriction - projects' expenses	Released from restriction - management fees	Currency variance	Write off	Balance, end of year
MDP Phase III	AFD	-	4,736,800	-	(6)	62,400	-	4,799,194
	FDFA	-	5,780,636	-	(106)	-	-	5,780,530
	MDTF	-	20,000,000	-	-	-	-	20,000,000
	IDA	-	16,000,000	-	-	-	-	16,000,000
MDP Phase II Cycle II	IDA	2,462,977	-	(1,813,384)	(130,315)	-	-	519,278
	MDTF	5,030,212	-	(3,541,134)	(413,743)	-	-	1,075,335
	KfW - EU	2,379,042	1,039,887 *	(2,959,247)	(166,626)	315,715	-	608,771
	AFD	3,059,859	-	(2,367,907)	(186,899)	276,411	-	781,464
	GIZ	286,034	179,970	(233,759)	(17,649)	36,850	-	251,446
	KfW	3,396,958	-	(2,792,948)	(215,156)	348,993	-	737,847
	KfW Additional Contribution	5,331,012	-	(5,210,229)	(397,732)	561,668	-	284,719
	PNA	4,631,777	-	(2,795,830)	(179,035)	513,020	-	2,169,932
	MDTF 2 nd Additional Contribution	3,643,255	-	(3,300,124)	(236,588)	-	-	106,543
	KFW-EU Window 5	4,455,825	-	(3,364,646)	(235,121)	626,123	-	1,482,181
MDP Phase II Cycle I	Enabel	1,342,807	-	(59,300)	-	196,043	-	1,479,550
	KfW	939,723	-	(566,403)	(53,066)	118,826	-	439,080
	FDFA	817,544	-	(844,832)	(65,743)	93,031	-	-
	IDA Window 5	469,488	-	(455,036)	(14,452)	-	-	-
	MDTF Window 5	2,543,255	-	(1,584,810)	(130,341)	-	-	828,104
	AFD	686,838	-	(106,985)	(5)	96,233	-	676,081
	PNA	5,802,719	-	(2,641,701)	(176,414)	582,472	-	3,567,076
	KfW Window 5	293,168	-	(318,077)	(8,339)	33,248	-	-

		2017						
Program	Donor / Detail	Balance, beginning of year	Additions- Grants and donations	Released from restriction - projects' expenses	Released from restriction - management fees	Currency variance	Write off	Balance, end of year
Continued...								
MDP Phase I Cycle II	PNA	867,737	-	-	(52)	120,225	-	987,910
Other Programs/ projects	LGRDP - Enabel	1,091,193	-	(257,197)	(21,685)	86,678	(898,989)	-
	LDP III - DRO	50,479	-	(23,788)	(26,691)	-	-	-
	Water Supply System – AFD	102,447	-	(107,657)	-	5,210	-	-
	GSWMP - IDA	9,672,120	-	(1,286,300)	(93)	-	-	8,385,727
	GSWMP - AFD	15,012,821	-	(3,065,511)	(184,188)	2,198,796	-	13,961,918
	UN Habitat	22,070	-	(22,070)	-	-	-	-
	Development of Area “C” - EC	118,799	244,727 *	(49,204)	2,735	26,498	(343,555)	-
	RHC - Enabel	5,562,037	-	(1,290,675)	(64,142)	747,266	-	4,954,486
	LGRDP 2 - Enabel	5,143,528	-	(1,120,559)	(65,001)	715,551	-	4,673,519
	ICUD - IDA	4,988,864	-	(151,738)	(16,816)	-	-	4,820,310
	Area C Infrastructure - FDFA	3,017,880	-	(6,743)	-	444,354	-	3,455,491
	Development of Area “C” 2 - EC	2,102,280		(19,621)	(83)	308,990	-	2,391,566
	Development of Area “C” 3 - EC	-	3,670,156	(33,317)	(90)	192,549	-	3,829,298
	MSR - AFD	-	7,342,040	(898)	(4)	96,720	-	7,437,858
	GVCD - FDFA	-	3,078,818	-	(115)	-	-	3,078,703
Development of Area “C” 4 - EC	-	2,662,991	-	-	-	-	2,662,991	
		95,324,748	64,736,025	(42,391,630)	(3,003,561)	8,803,870	(1,242,544)	122,226,908

* These amounts have been transferred to these grants from the PNA contribution into MDP phase II cycle II as a compensation of the Value Added Tax paid from these grants.

8. Provision for Provident Fund

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

	2017	2016
Balance, beginning of the year	873,112	728,650
Add: provision made during the year	242,636	221,931
Less: payments made during the year	(35,230)	(87,680)
Currency variance	101,308	10,211
Balance, end of the year	1,181,826	873,112

9. Provision for End of Service Benefits

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

	2017	2016
Balance, beginning of the year	904,058	729,965
Add: provision made during the year	184,201	172,736
Less: payments made during the year	(25,900)	(10,111)
Currency variance	119,849	11,468
Balance, end of the year	1,182,208	904,058

10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities comprise: -

	2017	2016
Due to contractors	9,683,273	9,726,076
Accrued expenses and other payables	102,644	84,788
	9,785,917	9,810,864

11. Projects' Expenses

Projects' expenses comprise: -

Program	Donor / Detail	Note	2017			2016		
			Projects' expenses	LGUDLF management fees	Total	Projects' expenses	LGUDLF management fees	Total
MDP Phase III	AFD	11.1	-	6	6	-	-	-
	FDFA	11.1	-	106	106	-	-	-
MDP Phase II Cycle II	IDA	11.2.a	1,813,384	130,315	1,943,699	1,605,834	115,616	1,721,450
	MDTF	11.2.b	3,541,134	413,743	3,954,877	7,387,407	572,069	7,959,476
	KfW - EU	11.2.c	2,959,247	166,626	3,125,873	4,910,300	256,263	5,166,563
	AFD	11.2.d	2,367,907	186,899	2,554,806	3,121,946	232,566	3,354,512
	GIZ	11.2.e	233,759	17,649	251,408	130,151	8,667	138,818
	KfW	11.2.f	2,792,948	215,156	3,008,104	4,835,594	352,358	5,187,952
	KfW Additional Contribution	11.2.g	5,210,229	397,732	5,607,961	4,933,833	358,709	5,292,542
	PNA	11.2.h	2,795,830	179,035	2,974,865	413,549	-	413,549
	MDTF 2 nd Additional Contribution	11.2.i	3,300,124	236,588	3,536,712	3,034,386	222,359	3,256,745
	KfW-EU Window 5	11.2.j	3,364,646	235,121	3,599,767	729	-	729
MDP Phase II Cycle I	Enabel	11.2.k	59,300	-	59,300	-	-	-
	Enabel	-	5	-	5	986,198	83,366	1,069,564
	KfW	11.2.l	566,403	53,066	619,469	693,017	100,853	793,870
	VNG	-	-	-	-	643,962	64,809	708,771
	FDFA	11.2.m	873,170	65,743	938,913	1,677,770	100,351	1,778,121
	IDA Window 5	11.2.n	457,907	14,452	472,359	-	41,465	41,465
	MDTF Window 5	11.2.o	1,584,810	130,341	1,715,151	1,617,144	187,118	1,804,262
	AFD	11.2.p	106,985	5	106,990	294,847	20,916	315,763
	PNA	11.2.q	2,641,701	176,414	2,818,115	634,213	56,525	690,738
	KfW Window 5	11.2.r	340,300	8,339	348,639	1,580,682	148,757	1,729,439

Program	Donor / Detail	Sub - note	2017			2016		
			Projects' expenses	LGUDLF management fees	Total	Projects' expenses	LGUDLF management fees	Total
Continued...								
MDP Phase I	AFD Cycle I	-	2	-	2	-	-	-
	AFD Cycle II	-	3	-	3	-	-	-
	PNA Cycle II	-	-	52	52	-	-	-
Other Programs/ projects	LGRDP - Enabel	11.3	257,243	21,685	278,928	2,288,699	423,226	2,711,925
	LDP III - DRO	11.4	46,417	26,691	73,108	2,466,415	84,000	2,550,415
	Water Supply System – AFD	11.5	107,702	-	107,702	-	-	-
	GSWMP - IDA	11.6	1,286,300	93	1,286,393	90,367	4	90,371
	GSWMP - AFD	11.7	3,065,511	184,188	3,249,699	316,749	-	316,749
	UN Habitat	11.8	22,070	-	22,070	12,891	-	12,891
	HIMI - SDC	-	-	-	-	1,417,796	104,915	1,522,711
	Development of Area “C” - EC	11.9	49,209	(2,735)	46,474	1,899,651	116,386	2,016,037
	RHC - Enabel	11.10	1,290,675	64,142	1,354,817	40,744	-	40,744
	LGRDP 2 - Enabel	11.11	1,120,559	65,001	1,185,560	238,783	-	238,783
	ICUD- IDA	11.12	151,738	16,816	168,554	11,136	-	11,136
	Area C Infrastructure - FDFA	-	6,743	-	6,743	-	-	-
	Development of Area “C” 2 - EC	-	19,621	83	19,704	-	-	-
	Development of Area “C” 3 - EC	-	33,317	90	33,407	-	-	-
	MSR - AFD	-	898	4	902	-	-	-
	GVCD - FDFA	-	-	115	115	-	-	-
			42,467,797	3,003,561	45,471,358	47,284,793	3,651,298	50,936,091
Amount covered from unrestricted net assets*			(76,167)			(31,666)		
			42,391,630			47,253,127		

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

Project/ grant	2017	2016
AFD - MDP I cycle I	(2)	-
Enabel - MDP II cycle I	(5)	-
LGRDP - Enabel	(46)	-
AFD - MDP I cycle II	(3)	-
LDP III - DRO	(22,629)	-
Water Supply System - AFD	(45)	-
FDFA - MDP II cycle I	(28,338)	-
IDA Window 5	(2,871)	-
Development of Area "C" - EC	(5)	-
KfW Window 5	(22,223)	-
HIMI- SDC	-	(31,666)
	(76,167)	(31,666)

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

During the 4th quarter of the year 2017, LGUDLF started signing financing agreements with donors to finance Phase III of the Municipal Development Program (MDP III) which is planned to be implemented starting from 2018.

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

Municipal Development Program - Phase II (MDP II), is supported by the Palestinian National Authority along with the World Bank, the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF) through the World Bank, Kreditanstalt für Wiederaufbau (KfW), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Netherlands (through VNG International), the Switzerland (through the Swiss Federal Department of Foreign Affairs (FDFA)), the Agence Française de Development (AFD), the Belgian Development Agency (Enabel, formerly BTC) through its program (Local Government Reform and Development Programme - LGRDP) and the European Union (EU) through the KfW.

MDP II was planned to be implemented over a period of 3 years in two cycles of approximately 18 months each starting in March 2014. However, the implementation of MDP II cycle II is still ongoing as of the date of these financial statements.

MDP II has five windows/components as follows:

Window 1 - Provides municipalities with performance-based grants for municipal service delivery per mandate of municipalities defined in the Local Councils Law No. 1 of 1997, for sectors described as eligible in the Operations Manual as well as for operating expenditures for municipalities in Gaza. The municipalities' allocation for this window will be calculated using the newly created Grant Allocation Mechanism. Municipalities decide on how to use the funds based on their Strategic Development and Investment Plans (SDIP) and consultation with citizens.

Window 2 - Pilots learning and innovation for municipal development, including implementation of the Ministry of Local Government (MoLG) policy decisions. This window finances goods, works and consultant services for capacity building and capital investments, including:

- Strengthening Newly Amalgamated Municipalities that will support newly amalgamated municipalities towards achieving service levels in existing municipalities through financing

small-scale social infrastructure and demand driven municipal capacity building packages. It will finance goods, works and consultant services.

- (b) Piloting Innovations for improved municipal responsiveness that will support:
- Introduction of E-governance in four selected municipalities for more responsive service provision.
 - Renewable Energy that will assist municipalities in piloting sub-projects with a focus on solar energy for public buildings.
 - Support to Local Economic Development (LED) initiatives that will develop a municipal approach to LED and pilot the approach in 12 municipalities (6 per each cycle).

Window 3 - Helps municipalities to improve their performance rankings in accordance to the new Grants Allocation Mechanism. It provides technical assistance to improve financial management, planning capacities and technical capabilities, particularly in operations and maintenance. This component would finance goods, works and consultants' services and would be implemented in two cycles of approximately 18 months each.

Window 4 - This component will finance goods and consultants' services for monitoring and evaluation, outreach and communication and local technical consultants for the engineering supervision of sub-projects under window 1 and the LGUDLF management fee.

Window 5 - This window was designed under MDP II in response to Gaza emergency needs following the 51-day war in the summer of 2014 to restore municipal services in the Gaza Strip.

Details of the MDP II by each donor are presented from note (11.2.a) to note (11.2.r) below

11.2.a. International Development Association (IDA)

On July 7, 2013 an agreement was signed between the International Development Association (IDA) and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase II of the Municipal Development Program (MDP II), in the amount of USD 10,000,000.

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

	Budget USD
Window 1: Municipal Grants for Capital Investments	6,913,793
Window 2: Support to Municipal Innovations and Efficiency	827,586
Window 3: Capacity Building for (a) Municipalities	648,276
(b) LGUDLF	-
Window 4: Project Implementation Support and Management Costs	1,610,345
	10,000,000

The closing date of the Agreement with IDA is February 28, 2018.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 1: Municipal Grants for Capital Investments	1,431,011	1,297,470
Window 2: Support to Municipal Innovations and Efficiency	37,585	287,579
Window 3: Capacity Building for (a) Municipalities	223,200	18,453
Window 4: Project Implementation Support and Management Costs	251,903	117,948
	1,943,699	1,721,450

11.2.b. Multi-Donor Trust Fund (MDTF), through the International Development Association (IDA)

On March 26, 2014 an agreement was signed between the International Development Association (IDA), in its capacity as administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase II of the Municipal Development Program (MDP II), in the amount of USD 25,800,000.

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

	Budget USD
Window 1: Municipal Grants for Capital Investments	18,986,172
Window 2: Support to Municipal Innovations and Efficiency	2,918,927
Window 3: Capacity Building for (a) Municipalities	1,175,871
(b) LGUDLF	-
Window 4: Project Implementation Support and Management Costs	2,719,030
	25,800,000

The closing date of the Agreement with IDA is February 28, 2018.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 1: Municipal Grants for Capital Investments	2,566,211	6,214,214
Window 2: Support to Municipal Innovations and Efficiency	263,257	760,347
Window 3: Capacity Building for (a) Municipalities	335,732	144,554
(b) LGUDLF	-	-
Window 4: Project Implementation Support and Management Costs	789,677	840,361
	3,954,877	7,959,476

11.2.c. Kreditanstalt für Wiederaufbau - European Union (KfW - EU)

On December 13, 2014 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development and LGUDLF based on the Delegation Agreement No. 2014/345-867, dated November 11, 2014 between the European Union (EU) and KfW, to contribute into the finance of Phase II (cycle II) of the Municipal Development Program (MDP II) in the amount of EUR 6,974,110.

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

	Budget in EUR	Budget in USD
Window 1: Municipal Grants for Capital Investments	6,017,860	6,844,714
Window 3: Capacity Building for (a) Municipalities	500,000	568,700
(b) LGUDLF	-	-
Window 4: Project Implementation Support and Management Costs	456,250	518,939
	6,974,110	7,932,353

Details of expenses are as follows:

	USD	
	2017	2016
	Actual	Actual
Window 1: Municipal Grants for Capital Investments	2,827,137	4,881,490
Window 3: Capacity Building for (a) Municipalities	132,110	28,810
Window 4: Project Implementation Support and Management Costs	166,626	256,263
	3,125,873	5,166,563

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

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

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

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

Details of expenses are as follows:

	USD	
	2017	2016
	Actual	Actual
Window 1: Municipal Grants for Capital Investments	2,305,870	3,002,120
Window 3 : Capacity Building for (a) Municipalities	777	119,826
Window 4: Project Implementation Support and Management Costs	248,159	232,566
	2,554,806	3,354,512

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

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

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

	Budget in EUR	Budget in USD
Window 2: Support to Municipal Innovations and Efficiency	92,010	100,355
Window 3: Capacity Building for (a) Municipalities	279,990	305,385
Window 4: Project Implementation Support and Management Costs	28,000	30,540
	400,000	436,280

Details of expenses are as follows:

	USD	
	2017	2016
	Actual	Actual
Window 2: Support to Municipal Innovations and Efficiency	-	109,560
Window 3: Capacity Building for (a) Municipalities	233,759	20,591
Window 4: Project Implementation Support and Management Costs	17,649	8,667
	251,408	138,818

11.2.f. Kreditanstalt für Wiederaufbau (KfW)

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

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

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

Details of expenses are as follows:

	USD	
	2017	2016
	Actual	Actual
Window 1: Municipal Grants for Capital Investments	2,541,847	4,835,594
Window 3: Capacity Building for (a) Municipalities	218,954	-
(b) LGUDLF	-	-
Window 4: Project Implementation Support and Management Costs	247,303	352,358
	3,008,104	5,187,952

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

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

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

	Budget in EUR	Budget in USD
Window 1: Municipal Grants for Capital Investments	9,300,000	10,339,647
Window 4: Project Implementation Support and Management Costs	700,000	778,253
	10,000,000	11,117,900

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 1: Municipal Grants for Capital Investments	5,210,229	4,933,833
Window 4: Project Implementation Support and Management Costs	397,732	358,709
	5,607,961	5,292,542

11.2.h. Palestinian National Authority (PNA)

The Palestinian National Authority (PNA) will contribute into the finance of MDP II Cycle II in the amount of EUR 4,810,000 representing 10% of the contributions committed by MDP II Cycle II donors.

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

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

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 1: Municipal Grants for Capital Investments	1,511,216	413,549
Window 4: Project Implementation Support and Management Costs	179,035	-
PNA VAT compensation	1,284,614	-
	2,974,865	413,549

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

On April 14, 2016 an agreement was signed between the International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to extend an additional grant (MDTF 2nd Additional Contribution), into the finance of Phase II (cycle II) of the Municipal Development Program (MDP II), in the amount of USD 6,900,000.

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

	Budget in USD
Window 1: Municipal Grants for Capital Investments	6,417,000
Window 4: Project Implementation Support and Management Costs	483,000
	6,900,000

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 1: Municipal Grants for Capital Investments	3,300,124	3,034,386
Window 4: Project Implementation Support and Management Costs	236,588	222,359
	3,536,712	3,256,745

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

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

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

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

The implementation period of the Agreement has commenced on the date of signing (December 12, 2016) and shall last 18 months.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 4: (a) Local Technical Consultant	38,467	729
(b) LGUDLF Management Fee	235,121	-
Window 5: Gaza Municipal Emergency Grants	3,326,179	-
	3,599,767	729

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

Under the framework of “Local Government Reform and Development Program - Phase II (LGRDP 2)” agreement signed on June 11, 2015 between Kingdom of Belgium and Palestinian Authority, a subsidy agreement (PZA1303311/Grant/049) was signed on December 20, 2016 between the Palestinian Ministry of Local Government (MoLG) and the Belgian Development Agency (Enabel, formerly BTC), jointly referred to as “the Contracting Authority”, on one hand, and LGUDLF on the other hand, to make a grant of EUR 1,284,000 to LGUDLF, including management fees of a maximum sum of EUR 84,000, to execute LGRDP 2 activities under a new component of the result 4 of LGRDP 2 “Investments in Infrastructure of Selected Newly Established (Amalgamated) Municipalities (New Municipalities)”. This new component aims to support newly amalgamated LGUs and new municipalities’ investments in infrastructure within the framework of the Window 2 of Municipal Development Program – Phase II (MDP II).

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

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

The implementation period of New Municipalities is 18 months, starting from December 15, 2016 and ending on June 15, 2018.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
A 04 03: Support investments under MDP II – window 2 (Newly Amalgamated LGUs) (LGUDLF)	59,300	-
	59,300	-

11.2.1. Kreditanstalt für Wiederaufbau (KfW)

On July 15, 2013 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development and LGUDLF, to contribute into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II) in the amount of EUR 13,500,000.

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

	Budget EUR	Budget USD
Window 1: Municipal Grants for Capital Investments	12,085,000	16,683,343
Window 3: Capacity Building for (a) Municipalities	410,000	566,005
Window 4: Project Implementation Support and Management Costs	1,005,000	1,387,402
	13,500,000	18,636,750

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 1: Municipal Grants for Capital Investments	304,871	657,417
Window 3: Capacity Building for (a) Municipalities	261,532	35,600
Window 4: (b) LGUDLF Management Fee	53,066	100,853
	619,469	793,870

11.2.m. Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA)

On September 4, 2013 an agreement was signed between the Swiss Confederation, represented by the Swiss Federal Department of Foreign Affairs (FDFA), acting through the Swiss Cooperation Office- Gaza and West Bank, and the LGUDLF to contribute into the finance of Phase II of the Municipal Development Program (MDP II), in the amount of **EUR 2,500,000**. On December 1, 2015, FDFA and LGUDLF signed a contract whereby FDFA contributes an additional amount of **EUR 833,000** to finance Window 5 of MDP II “Gaza Municipal Emergency Grants” (Additional Contribution).

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

	Overall Budget, Including the Additional Contribution	
	EUR	USD
Window 1: Municipal Grants for Capital Investments	1,085,000	1,471,694
Window 3: Capacity Building for (a) Municipalities	1,240,000	1,681,936
Window 4: (a) Local Technical Consultant	45,350	47,985
(b) LGUDLF Management Fee	233,300	299,057
Window 5: Gaza Municipal Emergency Grants	729,350	771,725
	3,333,000	4,272,397

* On February 29, 2016, FDFA approved the budget reallocation to the Additional Contribution, as follows: -

	Additional Contribution		
	Original Budget in EUR	Revised Budget in EUR	Revised Budget in USD
Window 4: (a) Local Technical Consultant	24,700	45,350	47,985
(b) LGUDLF Management Fee	58,300	58,300	61,687
Window 5: Gaza Municipal Emergency Grants	750,000	729,350	771,725
	833,000	833,000	881,397

The closing date of the original agreement with FDFA was December 31, 2017, as amended, and for the Additional Contribution was December 31, 2016.

Details of expenses are as follows:

	USD	
	2017	2016
	Actual	Actual
Window 1: Municipal Grants for Capital Investments	-	653,614
Window 3: Capacity Building for (a) Municipalities	873,170	208,667
Window 4: (a) Local technical consultant	-	48,257
(b) LGUDLF Management Fee	65,743	100,351
Window 5: Gaza Municipal Emergency Grants	-	767,232
	938,913	1,778,121

11.2.n. The International Development Association (IDA) Additional Contribution - Window 5

On July 7, 2013 an agreement (the Original Agreement) was signed between the International Development Association (IDA) and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to contribute into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II), in the amount of USD 10,000,000. In addition, on December 7, 2015, an amendment to the Original Agreement was signed between the two parties to extend an additional grant, in an amount equal to USD 3,000,000 to fund Window 5 - Gaza Municipal Emergency Grants.

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

	Additional Contribution Budget (USD)
Window 4: Project Implementation Support and Management Costs	210,000
Window 5: Gaza Municipal Emergency Grants	2,790,000
	3,000,000

The closing date of the Agreement with IDA is February 28, 2018.

Details of expenses are as follows:

	USD	
	2017	2016
	Actual	Actual
Window 4: (b) LGUDLF Management Fee	14,452	41,465
Window 5: Gaza Municipal Emergency Grants	457,907	-
	472,359	41,465

11.2.o. Multi-Donor Trust Fund (MDTF), through the International Development Association (IDA) Additional Contribution - Window 5

On December 7, 2014 an agreement was signed between the International Development Association (IDA), acting as an administrator of the Partnership for Infrastructure Development in the West Bank and Gaza Multi-Donor Trust Fund (MDTF), and the Palestinian Liberation Organization, for the benefit of Palestinian National Authority, to extend an additional grant (MDTF Additional Contribution), into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II), in the amount of USD 12,000,000 to fund Window 5 - Gaza Municipal Emergency Grants.

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

	Budget USD
Window 4: Project Implementation Support and Management Costs	840,000
Window 5: Gaza Municipal Emergency Grants	11,160,000
	12,000,000

The closing date of the Agreement with IDA is February 28, 2018.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 4: (b) LGUDLF Management Fee	130,341	187,118
Window 5: Gaza Municipal Emergency Grants	1,584,810	1,617,144
	1,715,151	1,804,262

11.2.p. Agence Française de Development (AFD)

On August 2014 an agreement was signed between the Agence Française de Development (AFD) and the Palestinian Authority, represented by the Ministry of Planning and Administrative Development, to contribute into the finance of Phase II cycle I of the Municipal Development Program (MDP II), in the amount of EUR one million.

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

	Budget Euro	Budget USD
Window 2: Support to Municipal Innovations and Efficiency	700,000	850,920
Window 3: Capacity Building for (a) Municipalities and (b) LGUDLF	230,000	279,588
Window 4: Project Implementation Support and Management Costs	70,000	85,092
	1,000,000	1,215,600

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 2: Support to Municipal Innovations and Efficiency	63,991	220,482
Window 3: Capacity Building for (a) Municipalities	42,994	74,365
Window 4: Project Implementation Support and Management Costs	5	20,916
	106,990	315,763

11.2.q. Palestinian National Authority (PNA)

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

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

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

Details of expenses are as follows:

	USD					
	2017 Actual			2016 Actual		
	PNA Contribution to MDP II	PNA Additional Contribution	Total	PNA Contribution to MDP II	PNA Additional Contribution	Total
Window 1: Municipal Grants for Capital Investments	663,623	1,978,078	2,641,701	215,725	418,488	634,213
Window 4: (b) LGUDLF Management Fee	94,830	81,584	176,414	15,687	40,838	56,525
	758,453	2,059,662	2,818,115	231,412	459,326	690,738

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

On May 21, 2016 an agreement was signed between the Kreditanstalt für Wiederaufbau (KfW) and the Palestinian Liberation Organization, represented by the Ministry of Planning and Administrative Development and LGUDLF to extend an additional grant (KfW Additional Contribution), into the finance of Phase II (cycle I) of the Municipal Development Program (MDP II), in the amount of EUR 5,000,000 to fund Window 5 - Gaza Municipal Emergency Grants.

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

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

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

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Window 4: (a) Local Technical Consultant	-	19,989
(b) LGUDLF Management Fee	8,339	148,757
Window 5: Gaza Municipal Emergency Grants	340,300	1,560,693
	348,639	1,729,439

11.3. Support to Local Government Reform and Development Programme- Component II: Support for Amalgamation in Six Areas (LGRDP), Funded by the Government of the Kingdom of Belgium through the Belgian Development Agency (Enabel)

On November 25, 2010 an agreement was signed between the Kingdom of Belgium and the Palestinian National Authority (PNA) to implement Support to Local Government Reform and Development Programme (LGRDP) through Belgium Development Agency (Enabel) and Municipal Development and Lending Fund (LGUDLF).

Objectives of LGRDP:

LGRDP aims to achieve the following objectives:

- Strengthening institutional and management capacities of the local government system.
- Supporting institutional reform through improved capacities and services of selected clusters of smaller LGUs and to improve the institutional capacity of Ministry of Local Government.

The total cost of LGRDP has been estimated to EUR 15,160,000, divided to:

1. EUR 160,000 in kind donations to be contributed by the Palestinian Party.
2. EUR 15,000,000 to be contributed by the Belgian Party.

The table below describes the grant description to be financed by the kingdom of Belgium, which should not exceed EUR 15,000,000 and will be implemented over a five-year period as per the following budget:

Component	Original Budget in EUR	Revised Budget in EUR*
Component one: Capacity building of Ministry of Local Government (MoLG)	1,824,140	1,824,140
Component two: Support for amalgamation in six areas (Including 7% management fees)	9,000,000	8,650,000
Component three: MDP Contribution (Including 7% management Fees)	2,900,000	3,250,000
General means: (International TA Salaries, administrative and financial officer, review, etc.)	1,275,860	1,275,860
	15,000,000	15,000,000

* On November 12, 2014 the steering committee decided to transfer an amount of EUR 350,000 from component II to component III, to fund Window 5 - Gaza Municipal Emergency Grants.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Result 2: Smaller LGUs in selected clusters are facilitated for provision of joint services and amalgamation (including Mgt. fees)	278,928	427,526
Result 4: Services of these LGUs are improved through provision of sustainable infrastructure development	-	2,284,399
	278,928	2,711,925

11.4. Support to the Local Development Programme - Phase III (LDP III), Funded by the Government of the Kingdom of Denmark, represented by the Danish Representative Office in Ramallah (DRO)

On November 16, 2011 an agreement was signed between the Government of the Kingdom of Denmark, represented by the Danish Representative Office - Ramallah (DRO), and the Palestinian Authority referred to as the Ministry of Local Government (MoLG) to implement a project entitled "Support to the Local Development Programme - Phase III (LDP III)" in a total amount not exceeding Danish Kronor (DKK) 42,000,000, equivalent to USD 7,661,312. The Municipal Development and Lending fund (LGUDLF) is granted the authority to manage LDP III.

Objectives of LDP III:

- 1- The overall development objective of LDP III is improved service delivery and governance for citizens through local government units in the West Bank.
- 2- The immediate objective of LDP III is strengthened base for better service delivery local government unit amalgamation and improved local governance.

During 2015, the budget amount of LDP III was decreased as follow: -

	Amount in USD
Original budget in USD per LGUDLF's records	7,661,312
Less: Currency variances adjustment due to using different DKK exchange rates by DRO and LGUDLF records	(353,728)
Less: Amount to be refunded to DRO based on steering committee decision (the amount was refunded subsequent to December 31, 2015)	(882,245)
Revised Budget	6,425,339

The table below describes the original and revised budget categories to be financed by the government of Denmark: -

	Original Budget in DKK	Original Budget in USD	Revised Budget in USD
Output 1: Participatory Amalgamation Process	2,500,000	456,031	382,774
Output 2: Institutional Development of New Municipalities	4,000,000	729,648	215,135
Output 3: Joint Project Implemented	26,000,000	4,742,717	4,769,515
Output 4: Strengthened Local Governance	3,620,000	660,332	394,201
Output 5: Programme Management	5,460,000	995,971	663,714
Un- allocated (1%)	420,000	76,613	-
	42,000,000	7,661,312	6,425,339

The closing date of LDP III was planned to be December 31, 2014, which has been extended several times to December 31, 2015, March 31, 2016 and to September 30, 2017. On October 26, 2017, the DRO approved LGUDLF's request to use the remaining bank balance of USD 26,691 (Comprises of accrued interest of USD 22,629 and grant remaining balance of USD 4,062) as LGUDLF management fees.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Participatory Amalgamation Process	-	94,255
Institutional Development of New Municipalities	-	200,254
Joint Project Implemented	-	1,783,757
Strengthened Local Governance (includes National LED Conference in Palestine)	46,417	335,825
Programme Management	26,691	136,324
	73,108	2,550,415

11.5. Rehabilitation of Beit Leqya, Beit Seera, Beit Nuba & Kharbatha Al-Misbah Water Supply System - Phase 1, Funded by the Agence Francaise De Development (AFD)

On June 20, 2013, an agreement was signed between the Agence Francaise De Development (AFD) and the Palestinian Authority (PA) to implement a project entitled “*Rehabilitation of Beit Leqya, Beit Seera, Beit Nuba & Kharbatha Al-Misbah Water Supply System-Phase 1*” (the Project) through LGUDLF. The Project involves rehabilitation of the water supply system in the villages of Beit Leqya, Beit Seera, Beit Nuba & Kharbatha Al-Misbah in the Ramallah governorate. These villages are currently engaged in the scope of “Support to Local Government Reform and Development Programme” (LGRDP) financed by Belgium Development Agency (Enabel, formerly BTC) and implemented by LGUDLF.

Objectives of the Project:

The Project aims to achieve the following objectives: -

- Improving and developing the quality of water services.
- Strengthening the implementation of a Common Water Department within the Joint Service Council to optimize a sustainable water management.
- Supporting the amalgamation process of the four villages.
- Accompanying the water sector reform by helping concretely the implementation of the local governance policy in Palestine.

The Project will be co-financed by three Co-financiers: AFD, Enabel and the French city of Montreuil (Montreuil). The total cost of the Project has been estimated to be EUR 1,975,000, divided as follows: -

1. EUR 1,000,000 to be contributed by AFD.
2. EUR 700,000 to be contributed by Enabel.
3. EUR 275,000 to be contributed by Montreuil (funds delegated to AFD’s management).

The deadline for drawdown of funds was December 31, 2016.

The table below describes the grant components to be financed by the donors, which should not exceed EUR 1,975,000 and will be implemented over 210 calendar days as per the following budget:

Component	Co-financiers		Total Budget (EUR)
	AFD and Montreuil	Enabel	
Water supply infrastructure			
Complete renewal of the existing pipes of Beit Seera and related private house connections renewal	709,000	-	709,000
Partial renewal of the small diameters pipes of Beit Leqya, Beit Nuba and Kharbatha Al Misbah and related private house connections	351,000	631,000	982,000
Total of works	1,060,000	631,000	1,691,000
Consulting firm			
Assistance to the procurement procedures (LGUDLF – 7% of the works)	75,000	44,000	119,000
Works supervision (local consultant)	-	25,000	25,000
Total for consultancy services	75,000	69,000	144,000
Miscellaneous (8% of the total)	140,000	-	140,000
Total	1,275,000	700,000	1,975,000

On June 20, 2016, on behalf of the City of Montreuil, AFD provided LGUDLF with its no-objection on the submitted revised work plan for the use of a financial remainder of the Project amounting to EUR 100,231 including earned bank interest amounting to EUR 2,271 up to June 30, 2016. Subsequently, the closing date of the Project has been extended to June 30, 2017 and the budget for AFD and Montreuil has been revised as follows:

Component	Revised Budget for AFD and Montreuil (EUR)
Water supply infrastructure	
Complete renewal of the existing pipes of Beit Seera and related private house connections renewal	737,119
Partial renewal of the small diameters pipes of Beit Leqya, Beit Nuba and Kharbatha Al Misbah and related private house connections	364,920
Backhoe loader with complete accessories	68,000
Technical assistance and IEC campaign	30,000
Total of works	1,200,039
Consulting firm	
Assistance to the procurement procedures (LGUDLF – 7% of the works)	75,000
Total for consultancy services	75,000
Miscellaneous (8% of the total)	2,459
Total	1,277,498

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Backhoe loader with complete accessories	73,508	-
Technical assistance and IEC campaign	34,194	-
	107,702	-

11.6. Gaza Solid Waste Management Project (GSWMP), (Grant No. TF 016835), Co-funded by the International Development Association (IDA)

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

1. Agreement signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on August 24, 2013 to finance part of GSWMP in a maximum grant amount of EUR 14,750,000 (equivalent to USD 19,002,425) made of EUR 10,000,000 from AFD and EUR 4,750,000 from the European Union (EU).
2. Agreement signed between the International Development Association (IDA) and LGUDLF on April 24, 2014 to finance part of GSWMP in a maximum grant amount of USD 10,000,000.

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

Specific Objectives of GSWMP:

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

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

Component	Total Budget (USD)	Co-financiers	
		AFD	IDA
Component 1: Solid Waste Transfer and Disposal Facilities	15,913,986	9,113,986	6,800,000
Component 2: Institutional Strengthening	1,580,568	1,180,568	400,000
Component 3: Primary Collection and Resource Recovery	3,877,819	3,777,819	100,000
Component 4: Project Management	3,570,019	1,700,019	1,870,000
Contingencies	4,060,033	3,230,033	830,000
	29,002,425	19,002,425	10,000,000

The closing date of the Project is December 31, 2018.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Component 1: Solid Waste Transfer and Disposal Facilities	1,077,267	3,514
Component 2: Institutional Strengthening	138,607	59,624
Component 3: Primary Collection and Resource Recovery	11,481	-
Component 4: Project Management	59,038	27,233
	1,286,393	90,371

11.7. Gaza Solid Waste Management Project (GSWMP), Co-funded by the Agence Francaise De Development (AFD)

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

1. Agreement signed between the Agence Francaise De Development (AFD) and the Palestinian National Authority (PNA) on August 24, 2013 to finance part of GSWMP in a maximum grant amount of EUR 14,750,000 (equivalent to USD 19,002,425) made of EUR 10,000,000 from AFD and EUR 4,750,000 from the European Union (EU).
2. Agreement signed between the International Development Association (IDA) and LGUDLF on April 24, 2014 to finance part of GSWMP in a maximum grant amount of USD 10,000,000.

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

Specific Objectives of GSWMP:

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

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

Component	Total Budget (USD)	Co-financiers	
		AFD	IDA
Component 1: Solid Waste Transfer and Disposal Facilities	15,913,986	9,113,986	6,800,000
Component 2: Institutional Strengthening	1,580,568	1,180,568	400,000
Component 3: Primary Collection and Resource Recovery	3,877,819	3,777,819	100,000
Component 4: Project Management	3,570,019	1,700,019	1,870,000
Contingencies	4,060,033	3,230,033	830,000
	29,002,425	19,002,425	10,000,000

The closing date of the Project is December 31, 2018.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Component 1: Solid Waste Transfer and Disposal Facilities	2,699,847	17,473
Component 2: Institutional Strengthening	168,658	61,273
Component 3: Primary Collection and Resource Recovery	137,741	47,524
Component 4: Project Management	243,453	190,479
	3,249,699	316,749

11.8. State of Palestinian Cities Funded by the United Nation Human Settlements Programme (UN-Habitat)

On December 17, 2015, an agreement of cooperation (the Agreement) was signed between the United Nation Human Settlements Programme (UN-Habitat) and LGUDLF to implement a project entitled “**State of Palestinian Cities Report**” (the Project) within the UN-Habitat “Programme Document Planning, Land and Housing in the occupied Palestinian territory (the Programme). UN-Habitat is to provide LGUDLF with funds up to a maximum amount of USD 34,950.

The Programme aims at improving the housing and human settlement conditions of Palestinians, addressing the urbanization challenges, supporting the building of a Palestinian State, humanitarian action and peace-building, in line with Governing Council Resolution 232.

The table below describes the budget categories of the Project:

	Budget in USD
1 Consultants:	
1.1 Chapters Authors	18,000
1.2 Researcher	2,000
	20,000
2 Other Subcontracts and Grants	
2.1 Workshops	3,000
2.2 Editing	4,950
2.3 Design and printing	7,000
	14,950
	34,950

The implementation period of the Project is 12 months starting from December 17, 2015. However, the actual implementation period began on January 1, 2016. Subsequently, the Project implementation period has been extended two times to March 31, 2017 and to June 30, 2017. The Project’s activities have been completed by the closing date of June 30, 2017. During the period from July 1, 2017 to August 31, 2017, the Project’s commitments had been settled.

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
1 Consultants:		
Chapters Authors	7,300	12,195
Researcher	455	-
2 Other Subcontracts and Grants		
Workshops	3,559	620
Editing	3,672	-
Design and Printing	6,996	-
Advertising	88	-
Bank Charges	-	76
	22,070	12,891

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

The European Union (EU), represented by the European Commission (EC) and LGUDLF signed a grant contract (the Grant Contract) dated 14 December 2014 in respect of “Development of Area “C” in the West Bank Project” (EIN/2014/351-484)” (the Action), whereby EU undertook to finance a maximum amount of EUR 2,000,000 for 12 months expiring on 14 December 2015. Three addendums were signed between the two parties which revised the budget of the Project and extended the Project implementation period up to 14 August 2016 then to 14 January 2017.

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 objective of the Project is to improve access to basic infrastructure in Area “C” through supporting the communities there with basic services including “Community development projects, small scale infrastructure and social infrastructure projects”.

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

	Original Budget		Revised Budget	
	EUR	USD	EUR	USD
Direct eligible cost:				
Other costs and services				
Expenditure verification/audit	5,000	6,088	5,000	6,088
Evaluation cost	20,000	24,350	20,000	24,350
Visibility action	30,000	36,525	12,670	15,426
Subtotal-Other costs and services	55,000	66,963	37,670	45,864
Other				
Legal fees	50,000	60,875	20,000	24,350
Cost of infrastructure sub-projects	1,610,000	1,960,175	1,723,035	2,097,795
Local technical consultancy for design and supervision	115,000	140,012	91,195	111,029
Subtotal-Other	1,775,000	2,161,062	1,834,230	2,233,174
Subtotal-Direct eligible cost	1,830,000	2,228,025	1,871,900	2,279,038
Provision for contingency reserve (indirect cost)	41,900	51,013	-	-
LGUDLF management fees (indirect cost) 7% of direct eligible cost	128,100	155,962	128,100	155,962
	2,000,000	2,435,000	2,000,000	2,435,000

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
Direct eligible cost:		
Other costs and services		
Expenditure verification/audit	5,298	-
Evaluation cost	11,924	-
Visibility action	-	14,042
Subtotal-Other costs and services	17,222	14,042
Other		
Cost of infrastructure sub-projects	-	1,871,929
Local technical consultancy for design and supervision	31,982	13,680
Subtotal-Other	31,982	1,885,609
Subtotal-Direct eligible cost	49,204	1,899,651
LGUDLF management fees (indirect cost) 7% of direct eligible cost	(2,735)	116,386
Bank charges	5	-
	46,474	2,016,037

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

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

Objectives of RHC:

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

RHC Results:

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

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

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

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

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

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
A 02 01: Support to implementation of regeneration plans for model LGUs	16,437	-
A 02 02: Support specific target aspects of regeneration in other LGUs	1,177,547	-
A 02 03: LGUDLF management fees	64,142	-
A 02 04: Start-up costs – recruitment	7,637	721
A 02 05: National consultancies for design and follow up	89,054	40,023
	1,354,817	40,744

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

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

Objectives of LGRDP II:

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

LGRDP II Results:

- Result 1:** The decentralized policy and regulatory framework for LGU collaboration is further developed on the basis of the MoLG’s experience with LGUs in pilot clusters.
- Result 2:** The MoLG’s institutional capacities to support, coach, supervise, and monitor LGU collaboration in a decentralized framework are sustainably strengthened.
- Result 3:** The supported LGUs cooperate to provide services, promote local development and contribute to territorial integration.

Result 4: The supported LGUs invest in infrastructure to provide services, promote local development and contribute to territorial integration.

Result 5: The supported LGUs actively promote community participation in relevant functions and facilitate citizen's expression of their opinions on issues and priorities of public interest.

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

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

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

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

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
A 04 01: Support investments in the cluster (LGUDLF)	1,120,559	238,783
A 04 02: LGUDLF management fees (7%)	65,001	-
	1,185,560	238,783

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

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

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

The table below describes the budget categories of ICUD:

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

Details of expenses are as follows:

	USD	
	2017 Actual	2016 Actual
<i>Category 1: Goods, non-consulting services, consultants' services, and training and workshops</i>	124,864	11,098
<i>Category 2: LGUDLF management fee and incremental operating cost</i>	43,690	38
	168,554	11,136

12. General and Administrative Expenses

General and administrative expenses comprise:

	2017	2016
Salaries and related benefits*	2,255,975	2,068,000
Rent	90,920	99,445
Fuel expenses	53,910	49,805
Telephone, postage and internet	41,992	45,051
Consultants and professional fee	40,671	39,701
Utilities expense	30,555	30,345
Travel and transportation expenses	29,610	26,499
Vehicle expenses	26,639	20,284
Printing and stationery	14,210	11,544
Hospitality and cleaning	13,839	13,536
Training and workshops	13,154	20,563
Insurance expenses	9,567	9,095
Office supplies and maintenance	9,375	9,787
Board of Directors remuneration	7,700	12,500
Software expenses	7,319	5,929
Advertisement and newspaper	6,806	2,361
Bank charges	2,352	1,956
Translation expenses	1,098	-
Other	1,822	5,780
	2,657,514	2,472,181

* Salaries and related benefits details follow:

	2017	2016
Salaries and wages	1,622,582	1,486,627
End of service expense	184,201	172,736
Provident fund expense	161,757	147,954
Transportation allowance	86,378	84,563
Bonus	85,625	65,657
Health insurance	70,006	68,552
Family allowances	45,426	41,911
	2,255,975	2,068,000

13. Currency Variance

Major items resulted in currency variances are as follows:

	2017	2016
Temporarily restricted net assets – year end revaluation (note 7)	(8,803,870)	3,601,723
Pledges receivable – year end revaluation (note 4)	6,742,544	(2,261,398)
Currency variances from daily transactions and year end revaluation of other monetary assets and liabilities balances	3,601,373	(1,914,267)
Gain (loss) included in changes of unrestricted net assets	1,540,047	(573,942)

14. Related Parties

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

- Transactions with related parties include:

	2017	2016
Director General salary and related benefits	60,401	62,823
Board of directors' remuneration	7,700	12,500
LGUDLF management fees	3,003,561	3,651,298

-Balances with related parties comprise:

	2017	2016
Director General - End of service benefits and provident fund	23,912	8,648