



صندوق تطوير وإقراض البلديات
Municipal Development & Lending Fund



2010 Annual Report



صندوق تطوير وإقراض البلديات
Municipal Development & Lending Fund

Semi - Annual Report 2011

Performance with Purpose

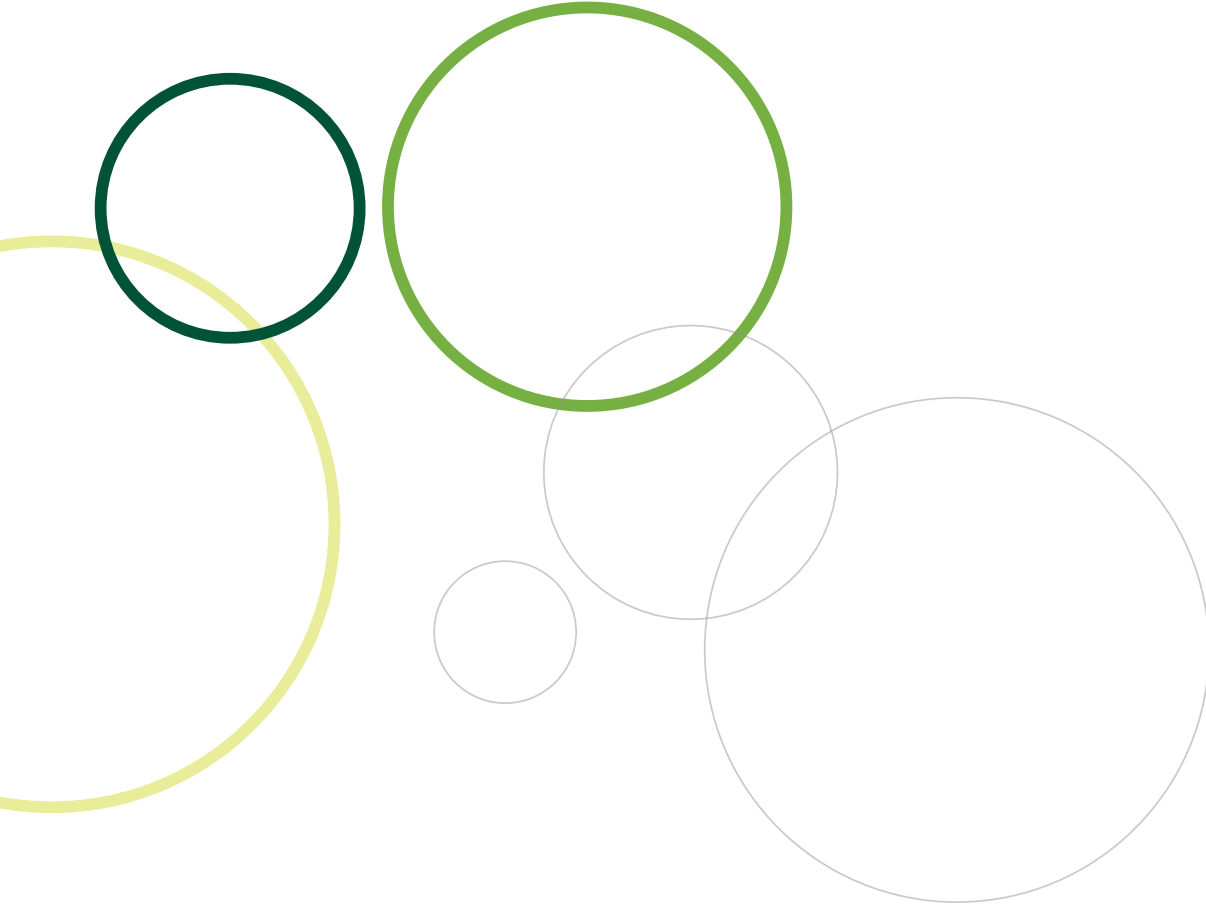




Table of Contents

6	Mission Statement
7	Board of Directors
8	Performance Highlights
10	Our Programs / Projects
10	Municipal Development Program (MDP)
20	Emergency Municipal Services Rehabilitation Project (EMSRP II)
32	Local Government Capacity Building Project (LGCBP)
42	Local Development Programme (LDP 1&2)
49	Local Government Reform Development Programme (LGRDP)
53	Our Financial Statement
57	Our Success Stories
62	Annexes
	- Annex A – (MDP)
	- Annex B – (EMSRPII)
	- Annex C – (LGCBP)
	- Annex D – (LDP I & II)
	- Annex E – (Financial Statement Notes)



Glossary

AFD:	French Development Agency
APLA:	Association for Palestinian Local Authorities
AFD:	French Development Agency
APLA:	Association for Palestinian Local Authorities
BOD:	MDLF Board of Directors
BTC:	Bilateral Technical Committee
COA:	Chart of Account
DCF:	Donor Consultation Forum
DJSC:	Department for Joint Service Councils
EC	European Commission
EMP:	Environmental Management Plan
EOI:	Expression of Interest
EQA:	Environment Quality Authority
EMSP:	Emergency Municipal Support Program
EMSRP II:	Emergency Municipal Services Rehabilitation Project Phase 2
FMIS:	Financial Management Information System:
FPPM	Financial Policies and Procurement Manual
GD:	Government of Denmark
GIZ:	German Technical Cooperation
IFMIS:	Integrated Financial Management Information System
ICDL:	International Computer Driving License
IG:	Italian Government
ITAU:	Italian Technical Assistance Unit
JSCs:	Joint Service Councils

KFW:	German Development Bank
LGCBP:	Local Government Capacity Building Project
LGP:	Local Government Program
LGUs:	Local Government Units
LTCs:	Local Technical Consultants
MDLF:	Municipal Development and Lending Fund
MDP:	Municipal Development Project
MIS:	Management Information System
MOLG:	Ministry of Local Government
MOF:	Ministry of Finance
MOPAD:	Ministry of Planning and Administrative Development
MTDP:	Medium Term Development Plan
NDC:	NGOs Development Center
NGOs:	Non Governmental Organizations
NRO:	Netherlands Representative Office
PCU:	Project Coordination Unit
PGMIS:	Project Grant Management Information System
PMSP:	Palestinian Municipalities Support Program
PNA:	Palestinian National Authority
PRDP:	Palestinian Reform and Development Plan
SMDN:	Support to Municipal Development for Northern West Bank
Sida	Swedish International Development Cooperation Agency
SWMP:	Southern West Bank Solid Waste Management Project
TOR:	Terms of References
WBG:	West Bank & Gaza

Our Mission

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

MDLF Values

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

Our Strategic Themes

Enable and capacitate Local Government Units in Palestine .

Support local development and improve municipal service delivery.

Strengthening MDLF's financing function "funding and lending capabilities".

Foster MDLF's institutional performance and external relations.

Board of Director (BOD)

Dr. Khaled Al-Qawasmi	<i>Chairman of the Board, Minister local Governments</i>
Mr. Khaled Al Osaili	<i>Board Member Mayor of Hebron Municipality</i>
Mr. Fayeq Al-Deek	<i>Board Member Representing Ministry of Public Works and Housing</i>
Mr. Mazen Jadallah	<i>Board Member Representing Ministry of Finance</i>
Mr. Nabil Diab	<i>Board Member Representing Association of Banks in Palestine (ABP)</i>
Mr. Ahmad Edeili	<i>Board Member Representing Engineers Association</i>
Dr. Majed abu Ramadan	<i>Board Member Representing Association of the Palestinian Local Authorities (APLA)</i>
Mr. Badr Abu Zahra	<i>Board Member Representing Ministry of Planning</i>
Ms. Zahera Kamal	<i>Board Member Representing Palestinian Women's Research and Documentation Center (PWRDC)</i>
Mr. Khaled Salah	<i>Board Member Representing Ministry of Economics</i>
Mr. Issa Al-Daher	<i>Board Member Mayor of Jabalia Municipality</i>

To Our Municipalities

It's a promise to invest in our Municipalities to help them succeed and develop their needed skills for better management and services and better life for their citizens.

Performance Highlights

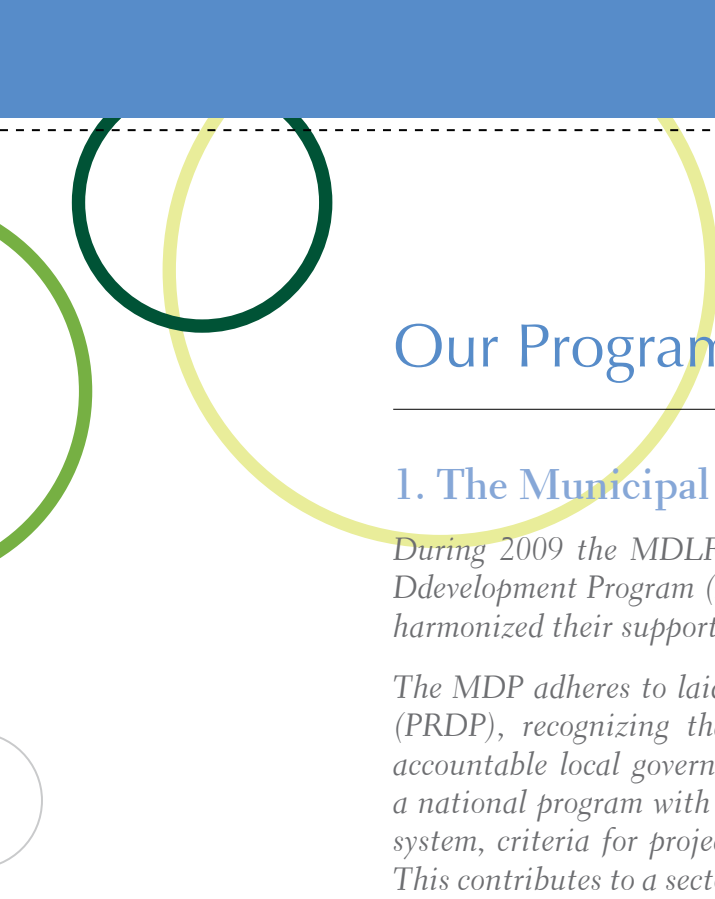
Summary of Operation

Since the inception of MDLF programs, the purpose has been to improve the municipal services provision and to enhance the municipal performance capacities. We think we contribute in building our state through improving the vital services of local governments. Following is a synopsis of our accumulative accomplishments by end of June 2011:

Roads	301 kilometer were paved, developed and rehabilitated, 4.6 Km street lighting networks were rehabilitated, 13,427 lighting units were supplied, 6.255 kilometer or retaining walls were constructed, and 32.9 kilometer of sidewalks were constructed.
Water	17.6 kilometer of water networks were rehabilitated/constructed , 31,459 L.m pipes were supplied, 903 water meters were installed , and 2 water pumps were installed.
Wastewater	17.69 kilometer of wastewater networks were rehabilitated/constructed, 7,498 L.m pipes were supplied, and 6 of wastewater pumps were installed
Electricity	11 kilometer of electrical networks were rehabilitated, and 1,647 pre-paid meters were installed.
Public Facilities	9,408 Sq.meter of public buildings were constructed, and 76,228 Sq. meter of parks and public gardens were constructed.
Solid Waste	908 solid waste containers, 2 tractors, and 4 trailers were installed.

Major Accomplishments through the 1st half of the year 2011.

<i>Roads</i>	<i>61 kilometer were paved, developed and rehabilitated, 2.6 kilometer street lighting networks were rehabilitated, 5,976 lighting units were supplied , 1.65 km of retaining walls were constructed , 18.3 kilometer of sidewalks were constructed.</i>
<i>Water</i>	<i>6 kilometer of water networks were rehabilitated/constructed, and 2 water pumps were installed.</i>
<i>Wastewater</i>	<i>3.41 kilometer wastewater networks were rehabilitated/constructed.</i>
<i>Public Facilities</i>	<i>3,181 Sq. meter of public buildings were constructed, 72,200 Sq. meter of parks and public gardens were constructed.</i>
<i>Solid Waste</i>	<i>238 solid waste containers were installed.</i>



Our Programs / Projects

1. The Municipal Development Program MDP

During 2009 the MDLF has finalized the preparations of the new Municipal Development Program (MDP)- funded by the PNA and donor agencies who had harmonized their support for municipal development in Palestine as of 2010.

The MDP adheres to laid out in the Palestinian Reform and Development Plan (PRDP), recognizing that a viable state requires transparent, effective, and accountable local governments. For the first time donors are jointly supporting a national program with a harmonized approach using the same fund allocation system, criteria for project selection, implementation, and reporting procedures. This contributes to a sector-wide approach that supports the Palestinian National Authority in implementing a vision and strategy for the development of the local government sector.

1.1 MDP Description

The Municipal Development Program is a ground-breaking new effort in development and reform designed by the Municipal Development and Lending Fund (MDLF), under the guidance of the Palestinian National Authority. The MDP recognizes that the first step towards improving municipal services lies in better-managed and more accountable local governments.

The MDP provides infrastructure grants to Palestinian municipalities, and combines this with improved performance, and improved capacity in operations, planning, and financial capacity. Its cornerstone is the Grant Allocation Mechanism, a formula-based method for distributing funds to municipalities for capital investments based on need, population, and good management practices.

The MDP is a phased developmental program, with the first phase lasting for three years. MDP Phase I is expected to reach all 134 municipalities in the West Bank and Gaza. Each phase consists of two cycles, the first started in January 2010 and is expected to finish by end of October 2011.

The MDP has four windows as follows:

Window 1 - Provides municipalities with performance-based grants for municipal service delivery, 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 - Promotes learning and innovation to facilitate municipal development, including implementation of national policy directives. The MDP supports the PNA in its goal to encourage amalgamation of local governments to achieve better efficiencies and economies of scale. It also establishes pilot programs to improve revenue collection, responsiveness, and community involvement.

Window 3 - Helps municipalities to improve their performance rankings and is designed to complement the Grants Allocation Mechanism. It provides technical assistance to improve financial management, planning capacities and technical capabilities, particularly in operations and maintenance.

Window 4 - Provides funding for program management, client and citizen satisfaction assessments, technical assistance for municipalities, and outreach programs to make sure citizens and municipal leaders have a full understanding of the Grant Allocation Mechanism and the MDP development objectives. It helps citizens to understand where their municipality is ranked, and encourages leaders to meet higher performance levels.

1.2 Financial Partners Contributions



The MDP is supported by the Palestinian National Authority along with the Agence Française de Développement (AFD), the Danish International Development Assistance (DANIDA), the Swedish International Development Cooperation Agency (Sida), the World Bank, German Development Bank (KfW), and the German International Technical Cooperation (GIZ). Furthermore, the saving from the KfW under the EMSRPII

with an amount of Euro 1,640,094 will be invested in window 1 of the MDP.

All agreements were signed in late 2009, with the exception of Sida and Denmark who chose to finance the MDP through a trust fund administered by the World Bank. The agreement was signed on 10 June 2010.

The total contribution excluding municipalities share was Euro 29,979,787. Table 1 below illustrates the total contribution of the financial partners according to the signed agreements:

Table 1: MDP Financing Partners Contribution

Donor	Fund Amount	Signature Date	Completion Date as per the Agreement
GIZ Agreement	€ 450,000	12 November 2009	12 March 2012
KfW Financing Agreement	€ 7,500,000	6 December 2009	6 December 2012
AFD Financing Agreement	€ 3,200,000	6 April 2010	31 December 2012
World Bank Agreement	\$10,000,000	29 October 2009	30 April 2013
Multi Donor Trust Fund Agreement - (Sida and DANIDA fund)	\$13,477,042	Sida and DANIDA will finance the MDP through a Trust Fund administered by the World Bank. The agreement was signed on June 10 th , 2010.	30 April 2013

In addition to the above listed agreements, 10% of the total fund excluding the share of AFD will be funded by the Palestinian Authority and will be invested in window 1. Chart 1 and Chart 2 illustrate the distribution of MDP fund per donor and per window.

*Chart 1: Distribution of MDP Fund
Per Donor*

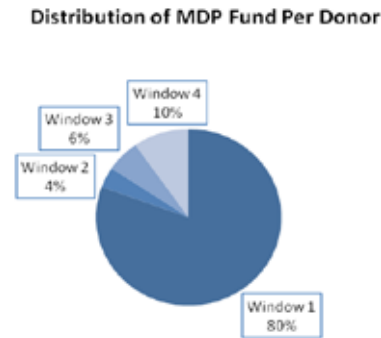
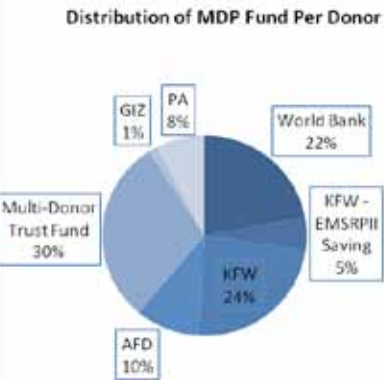


*Chart 2: Distribution of MDP Fund
Per Window*



In order to meet the needs of municipalities in the West Bank and Gaza, the MDLF, through MDP, is trying to set new standards for project management. MDLF had conducted training to all 132 municipalities in the preparation phase of MDP, regarding procurement, cost benefit analysis, road supervision and quality control, environment assessment, preparing tender documents, applying environment mitigation measures, and social assessment .



Moreover, in the absence of local technical consultants, MDLF engineers and supervisors had provided the municipalities with needed supports and guidance during the implementation of sub-projects. The MDLF staff assisted the municipalities in filling application forms, and gave on-the-job training for the 132 municipality engineers in the evaluation of bidding documents and project supervision.

Implementation Status:

Regarding the status of the W1 - sub-projects in the West Bank:

119 sub-projects were approved with total allocations Euro 12,912,511 where the status is described as follows:

- 86 sub-projects out of 119 were completed with total allocation of Euro 7,314,476 amounting to 57% of the budget.*
- 33 sub-projects are still ongoing with total allocations of Euro 5,598,036 amounting to 43% of the budget and are expected to be completed during the next few months.*

Chart 5 illustrates the status of the W1-sub-projects allocated funds in the West Bank

Regarding the status of the W1 - sub-projects in the Gaza Strip: 87 sub-projects were approved with total allocations of Euro 10,932,912. Following are more details about these projects:

- 68 sub-projects out of 87 were completed with total allocation of Euro 7,117,276 amounting to 65% of the budget.
- 16 sub-projects are ongoing with a total allocations of Euro 3,386,553 amounting to 31% of the budget and are expected to be completed during the next month.
- 3 sub-projects are in the tendering and awarding process with a total allocation of Euro 429,083 amounting to 4% of the budget, and are expected to start soon.

Chart 6 illustrates the status of the W1-sub-projects allocated funds in the Gaza Strip.

Chart 5: Status of W1 Sub-projects in WB

MDP-W1 - Status in terms of Allocated Fund - West Bank

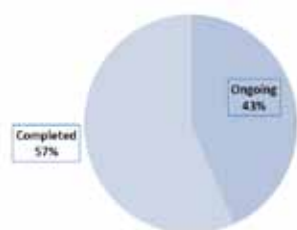
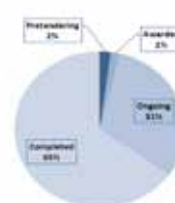


Chart 6: Status of W1 sub-projects in Gaza

MDP-W1 - Status in terms of Allocated Fund - Gaza



During the reporting period, it is obvious there is an effective progress in the implementation of sub-projects. Where there is a dramatic increase in the percentages of (completed) sub-projects and a decrease in the percentages of (Pre-tendering, tendering, awarded and ongoing) subprojects amounting 54% of the total budget. All these figures are illustrated Table 4 below.

Table 4: (MDP-W1 sub projects) status over the time in terms of Allocated Fund (WB&G)

	January 1 st , 2010	June 30 th , 2011	Trend
Pre-tendering	3%	1%	Decrease
Tendering	29%	0%	Decrease
Awarded	14%	1%	Decrease
Ongoing	47%	38%	Decrease
Completed	7%	61%	Increase

Note: for more details about the MDP-W1 please refer to annex A.
(Window 2) Support to Municipal Innovations and Efficiency

1- Energy Efficiency:

The rapid economic development in West Bank, combined with the expensive prices of imported energy, led to an increasing recognition of the need for Energy Management. The Palestinian municipalities spent 2.56 % in 2007 and 2.31% in 2008 from their total budget on street lighting,

In order to save energy, MDLF through the MDP, has included a pilot innovation project with a total budget of about Euro 487,000 that aims at enhancing municipal revenue generation, reducing operating costs, and promoting energy efficient initiatives. MDLF has selected the municipalities of Hebron, Jericho, Qalqilya, and Anabta for the pilot phase. The following selection criteria was used:

- *Considering the electricity use and electricity cost.*
- *Availability of separate meters for key end-users.*
- *Availability of electricity bills split-up as different end-users.*

With three main intervention areas in mind, namely public buildings, street-lighting, and water/sewage pumping stations. This innovative concept is to go through auditing, installation, verification measurement of savings, evaluation, and results' dissemination.

During the year 2010, MDLF contracted a consultancy firm "Energy Management Services Company (EMS)" that completed carried an energy audit in August 2010 upon which completion energy saving investments were identified per municipality. The MDLF had prepared the needed tender documents to supply and install the energy saving equipment to the piloted municipalities (street lighting, pumps, and public buildings). The installation process for the public facilities was completed, and the installation of the pumps is ongoing and is expected to be completed by mid August 2011. On the other hand, the installation of the street lighting equipment did not begin yet due to retendering of the assignment, and the contract is expected to be signed in the beginning of August 2011.

Moreover, the MDLF participated in the 4th International Energy Conference organized by the Engineering Association in Ramallah in Jan-2011. The MLDF presented a paper about the piloted cases.

2- Strengthening Newly Amalgamated Communities: *to explore new approaches and merge local government units, where the implementation is scheduled in the second cycle.*

3- One Stop Shop: *to have better service delivery for citizens, where the implementation is scheduled in the second cycle.*

(Window 3):Capacity Building for Municipalities and MDLF

Window 3 of this program was designed to enhance the performance of municipalities. The idea is to utilize experienced professionals to assist the municipalities reach a higher rank of performance.

For that purpose a capacity building manual was completed on 15 January 2010. Also the MDLF conducted orientation workshops for municipalities as part of the capacity building packages. After that, MDLF had received the application forms from municipalities on 15 April 2010, and completed the evaluation process and identified the packages for the municipalities by the end of May 2010. Table 5 and chart 7 illustrate the distribution of capacity building packages under this window.

Chart 7: Distribution of CB Packages

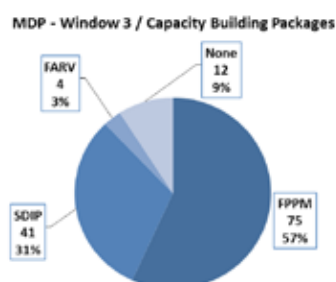


Table 5: Capacity Building Packages

FPPM (Financial Policies & Procedures Manual)	75
SDIP (Strategic Development & Investment Plan)	41
FARV (Fixed Assets Registration & Valuation)	4
None	12
Total Number of Municipalities	132

Note: for more details about the MDP-W3 please refer to annex A.

The Terms of References (TORs) of the Capacity Building packages were prepared by MDLF after the “no objection” from the financial partners were received and the consultancy services were announced. More than 70 firms showed interest to provide such services. MDLF formed committees with the participation of the Ministry of Local Government to evaluate the short-listed proposals. The following achievements under this window can be noted as follows:

A) Financial Policies and Procedures Manual (FPPM):

This capacity building package will support 75 municipalities distributed among 3 clusters (Cluster 01 & cluster 02 in the West Bank) and (Cluster 03 in Gaza Strip) and will be financed by (MDTF). The implementation progress of this package during the reporting period is described as follows:



1. *Develop a Cash-Based Financial Policies and Procedures Manual*
 - *The consultant and MDLF staff had conducted site visits for selected municipalities and Ministry of Local Government/Budgeting and Monitoring Directorates, in order to understand the policies and procedures used in developing the manual.*
 - *The consultant and MDLF staff had conducted five orientation sessions on the use of the Manual. The First workshop took place for the company that will conduct on job training for the selected municipalities on using the Cash-Based Financial Policies and Procedures Manual. The Second workshop took place for the Ministry of Local Government, mainly the directors and staff of budgets and control department. The other three workshops were conducted for the targeted municipalities in the northern, middle, and southern regions of the West Bank.*
2. *External Auditing: MDLF prepared the TOR for an external auditor and published it in the web site as a guidance to the municipalities who need help in this issue.*
3. *Coaching Municipalities on the Use of the Manual: Regarding the two clusters in the West Bank (Cluster 01 and Cluster 02), MDLF had received and approved the inception report for both assignments, and the consultant attended training of trainers. Staff of the MDLF attended training on how to do all the required transactions using the fund accounting. Regarding (Gaza cluster 03), MDLF had advertised the Expression of Interest (EOI) in the newspaper where MDLF anticipates signing a contract with the winner company on October so the company will finish this assignment within two months from the date of signing.*

B) Strategic Development and Investment Plans (SDIPs):

1. *Roll out of SDIPs:* This capacity building package will support 41 municipalities and enable them to prepare their strategic development and investment plans. Municipalities were put in 9 clusters as follows: 2 clusters financed by GIZ, 2 clusters by AFD, 3 clusters by Kfw, and 2 clusters by the MDTF. The implementation progress of this package during the reporting period is described as follows:
 - Since January until June 2011, there were 33 public workshops conducted out of 41 workshops planned in the West Bank and Gaza.
 - An orientation workshop on the SDIP methodology and procedures was carried out on March 19th, 2011. The workshop provided introductory information for supporting the municipalities in preparing their community SDIPs in accordance with the MoLG guidelines and SDIP policy.
 - MDLF had made the necessary arrangements for a training workshop (Training of Trainers) lead by the consultant with GIZ representatives attending. MDLF had coordinated a similar workshop for the benefit of the municipalities in Gaza via video conference. Both workshops were carried out at the German House in Al-Bireh.
 - MDLF had provided logistic support for the GIZ official event to launch “Baladiyat.ps” website in the presence of all of the municipalities benefiting from the SDIP packages, and a periodic newsletter on strategic planning was issued. During the event an announcement was made for the contest “Amaar Ya Falastin/ Prosperity to Palestine” which targeted the participating municipalities.
 - The roll out of SDIPs is expected to be accomplished by end of November 2011.
2. *Quality assurance on the SDIPs:* MDLF will hire a consultants to ensure better quality control over the SDIPs produced by municipalities. The expression of interest is to be advertised for three consultants; one in Gaza and two in the West Bank next July 2011.



C) Fixed Assets Registration and Valuation (FARV):

This capacity building package will support 4 municipalities to register and estimate the value of their assets during the first cycle. The contract with a consultancy firm was signed in December 2010 targeting the municipalities of Ramallah, Betunia, Al-Bireh, and Salfit; where funding is provided by the MDLF. The implementation progress of this package during the reporting period is described as follows:

- MDLF offered orientation to the municipalities' staff on the Fixed Assets Registration and Valuation procedures.
- The MDLF continued following up the consultant to ensure the compliance with the TOR.
- A draft Fixed Asset Valuation schedules and forms were submitted from the consultant for MDLF review and approval.
- The MDLF anticipates receiving the Final Fixed Asset Valuation Register and supporting documents during the next months.

D) Development of Operation and Maintenance Guidance and Procedure Manual/ O&M Ssystem: This capacity building package is expected to be implemented during the 2nd cycle of MDP.

- *Management of MDP (Window 4)*

1- LTCs:

- *The local technical consultants (LTCs) were distributed among 4 clusters as follows:*
 - *North of the West Bank cluster financed by the World Bank.*
 - *Middle of the West Bank cluster financed by the AFD.*
 - *South of the West Bank cluster financed by MDTF (Sida and Denmark).*
 - *Gaza Strip cluster financed by the KfW.*
- *All the LTCs for the West Bank were contracted in June 2010. Gaza LTC was contracted in December 2010 following the receiving of No-Objection from KfW.*

2- Monitoring and Evaluation:

Regarding the Municipal Ranking update: MDLF had prepared a questionnaire including all the performance indicators as per the Grants Allocation Manual. The questionnaire was sent to the municipalities in early April 2011. In parallel, MDLF finalized the analysis of municipal budgets as one of the quantitative

indicator defined in the manual. During the MDP mid-term review mission in May-2011, a preliminary ranking was presented to the FPs, who recommended to verify the ranking by an outsourced consultant. Hence, MDLF had prepared a TOR for that and announced for the EOI in mid July 2011. The new ranking is expected to be ready by end of September 2011.

3– Outreach and Communication:

MDLF had completed the evaluation of technical and financial offers from 2 local firms. The lowest financial offer exceeded the allocated amount; hence the MDLF negotiated a new scope of work with the selected firm. The assignment started in April 2011 and is expected to be completed by end of December 2011.

1.4 Challenges and Obstacles

During the project life, MDP has faced difficulties and challenges can be listed as follows:

- Some LGUs found difficulties in understanding the cost-benefit analysis of the applied sub-projects of MDP. Furthermore, there was a difficulty in applying the community participation concept in the prioritization of the sub-projects. This causes delays in the application and appraisal processes and required additional time from MDLF to help them in the application process.
- The delay in signing the agreements with some financing partners until June, 2010, and delay in receiving No Objection on the LTCs and other consultancy assignments. Furthermore, the recalculating of municipalities allocations in Euro instead of USD caused delay and rework.
- There was delay in contracting the LTCs, in particular the LTC of Gaza, after finishing the appraisal. This delay caused of the application form and appraisal process causing due to the delay in the signature of LTCs contracts in particular the LTC for Gaza.
- Another major challenge is the capacity of municipalities and LTCS related to procurement procedures, preparations of bidding documents and procurement plans.

1.5 MDP Mission

The third supervision mission (Mid Term Review) of the MDP was carried out by its Financing Partners (AFD, Government of Denmark, GIZ, KfW, Government of Sweden, Government of Belgium, and the World Bank) from May 16th - 25th , 2011. The objective of the mission was to review the implementation progress and achievements of cycle one, suggest quality enhancements for cycle 2, and provide initial guidance on the preparation of Phase 2. The mission rated the achievements of the Project Development Objective (PDO) and also the progress of implementation of MDP-cycle 1 as satisfactory. This mission recommended some actions to be taken into consideration in the planning and implementation of the upcoming MDP phases, regarding the quality control improvement of MDP-Window1 sub-projects, the environmental and social safeguard, and the enhancement of transfer mechanism for the MDP-phase 2.

The following sections summarize MDP achievements against the intended objectives at different levels.



2. Emergency Municipal Services Rehabilitation Project – (EMSRP II)

The Palestinian municipalities suffered from the instability of the political situation in the country, with both West Bank and Gaza Strip development hindered by Israeli occupation military orders and actions, the municipalities suffered the most from closures, the construction of the apartheid wall, and movement restrictions. The environment under which the municipal sector conducting activities is considered highly changeable, this leads to hinder the capacity of municipalities and MDLF to draw clear and strong plans for the impetration.

In response to the mentioned situation, the EMSRP II was designed so as to rebuild the basic infrastructure, and create jobs, given that , these objectives coincide with one of the major goals of the PRDP which is to increase national prosperity, and enhance quality of life. In addition, the EMSRP II objectives fall within the second Strategic Theme of the MDLF Strategic updated Plan: “Support Local Development and Improve Municipal Service Delivery.”

2.1 Project Description

The Emergency Municipal Development Program was designed to achieve better municipal delivery of basic services and improve living conditions in Palestine. These objectives mitigate further deterioration in the delivery of essential municipal services; create temporary jobs at the local level, pilot innovative initiatives that foster Local Government-NGO collaboration in response to urgent community needs, and assist municipalities in recovering costs for the provision of services.

- ***Component 1:** Emergency Municipal Services Assistance Grants: This would finance, (a) Rehabilitation, reconstruction and upgrading of damaged municipal infrastructure and facilities, supply of equipment to sustain municipal service provision, and (b) Cover non-wage recurrent expenditures as direct support to the provision of essential municipal services over a period of up to two years.*
- ***Component 2:** Labor-intensive Employment Generation: This component targets labor-intensive temporary employment sub-projects identified and implemented by municipalities in coordination with locally-based community groups.*
- ***Component 3:** MDLF Innovation Window: This component, supported by the world Bank, covers two sub-areas: a) Piloting pre-paid metering systems at municipalities: b) Piloting Local Government-NGO collaboration for emergency and other joint programming purposes.*



2.2 Financial Partners' Contributions

EMSRP II is supported by the World Bank (WB), the Netherlands Representative Office (NRO), the Agency Française de Développement (AFD), the Swedish International Development Agency (Sida), German Development Bank (KfW), and the Danish International Development Assistance (DANIDA),

The total contribution (excluding municipalities' share) is approximately \$ 71.6 million, and for the last three years the contributions were as follows:

- In 2007, The World Bank (WB), and the Government of the Netherlands represented by the Netherlands Representative Office (NRO) in the West Bank and Gaza, signed a grant of US\$10 million and US\$ 6.17 million respectively to provide emergency assistance to the Palestinian Local Government Units (LGUs). The World Bank fund was invested in components 1, 2 and 3, while the Netherlands fund was invested in component 1 only. Both the World Bank and Netherlands funds under the EMSRP II were completed in 2009.
- The Agence Française de Développement (AFD) joined with a special project (MDP1) with a contribution of Euro 12 million to be invested in component 1, and to provide assistance to the main 16 cities and 5 chosen service councils. Currently the project is being implemented.
- In 2008, both the Swedish International Development Agency (Sida) and the German Development Bank (KfW) contributed \$5.6 million and Euro 15 million respectively to Component 1 of EMSRP II, under which the beneficiaries are the municipalities in the West Bank and Gaza. The KfW sub-projects are being implemented, while the Sida sub-projects were completed by end June 2011.
- In 2009, Sida and the World Bank contributed an additional \$6 million (\$ 3 million each) to be invested in component 1 of the EMSRP II. Danida joined the agreement in 2010 with a contribution of \$ 5.2 million. The Denmark sub-projects are being implemented, while the Sida and IDA sub-projects were completed in June 2011.

This financial support is transferred from the MDLF in yearly allocation cycles. These allocations are linked to the annual budget preparation and reporting cycle for municipalities. Access to EMSRP II financing is conditional on submission of a prior year executed budget report, a budget plan for the current fiscal year, and a statement of year-end financial accounts conforming to the Municipal Unified Chart of Accounts (COA) adopted for fiscal year 2007; The rationale for including this condition is the demonstrated effectiveness of this provision under EMSRP II where the executed and planned budget submitted to MoLG rose dramatically from 25 percent reporting prior to the program, to 100% reporting

during the program cycles. In addition, these conditions are required by the MoLG and indicated in the criteria of MDLF Transfer Mechanism. This measure is intended to improve municipal budgeting and financial reporting, and provide the MDLF with municipal financial data which would be used to strengthen sector monitoring during and after the course of the program.

2.3 Overall Activities and Accomplishments

The progress and achievements in West Bank municipalities was going faster than Gaza Strips due to the chronic unavailability of construction materials caused by the Israeli blockade, the shortage in fuel supply and spare parts was delaying the budgetary support sub-projects and have affected the progress of infrastructure sub-projects. The following sections describes the progress of the EMSRP II per component.



- Comp. 1: Emergency Municipal Services Assistance Grants:

The EMSRP II witnessed progress in meeting the needs of municipalities and maintaining infrastructure services, with a total allocations of \$ 66.8 million committed until the end of this year for 1,605 sub-projects distributed among donors as shown in Table 5 and Chart 8.

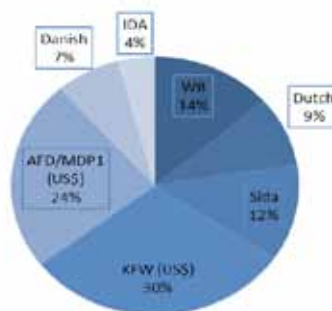
Table 5: Distribution of EMSRP II sub-projects per Donor

Donor	No. of Sub-project	Allocated Fund
World Bank	509	\$ 14,941,769
World Bank and the Netherlands (co-financed)	100	
The Netherlands	45	
Sida – Original and Additional Financing	386	\$ 8,118,079
IDA – Additional Financing	109	\$ 2,790,000
Denmark	176	\$ 4,852,803
AFD - MDP1	58	Euro 11,200,000
German Development Bank (KfW)	222	Euro 14,092,974
Total	1605	\$ 66,871,604

1 Euro = \$1.43

Chart 8: Distribution of EMSRP II Allocated Fund Per Donor

Overall Distribution of EMSRP II Fund Per Donor



By the end of reporting period, the overall status of EMSRP II sub-projects is described as follows:

- 1548 sub-projects, totaling 92% of the overall number of sub-projects, were completed with an allocated amount of \$ 61,769,901.
- 46 sub-projects, totaling 6.57% of the overall number of projects, are under implementation with an allocated amount of \$ 4,391,773.
- One sub-project is in the award phase with an allocated amount \$ 100,765.
- 5 sub-projects are in the tendering phase with an allocated amount of \$ 320,285.
- 6 sub-projects are in the pre-tendering phase with an allocated amount \$ 288,880.

During the reporting period, it is obvious there is an effective progress in the implementation of sub-projects Where there is an increase in the percentages of (completed) sub-projects and a decrease in the percentages of (Pre-tendering, tendering, awarded and ongoing) subprojects amounting 12% of the total budget. All these figures are illustrated Table 6 .

Table 6: (EMSRPII – Comp.1) status over the time in terms of Allocated Fund (WB&G)

	January 1 st , 2010	June 30 th , 2011	Trend
Pre-tendering	6.83%	0.43%	Decrease
Tendering	2.56%	0.48%	Decrease
Awarded	0.00%	0.15%	Decrease
Ongoing	10.29%	6.57%	Decrease
Completed	80.32%	92.37%	Increase

Special notes about the implementation of EMSRPII in Gaza.

The progress in Gaza: was slower compared to the West Bank. The situation in Gaza and in particular after the recent Israeli military attack from December 27th , 2008 to January 18th , 2009 in addition to the chronic unavailability of construction materials caused by the Israeli blockade, have badly affected the progress of infrastructure sub-projects. Moreover, the shortage in fuel supply and spare parts is delaying the budgetary support sub-projects.

During the implementation period of the project the environment in Gaza was characterized by more restrictions on movement of people and goods from and into Gaza. The Israeli Military continued to impose a high level of restrictions preventing the entrance of most basic materials as well as the construction material into Gaza. These restrictions had affected the municipalities activities and the implementation of EMSRPII's sub-projects leading to a clear delay in the progress of the original fund sub-projects. Moreover, these restrictions and the closure of Gaza Strip during most of the reporting period had negatively affected the supply of fuel that was considered at the beginning of the program as one of the most urgent needed materials and was thought to be feasible to implement.

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

- Labor-intensive Employment Generation:

The project's intended target was to create labor-intensive temporary employment sub-projects, identified and implemented by municipalities in coordination with locally-based community groups. This component was funded by the World Bank original Fund and completed by end of December 2009. There were 167,533 person-days of employment created, with the average person-day \$ 12.59. In addition, the indirect temporary employment of 3,304 person-day was created, with each person

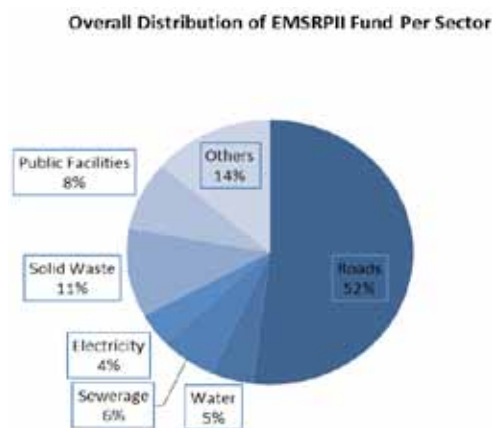
making an average of person-day \$ 5. Hence, the overall achieved employment created from this component is equal to 170,837 person-day, equivalent to 5,694 person-month, were created.

- MDLF/ EMSRP II Innovation Component:

This component is the third component of the EMSRP II which was divided into two sub-components: a) Piloting pre-paid metering systems at municipalities: b) Piloting Local Government-NGO collaboration for emergency and other joint programming purposes. All activities under this component were closed by January 2010. Given that, the pre-paid metering pilot was replaced in early 2008 by a parking meter pilot in the Ramallah/Al Bireh municipalities because it was overtaken by a wider public policy initiative to introduce prepaid electricity metering throughout WBG

Regarding the distribution of EMSRP II (all components) fund per sector, it was distributed among the eligible sectors as follows: 52% of the fund was invested in road sub-projects, 11% were invested in solid waste, 8% were invested in public facilities, and 14% invested in a variety of sectors. Chart 9 illustrates the distribution of EMSRP II funds in West Bank and Gaza Strip per sector:

Chart 9: Distribution of EMSRP II Fund Per Sector



2.4 EMSRP II Progress Per Donor

2.4.1: Sida (Original & Additional) Fund / EMSRP II

In 2008 the Swedish International Development Cooperation Agency (Sida) contributed with a grant of an amount of 35 million Swedish Kronor (SEK), which is equivalent to approximately US\$ 5.4 million. The administration agreement between the World Bank and Sida was signed on March 14th, 2008. Subsequently; the grant agreement between the Bank and the MDLF was signed on December 29th, 2008. The original agreement of Sida fund was amended in October 2009, for additional financing amount of US\$ 3 million as an additional contribution to the EMSRP II through a co-financing agreement with the World Bank.

As agreed with Sida the funding is not earmarked and can cover any of the EMSRP II components. However, the MDLF and Sida decided to allocate the fund to Gaza municipalities.

The MDLF had approved 386 municipal sub-projects for the sum of \$ 8,118,079 to be invested in the eligible sectors as per the EMSRP II technical annex. The implementation of sub-projects started in November 2008 and was completed by end of June 2011.

Note: for more details about the Sida fund please refer to annex B.

2.4.2: KfW Fund / EMSRP II - Poverty-Oriented Infrastructure Municipal Finance

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

The grant agreement was signed on September 15th, 2008. The MDLF informed the municipalities about their allocations and started receiving sub-projects applications. The list of sub-projects and MDLF operational manual were approved by KfW.

The implementation of 94 approved sub-projects in the West Bank had started in early 2009. The MDLF started the application and appraisal process for Gaza Municipalities’ sub-projects by the end of 2009 in consultation with Gaza municipalities. The list of sub-projects for Gaza municipalities was approved by the KfW on March 17th, 2010, where the total number of sub-projects in Gaza is 116 (which was reduced to 112 due to cancelation and consolidation of 4 sub-projects).

It is worth mentioning that KfW decided to distribute the remaining fund of Euro 1,640,094 among municipalities in the West Bank by using the MDLF transfer mechanism under the MDP pooling, in accordance with EMSRP II rules and

regulations. The remaining amount was distributed among 16 sub-projects and 12 municipalities.

West Bank Status: By end of the reporting period, all 94 Kfw original sub-projects have been completed with an allocated budget of Euro 7,492,644 Euros. Chart 10 shows the status of the original Kfw subprojects in the West Bank.

Regarding the residual funds sub-projects, 13 sub-projects out of 16 in the West Bank were completed with a total budget of Euro 1,207,262 - amounting to 74%, while there are 3 sub-projects ongoing with a budget of Euro 432,832 – amounting to 26% of the overall budget. Chart 11 shows the status of the KFW residual fund sub-projects.

Chart 10: Status of Kfw Projects / WB

Status of KFW Projects in Terms of Projects Allocation - West Bank Governorates

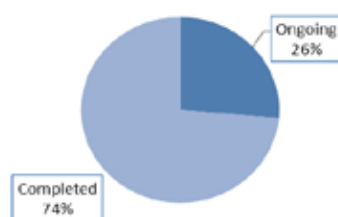
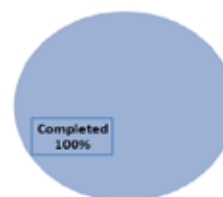


Chart 11: Status of Kfw residual Fund / WB

Status of KFW Projects in Terms of Projects Allocation - West Bank Governorates

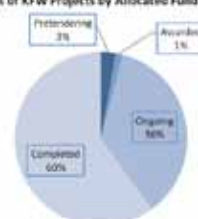


Gaza Status: Regarding Gaza sub-projects, 85 sub-projects out of 112 were completed with a budget of Euro 2,977,515 - amounting to 60%, while 24 sub-projects are under implementation with a total budget of Euro 1,778,747 – amounting to 36% of the overall budget. The other 3 sub-projects are in the award and pre-tendering phase with total budget of Euro 203,974 – the equivalent of 4% of the budget.

Chart 12 shows the status of KFW subprojects in the Gaza.

Chart12: Status of KfW Projects / Gaza

Status of KFW Projects by Allocated Fund - (Gaza Governorates)



Another activity under the KFW financing agreement is the updating of the MDLF Technical Manual. Where the objectives of this assignment include (i) further development of the technical manual and procedures, (ii) the upgrade of business processes and work-flow of the MDLF according to the developed/upgraded manual, and (iii) related training of MDLF staff. A final Technical Manual was completed during the month of April 2010. The KFW gave No Objection on the manual on June 1st, 2010 and other financing partners gave No Objection on various other dates.

Note: for more details about the Kfw fund please refer to annex B.

2.4.3 : World Bank – (EMSRPII Additional Financing)

The PNA requested additional financing from international partners for the EMSRPPII, based on the Gaza early recovery and reconstruction plan and the Gaza municipal sector assessment conducted by the MDLF. The World Bank allocated \$ 3 million, and the agreement with the World Bank was signed in July 2009. The MDLF allocated the fund to Gaza municipalities and started implementation in August 2009.

It should be noted that the additional financing (AF) for Gaza municipalities was designed to support incremental operating costs to help municipalities in maintaining the basic municipal services from deteriorating. This was due to the current constraints resulting from Israeli's policy restricting access as any construction of new works would be subjected to delays, where the access restrictions limit the availability of supplies and construction materials and equipment.

The MDLF had approved 109 municipal sub-projects for \$ 2,790,000 to be invested in the eligible sectors. More than 30.6% of the allocated fund covered emergency needs in labor insurance, vehicles insurance, stationary and other expenses. The implementation of sub-projects started in August 2009 and was completed by end of June 2011.

Note: for more details about the WB fund please refer to annex B.

2.4.4: Danish Fund - (EMSRPII-Additional Financing)

The Danish trust fund agreement between the PLO and IDA was signed on 10 June 10th, 2010 for the sum of \$ 5,218,068 out of which \$ 4,852,804 is allocated to the municipalities. The fund was distributed among 176 sub-projects covering all 25 municipalities in the Gaza Strip.

The MDLF started the project implementation since August 2010, and the status of the sub-projects is described as follows:

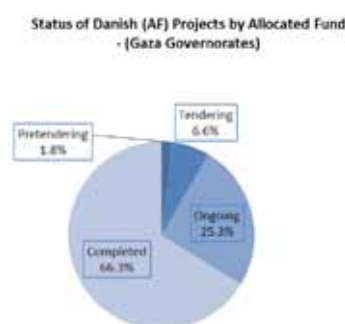
- 148 sub-projects were completed with the sum of \$3,217,030 amounting to 66% of the total budget.

- 19 sub-projects are being implemented for the sum of \$1,226,636 amounting to 25.3% of the total budget.
- 5 sub-projects are in the tendering phase for the sum of \$321,081 amounting to 6.6% of the total budget.
- 4 sub-projects are in the pre-tendering phase for the sum of \$88,058 amounting to 1.8% of the total budget.

The following chart 13 illustrates the status of the Danish fund under EMSRP II during the reporting period in the West Bank and Gaza:

Note: for more details about the Danish fund please refer to annex B.

Chart 13: Status of Danish Fund / EMSRP II



2.4.5 Municipal Development Project (MDP1/AFD)

The Municipal Development Project (MDP) aims at providing financial support to the selected Local Government Units (LGUs) and improving municipal services delivery to the population. The project, funded by the French Development Agency (AFD), and was designed under the EMSRP II to help the 16 larger cities of the West Bank and Gaza Strip Governorates, while excluding Jerusalem. The beneficiary cities constitute more than 45% of the overall population and 78% of the urban population. In addition, the MDLF selected 5 Joint Service Councils for Planning and Development or Joint Municipalities, where the project could finance infrastructure, with the aim of supporting the Palestinian Authority's efforts to reduce the overall number of LGUs in the West Bank and Gaza. However, due to the fact that Project implementation in the Gaza Strip became impossible because of the blockade of all imports by the Israeli authorities, the MDLF with the approval of AFD reallocated the budget of Gaza municipalities to main West Bank municipalities. The AFD has expressed its commitment to provide additional support to Gaza municipalities once the conditions in Gaza allow for implementation.

The Project objectives include:

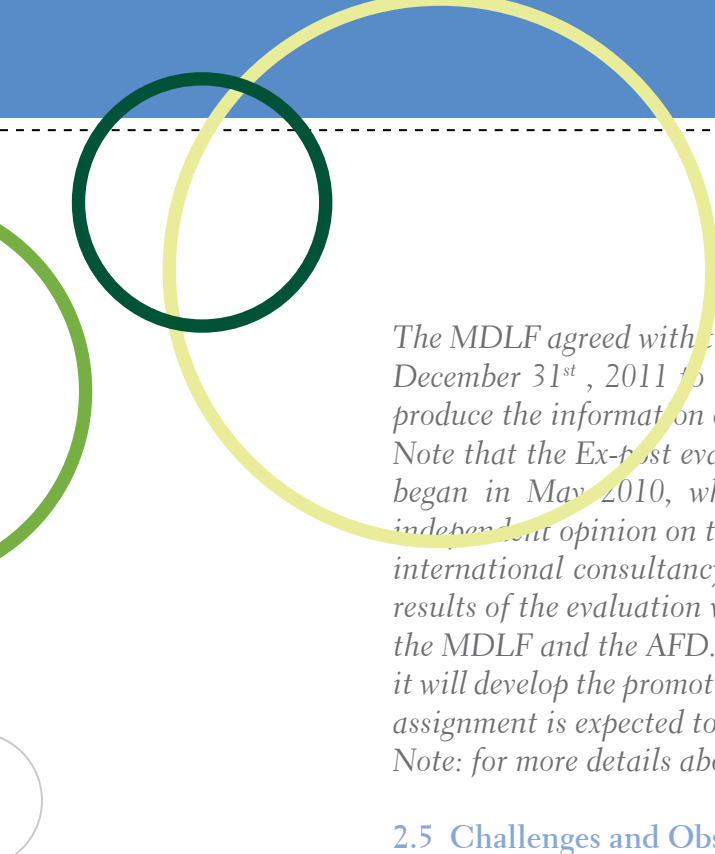
- Improving the economic and daily conditions in the Palestinian municipalities through the maintenance, rehabilitation, and in some cases the creation of basic municipal infrastructure.
- Stimulating the local economy via mobilization of local contractors who will create jobs and generate additional income.
- Reinforcing the link between the newly-created Municipal Development and Lending Fund and the municipalities.

The total amount of the MDP/AFD fund is Euro 12,000,000, where Euro 11,200,000 had been distributed among the 11 main municipalities in the West Bank and 6 Joint Services Councils as shown in table 7. The Fund was divided among the selected municipalities according to their respective population, with a minimum allocation of Euro 400,000 per LGU to ensure that the available budget per LGU is above a critical minimum threshold for impact and visibility. The Joint Service Councils or joint municipalities were allocated Euro 320,000 each. Most of the AFD fund, amounting to approximately 69% was invested in roads projects in a manner similar to the World Bank and Dutch funds under the EMSRP II project. This intervention covers the dire need for new roads and to maintain existing networks. The second needed sector is public facilities, which covers 17% of the amount and includes municipal buildings, libraries, community centers and public parks.

By end of the reporting period, all the 58 sub-projects for municipalities and JSCs with an allocated budget of Euro 11,200,000 were completed.

Table 7: MDP/AFD Fund Per Municipality

Municipality	Allocation Euro
Tulkarm	880,278
Salfit	509,576
Tubas	567,545
Qalqilia	805,969
Nablus	1,567,902
Jenin	731,772
Jericho	599,575
Hebron	1,847,858
Bethlehem	679,036
Al-Bireh	768,544
Ramallah	641,944
Joint Services Councils (JSCs)	1,600,000
Total	11,200,000



The MDLF agreed with the AFD to extend the closing date of the agreement until December 31st, 2011 to allow for conducting the project ex-post evaluation and produce the information outreach material and documentary.

Note that the Ex-post evaluation of the Municipal Development Project (MDP1) began in May 2010, where the purpose of this evaluation is to produce an independent opinion on the Municipal Development Project (MDP1) through an international consultancy firm joint-ventured with a local consultancy firm. The results of the evaluation were presented and discussed in a workshop organized by the MDLF and the AFD. In addition, the MDLF contracted a media company so it will develop the promotional documentary about the MDP1 and the MDLF. The assignment is expected to be completed by end of December 2011.

Note: for more details about the AFD fund please refer to annex B.

2.5 Challenges and Obstacles

During the reporting period, and throughout the project life, some challenges and obstacles have occurred. MDLF fortunately overcame them and learned a lot of lessons to be considered in the future. Some of these challenges and obstacles included:

- The continuous closure imposed by the Israelis on Gaza since four years still represent was the key factor on shaping the overall picture. More specifically, the lack of items in the Gaza market needed for municipal activities leads to considerable difficulties in meeting the deadlines of implementing different funded sub-projects.*
- As a result of the closure, the environment under which the municipal sector conducting activities is considered highly changeable, this leads to hinder the capacity of municipalities and MDLF to draw clear and strong plans for the implementation.*
- The implementation of some projects had started late due to the delay in getting the needed permits from the Israeli part. Furthermore, some of the municipalities prepared the needed designs and drawings late.*
- Other challenge is the dollar devaluation, prices instability, and the Palestinian contractors strike that had a significant impact on the project implementation.*
- Another major challenge is the capacity of municipalities and LTCS related to procurement procedures, preparations of bidding documents and procurement plans.*

2.6 EMSRPII Mission

During the reporting period, from May 16th - 26th, 2011, Ms Verena Pfeiffer (Financial expert) participated as a Consultant to KfW in the joint Mid-Term Review of the Municipal Development Programme (MDP), and held in parallel discussions on the Poverty Oriented Municipal Finance (KfW - EMSRP II)

project progress of the German Financial Contribution to the “Second Emergency Municipal Services Rehabilitation Project” EMSRP II, with officials of the Municipal Development and Lending Fund (MDLF). The review included site visits in West Bank and a desk review where the mission was satisfied with the project measures and achievement of objectives, external audits and financial procedures and the technical execution of sub-projects.

2.7 EMSRP II Key Achievements

MDLF and through Various activities of the EMSRP II had improved the ability of municipalities to provide their inhabitants with better services. The implemented projects improved basic services and infrastructure. The project adhered to the development objectives as confirmed by the beneficiary assessment study carried out by a consultant and completed in September 2009.

These EMSRP II objectives coincide with one of the major goals of the PRDP; namely to increase of national prosperity and enhance quality of life. Following is the illustration of EMSRP II achievements against the intended objectives at different levels.



2. Emergency Municipal Services Rehabilitation Project – (EMSRP II)

The Palestinian municipalities suffered from the instability of the political situation in the country, with both West Bank and Gaza Strip development hindered by Israeli occupation military orders and actions, the municipalities suffered the most from closures, the construction of the apartheid wall, and movement restrictions. The environment under which the municipal sector conducting activities is considered highly changeable, this leads to hinder the capacity of municipalities and MDLF to draw clear and strong plans for the impetration.

In response to the mentioned situation, the EMSRP II was designed so as to rebuild the basic infrastructure, and create jobs, given that , these objectives coincide with one of the major goals of the PRDP which is to increase national prosperity, and enhance quality of life. In addition, the EMSRP II objectives fall within the second Strategic Theme of the MDLF Strategic updated Plan: “Support Local Development and Improve Municipal Service Delivery.”

2.1 Project Description

The Emergency Municipal Development Program was designed to achieve better municipal delivery of basic services and improve living conditions in Palestine. These objectives mitigate further deterioration in the delivery of essential municipal services; create temporary jobs at the local level, pilot innovative initiatives that foster Local Government-NGO collaboration in response to urgent community needs, and assist municipalities in recovering costs for the provision of services.

- ***Component 1:** Emergency Municipal Services Assistance Grants: This would finance, (a) Rehabilitation, reconstruction and upgrading of damaged municipal infrastructure and facilities, supply of equipment to sustain municipal service provision, and (b) Cover non-wage recurrent expenditures as direct support to the provision of essential municipal services over a period of up to two years.*
- ***Component 2:** Labor-intensive Employment Generation: This component targets labor-intensive temporary employment sub-projects identified and implemented by municipalities in coordination with locally-based community groups.*
- ***Component 3:** MDLF Innovation Window: This component, supported by the world Bank, covers two sub-areas: a) Piloting pre-paid metering systems*

at municipalities: b) Piloting Local Government-NGO collaboration for emergency and other joint programming purposes.

2.2 Financial Partners' Contributions

EMSRP II is supported by the World Bank (WB), the Netherlands Representative Office (NRO), the Agency Française de Développement (AFD), the Swedish International Development Agency (Sida), German Development Bank (KfW), and the Danish International Development Assistance (DANIDA),

The total contribution (excluding municipalities' share) is approximately \$ 71.6 million, and for the last three years the contributions were as follows:

- In 2007, The World Bank (WB), and the Government of the Netherlands represented by the Netherlands Representative Office (NRO) in the West Bank and Gaza, signed a grant of US\$10 million and US\$ 6.17 million respectively to provide emergency assistance to the Palestinian Local Government Units (LGUs). The World Bank fund was invested in components 1, 2 and 3, while the Netherlands fund was invested in component 1 only. Both the World Bank and Netherlands funds under the EMSRP II were completed in 2009.
- The Agence Française de Développement (AFD) joined with a special project (MDP1) with a contribution of Euro 12 million to be invested in component 1, and to provide assistance to the main 16 cities and 5 chosen service councils. Currently the project is being implemented.
- In 2008, both the Swedish International Development Agency (Sida) and the German Development Bank (KfW) contributed \$5.6 million and Euro 15 million respectively to Component 1 of EMSRP II, under which the beneficiaries are the municipalities in the West Bank and Gaza. The KfW sub-projects are being implemented, while the Sida sub-projects were completed by end June 2011.
- In 2009, Sida and the World Bank contributed an additional \$6 million (\$ 3 million each) to be invested in component 1 of the EMSRP II. Danida joined the agreement in 2010 with a contribution of \$ 5.2 million. The Denmark sub-projects are being implemented, while the Sida and IDA sub-projects were completed in June 2011.

This financial support is transferred from the MDLF in yearly allocation cycles. These allocations are linked to the annual budget preparation and reporting cycle for municipalities. Access to EMSRP II financing is conditional on submission of a prior year executed budget report, a budget plan for the current fiscal year, and a statement of year-end financial accounts conforming to the Municipal

Unified Chart of Accounts (COA) adopted for fiscal year 2007; The rationale for including this condition is the demonstrated effectiveness of this provision under EMSRP II where the executed and planned budget submitted to MoLG rose dramatically from 25 percent reporting prior to the program, to 100% reporting during the program cycles. In addition, these conditions are required by the MoLG and indicated in the criteria of MDLF Transfer Mechanism. This measure is intended to improve municipal budgeting and financial reporting, and provide the MDLF with municipal financial data which would be used to strengthen sector monitoring during and after the course of the program.

2.3 Overall Activities and Accomplishments

The progress and achievements in West Bank municipalities was going faster than Gaza Strips due to the chronic unavailability of construction materials caused by the Israeli blockade, the shortage in fuel supply and spare parts was delaying the budgetary support sub-projects and have affected the progress of infrastructure sub-projects. The following sections describes the progress of the EMSRP II per component.

□ Comp. 1: Emergency Municipal Services Assistance Grants:

The EMSRP II witnessed progress in meeting the needs of municipalities and maintaining infrastructure services, with a total allocations of \$ 66.8 million committed until the end of this year for 1,605 sub-projects distributed among donors as shown in Table 5 and Chart 8.

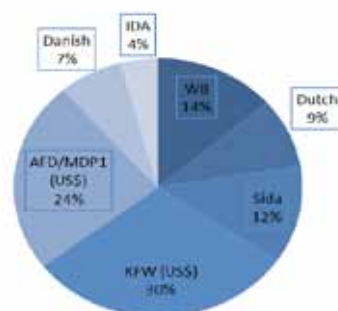
Table 5: Distribution of EMSRP II sub-projects per Donor

Donor	No. of Sub-project	Allocated Fund
World Bank	509	\$ 14,941,769
World Bank and the Netherlands (co-financed)	100	
The Netherlands	45	
Sida – Original and Additional Financing	386	\$ 8,118,079
IDA – Additional Financing	109	\$ 2,790,000
Denmark	176	\$ 4,852,803
AFD - MDPI	58	Euro 11,200,000
German Development Bank (KfW)	222	Euro 14,092,974
Total	1605	\$ 66,871,604

1 Euro = \$1.43

Chart 8: Distribution of EMSRP II Allocated Fund Per Donor

Overall Distribution of EMSRP II Fund Per Donor



By the end of reporting period, the overall status of EMSRP II sub-projects is described as follows:

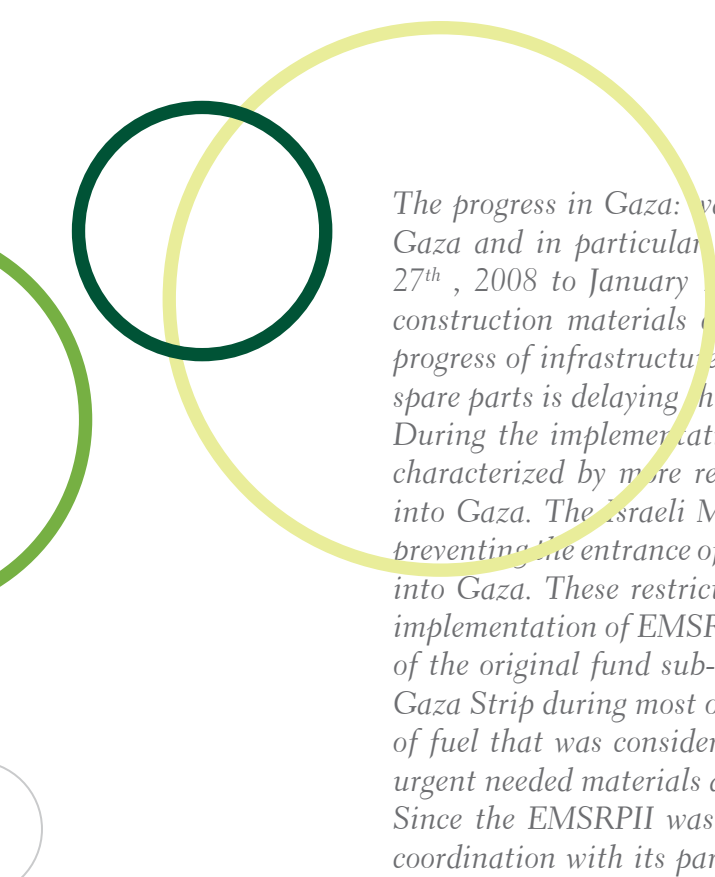
- 1548 sub-projects, totaling 92% of the overall number of sub-projects, were completed with an allocated amount of \$ 61,769,901.
- 46 sub-projects, totaling 6.57% of the overall number of projects, are under implementation with an allocated amount of \$ 4,391,773.
- One sub-project is in the award phase with an allocated amount \$ 100,765.
- 5 sub-projects are in the tendering phase with an allocated amount of \$ 320,285.
- 6 sub-projects are in the pre-tendering phase with an allocated amount \$ 288,880.

During the reporting period, it is obvious there is an effective progress in the implementation of sub-projects Where there is an increase in the percentages of (completed) sub-projects and a decrease in the percentages of (Pre-tendering, tendering, awarded and ongoing) subprojects amounting 12% of the total budget. All these figures are illustrated Table 6 .

Table 6: (EMSRP II – Comp.1) status over the time in terms of Allocated Fund (WB&G)

	January 1 st , 2010	June 30 th , 2011	Trend
Pre-tendering	6.83%	0.43%	Decrease
Tendering	2.56%	0.48%	Decrease
Awarded	0.00%	0.15%	Decrease
Ongoing	10.29%	6.57%	Decrease
Completed	80.32%	92.37%	Increase

Special notes about the implementation of EMSRP II in Gaza.



The progress in Gaza: was slower compared to the West Bank. The situation in Gaza and in particular after the recent Israeli military attack from December 27th , 2008 to January 18th , 2009 in addition to the chronic unavailability of construction materials caused by the Israeli blockade, have badly affected the progress of infrastructure sub-projects. Moreover, the shortage in fuel supply and spare parts is delaying the budgetary support sub-projects.

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

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

Labor-intensive Employment Generation:

The project's intended target was to create labor-intensive temporary employment sub-projects, identified and implemented by municipalities in coordination with locally-based community groups. This component was funded by the World Bank original Fund and completed by end of December 2009. There were 167,533 person-days of employment created, with the average person-day \$ 12.59. In addition, the indirect temporary employment of 3,304 person-day was created, with each person making an average of person-day \$ 5. Hence, the overall achieved employment created from this component is equal to 170,837 person-day, equivalent to 5,694 person-month, were created.

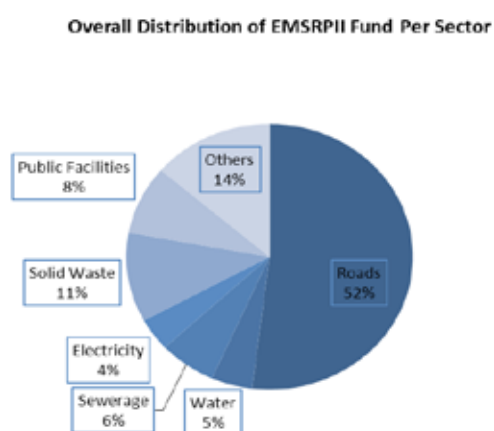
MDLF/ EMSRP II Innovation Component:

This component is the third component of the EMSRP II which was divided into two sub-components: a) Piloting pre-paid metering systems at municipalities; b) Piloting Local Government-NGO collaboration for emergency and other joint programming purposes. All activities under this component were closed by January 2010. Given that, the pre-paid metering pilot was replaced in early 2008 by a parking meter pilot in the Ramallah/Al Bireh municipalities because it

was overtaken by a wider public policy initiative to introduce prepaid electricity metering throughout WBG

Regarding the distribution of EMSRPPII (all components) fund per sector, it was distributed among the eligible sectors as follows: 52% of the fund was invested in road sub-projects, 11% were invested in solid waste, 8% were invested in public facilities, and 14% invested in a variety of sectors. Chart 9 illustrates the distribution of EMSRPPII funds in West Bank and Gaza Strip per sector:

Chart 9: Distribution of EMSRPPII Fund Per Sector



2.4 EMSRPPII Progress Per Donor

2.4.1: Sida (Original & Additional) Fund / EMSRPPII

In 2008 the Swedish International Development Cooperation Agency (Sida) contributed with a grant of an amount of 35 million Swedish Kronor (SEK), which is equivalent to approximately US\$ 5.4 million. The administration agreement between the World Bank and Sida was signed on March 14th, 2008. Subsequently; the grant agreement between the Bank and the MDLF was signed on December 29th, 2008. The original agreement of Sida fund was amended in October 2009, for additional financing amount of US\$ 3 million as an additional contribution to the EMSRPPII through a co-financing agreement with the World Bank.

As agreed with Sida the funding is not earmarked and can cover any of the EMSRPPII components. However, the MDLF and Sida decided to allocate the fund to Gaza municipalities.

The MDLF had approved 386 municipal sub-projects for the sum of \$ 8,118,079 to be invested in the eligible sectors as per the EMSRPPII technical annex. The

implementation of sub-projects started in November 2008 and was completed by end of June 2011.

Note: for more details about the Sida fund please refer to annex B.

2.4.2: Kfw Fund / EMSRP II - Poverty-Oriented Infrastructure Municipal Finance

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

The grant agreement was signed on September 15th, 2008. The MDLF informed the municipalities about their allocations and started receiving sub-projects applications. The list of sub-projects and MDLF operational manual were approved by KFW.

The implementation of 94 approved sub-projects in the West Bank had started in early 2009. The MDLF started the application and appraisal process for Gaza Municipalities’ sub-projects by the end of 2009 in consultation with Gaza municipalities. The list of sub-projects for Gaza municipalities was approved by the KFW on March 17th, 2010, where the total number of sub-projects in Gaza is 116 (which was reduced to 112 due to cancelation and consolidation of 4 sub-projects).

It is worth mentioning that KFW decided to distribute the remaining fund of Euro 1,640,094 among municipalities in the West Bank by using the MDLF transfer mechanism under the MDP pooling, in accordance with EMSRP II rules and regulations. The remaining amount was distributed among 16 sub-projects and 12 municipalities.

West Bank Status: By end of the reporting period, all 94 Kfw original sub-projects have been completed with an allocated budget of Euro 7,492,644 Euros. Chart 10 shows the status of the original Kfw subprojects in the West Bank.

Regarding the residual funds sub-projects, 13 sub-projects out of 16 in the West Bank were completed with a total budget of Euro 1,207,262 - amounting to 74%, while there are 3 sub-projects ongoing with a budget of Euro 432,832 – amounting to 26% of the overall budget. Chart 11 shows the status of the KFW residual fund sub-projects.

Gaza Status: Regarding Gaza sub-projects, 85 sub-projects out of 112 were completed with a budget of Euro 2,977,515 - amounting to 60%, while 24 sub-projects are under implementation with a total budget of Euro 1,778,747 – amounting to 36% of the overall budget. The other 3 sub-projects are in the award

Chart 10: Status of Kfw Projects / WB

Status of KFW Projects in Terms of Projects Allocation - West Bank Governorates

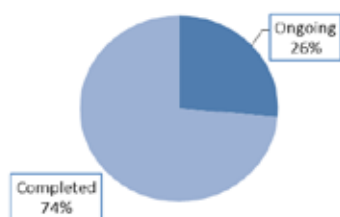


Chart 11: Status of Kfw residual Fund / WB

Status of KFW Projects in Terms of Projects Allocation - West Bank Governorates

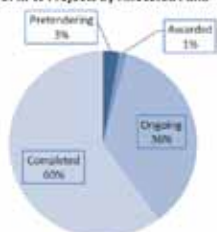


and pre-tendering phase with total budget of Euro 203,974 – the equivalent of 4% of the budget.

Chart 12 shows the status of KFW subprojects in the Gaza.

Chart12: Status of KfW Projects / Gaza

Status of KFW Projects by Allocated Fund - (Gaza Governorates)



Another activity under the KFW financing agreement is the updating of the MDLF Technical Manual. Where the objectives of this assignment include (i) further development of the technical manual and procedures, (ii) the upgrade of business processes and work-flow of the MDLF according to the developed/upgraded manual, and (iii) related training of MDLF staff. A final Technical Manual was completed during the month of April 2010. The KFW gave No Objection on the manual on June 1st, 2010 and other financing partners gave No Objection on various other dates.

Note: for more details about the Kfw fund please refer to annex B.

2.4.3 : World Bank – (EMSRPII Additional Financing)

The PNA requested additional financing from international partners for the EMSRPII, based on the Gaza early recovery and reconstruction plan and the Gaza



municipal sector assessment conducted by the MDLF. The World Bank allocated \$ 3 million, and the agreement with the World Bank was signed in July 2009. The MDLF allocated the fund to Gaza municipalities and started implementation in August 2009.

It should be noted that the additional financing (AF) for Gaza municipalities was designed to support incremental operating costs to help municipalities in maintaining the basic municipal services from deteriorating. This was due to the current constraints resulting from Israeli's policy restricting access as any construction of new works would be subjected to delays, where the access restrictions limit the availability of supplies and construction materials and equipment.

The MDLF had approved 109 municipal sub-projects for \$ 2,790,000 to be invested in the eligible sectors. More than 30.6% of the allocated fund covered emergency needs in labor insurance, vehicles insurance, stationary and other expenses. The implementation of sub-projects started in August 2009 and was completed by end of June 2011.

Note: for more details about the WB fund please refer to annex B.

2.4.4: Danish Fund - (EMSRPII-Additional Financing)

The Danish trust fund agreement between the PLO and IDA was signed on 10 June 10th, 2010 for the sum of \$ 5,218,068 out of which \$ 4,852,804 is allocated to the municipalities. The fund was distributed among 176 sub-projects covering all 25 municipalities in the Gaza Strip.

The MDLF started the project implementation since August 2010, and the status of the sub-projects is described as follows:

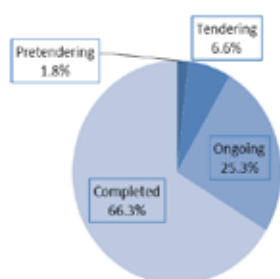
- 148 sub-projects were completed with the sum of \$3,217,030 amounting to 66% of the total budget.*
- 19 sub-projects are being implemented for the sum of \$1,226,636 amounting to 25.3% of the total budget.*
- 5 sub-projects are in the tendering phase for the sum of \$321,081 amounting to 6.6% of the total budget.*
- 4 sub-projects are in the pre-tendering phase for the sum of \$88,058 amounting to 1.8% of the total budget.*

The following chart 13 illustrates the status of the Danish fund under EMSRP II during the reporting period in the West Bank and Gaza:

Note: for more details about the Danish fund please refer to annex B.

Chart 13: Status of Danish Fund / EMSRP II

Status of Danish (AF) Projects by Allocated Fund
- (Gaza Governorates)



2.4.5 Municipal Development Project (MDP1/AFD)

The Municipal Development Project (MDP) aims at providing financial support to the selected Local Government Units (LGUs) and improving municipal services delivery to the population. The project, funded by the French Development Agency (AFD), and was designed under the EMSRP II to help the 16 larger cities of the West Bank and Gaza Strip Governorates, while excluding Jerusalem. The beneficiary cities constitute more than 45% of the overall population and 78% of the urban population. In addition, the MDLF selected 5 Joint Service Councils for Planning and Development or Joint Municipalities, where the project could finance infrastructure, with the aim of supporting the Palestinian Authority's efforts to reduce the overall number of LGUs in the West Bank and Gaza. However, due to the fact that Project implementation in the Gaza Strip became impossible because of the blockade of all imports by the Israeli authorities, the MDLF with the approval of AFD reallocated the budget of Gaza municipalities to main West Bank municipalities. The AFD has expressed its commitment to provide additional support to Gaza municipalities once the conditions in Gaza allow for implementation.

The Project objectives include:

- Improving the economic and daily conditions in the Palestinian municipalities through the maintenance, rehabilitation, and in some cases the creation of basic municipal infrastructure.
- Stimulating the local economy via mobilization of local contractors who will create jobs and generate additional income.
- Reinforcing the link between the newly-created Municipal Development and Lending Fund and the municipalities.

The total amount of the MDP/AFD fund is Euro 12,000,000, where Euro 11,200,000 had been distributed among the 11 main municipalities in the West Bank and 6 Joint Services Councils as shown in table 7. The Fund was divided among the selected municipalities according to their respective population, with a minimum allocation of Euro 400,000 per LGU to ensure that the available budget per LGU is above a critical minimum threshold for impact and visibility. The Joint Service Councils or joint municipalities were allocated Euro 320,000 each. Most of the AFD fund, amounting to approximately 69% was invested in roads projects in a manner similar to the World Bank and Dutch funds under the EMSRP II project. This intervention covers the dire need for new roads and to maintain existing networks. The second needed sector is public facilities, which covers 17% of the amount and includes municipal buildings, libraries, community centers and public parks.

By end of the reporting period, all the 58 sub-projects for municipalities and JSCs with an allocated budget of Euro 11,200,000 were completed.

Table 7: MDP/AFD Fund Per Municipality

Municipality	Allocation (Euro)
Tulkarm	880,278
Salfit	509,576
Tubas	567,545
Qalqilia	805,969
Nablus	1,567,902
Jenin	731,772
Jericho	599,575
Hebron	1,847,858
Bethlehem	679,036
Al-Bireh	768,544
Ramallah	641,944
Joint Services Councils (JSCs)	1,600,000
Total	11,200,000

The MDLF agreed with the AFD to extend the closing date of the agreement until December 31st, 2011 to allow for conducting the project ex-post evaluation and produce the information outreach material and documentary.

Note that the Ex-post evaluation of the Municipal Development Project (MDP1) began in May 2010, where the purpose of this evaluation is to produce an independent opinion on the Municipal Development Project (MDP1) through an international consultancy firm joint-ventured with a local consultancy firm. The results of the evaluation were presented and discussed in a workshop organized by the MDLF and the AFD. In addition, the MDLF contracted a media company so it will develop the promotional documentary about the MDP1 and the MDLF. The assignment is expected to be completed by end of December 2011.

Note: for more details about the AFD fund please refer to annex B.

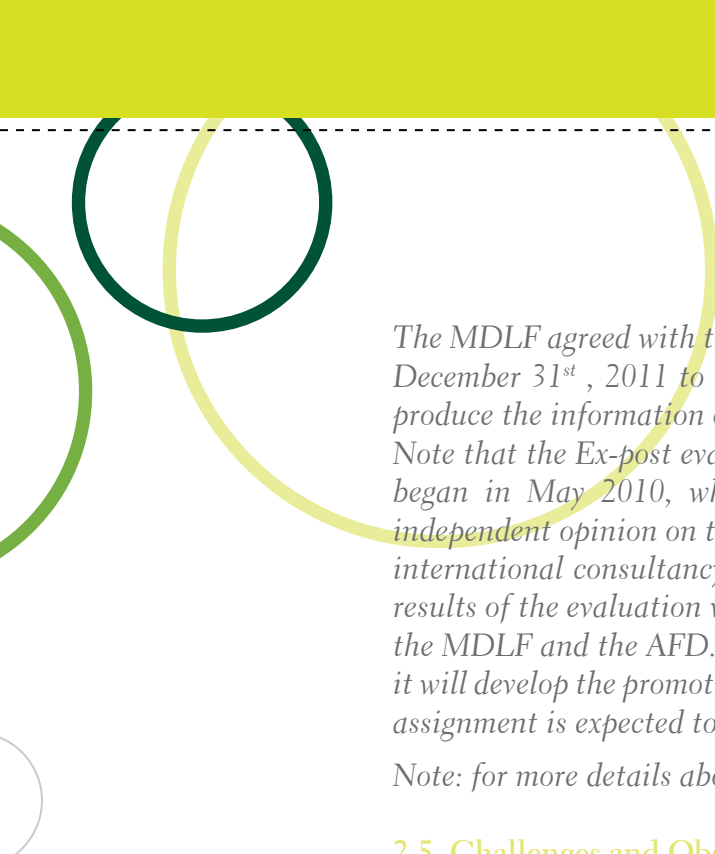
2.5 Challenges and Obstacles

During the reporting period, and throughout the project life, some challenges and obstacles have occurred. MDLF fortunately overcame them and learned a lot of lessons to be considered in the future. Some of these challenges and obstacles included:

- The continuous closure imposed by the Israelis on Gaza since four years still represent was the key factor on shaping the overall picture. More specifically, the lack of items in the Gaza market needed for municipal activities leads to considerable difficulties in meeting the deadlines of implementing different funded sub-projects.
- As a result of the closure, the environment under which the municipal sector conducting activities is considered highly changeable, this leads to hinder the capacity of municipalities and MDLF to draw clear and strong plans for the implementation.
- The implementation of some projects had started late due to the delay in getting the needed permits from the Israeli part. Furthermore, some of the municipalities prepared the needed designs and drawings late.
- Other challenge is the dollar devaluation, prices instability, and the Palestinian contractors strike that had a significant impact on the project implementation.
- Another major challenge is the capacity of municipalities and LTCS related to procurement procedures, preparations of bidding documents and procurement plans.

2.6 EMSRP II Mission

During the reporting period, from May 16th - 26th, 2011, Ms Verena Pfeiffer (Financial expert) participated as a Consultant to KfW in the joint Mid-Term Review of the Municipal Development Programme (MDP), and held in parallel



The MDLF agreed with the AFD to extend the closing date of the agreement until December 31st , 2011 to allow for conducting the project ex-post evaluation and produce the information outreach material and documentary.

Note that the Ex-post evaluation of the Municipal Development Project (MDP1) began in May 2010, where the purpose of this evaluation is to produce an independent opinion on the Municipal Development Project (MDP1) through an international consultancy firm joint-ventured with a local consultancy firm. The results of the evaluation were presented and discussed in a workshop organized by the MDLF and the AFD. In addition, the MDLF contracted a media company so it will develop the promotional documentary about the MDP1 and the MDLF. The assignment is expected to be completed by end of December 2011.

Note: for more details about the AFD fund please refer to annex B.

2.5 Challenges and Obstacles

During the reporting period, and throughout the project life, some challenges and obstacles have occurred. MDLF fortunately overcame them and learned a lot of lessons to be considered in the future. Some of these challenges and obstacles included:

- The continuous closure imposed by the Israelis on Gaza since four years still represent was the key factor on shaping the overall picture. More specifically, the lack of items in the Gaza market needed for municipal activities leads to considerable difficulties in meeting the deadlines of implementing different funded sub-projects.*
- As a result of the closure, the environment under which the municipal sector conducting activities is considered highly changeable, this leads to hinder the capacity of municipalities and MDLF to draw clear and strong plans for the implementation.*
- The implementation of some projects had started late due to the delay in getting the needed permits from the Israeli part. Furthermore, some of the municipalities prepared the needed designs and drawings late.*
- Other challenge is the dollar devaluation, prices instability, and the Palestinian contractors strike that had a significant impact on the project implementation.*
- Another major challenge is the capacity of municipalities and LTCS related to procurement procedures, preparations of bidding documents and procurement plans.*

2.6 EMSRPII Mission

During the reporting period, from May 16th - 26th , 2011 , Ms Verena Pfeiffer (Financial expert) participated as a Consultant to KfW in the joint Mid-Term Review of the Municipal Development Programme (MDP) , and held in parallel

PRDP: Increase national prosperity, and enhance quality of life

Sector Related Objectives:

- *Strengthening capacities and financing the delivery of basic services to the poor – through the development of efficient and transparent institutions in five Palestinian “institutional domains” – the PA ministries, the municipalities, the universities, NGOs and private sector representative bodies.*

Sector Level Indicator

- *Instituting a Rules-based System for Intergovernmental Fiscal Transfers: Emergency Assistance Grants are provided to municipalities in accordance with a transparent, fair, and predictable transfer system.*

Achievements / Works Being Done

- *A new grants allocation formula was built in 2009, the formula is being used by MDLF for distribution the funds to municipalities for capital investments based on needs, population and performance. The formula was approved by the Board of Directors and got the satisfaction from all financing partners.*
- *Public Disclosure of Municipal Budgets: 90% of all 132 eligible municipalities are submitting 2007, 2008, 2009 executed and planned budget reports to Ministry of Local Government conforming to the reporting formats adopted for municipalities (The Danish-financed, Bank-administered Local Government Capacity Building Project is producing a unified municipal Chart of Accounts and standardized budget reporting formats as an input to achievement of this indicator.)*
- *According to the MOLG records, all the municipalities sent their budgets to MOLG for approval using the unified budget format which was designed under the financial component of the LGCBP. Regarding the disclosure of the budgets, MDLF and through the outreach and communication with the municipalities, is encouraging the municipalities to disclose their budgets to their citizens.*
- *Equalization Effect: Municipalities in Governorates with higher levels of unemployment receive proportionately greater allocations for employment generation activities.*
- *The allocations for the 2nd component of the EMSRP II was distributed among municipalities based on the unemployment index from the PCBS. Given that the index was at the governorate level. So, the municipal unemployment index was calculated based on the municipalities relative population.*

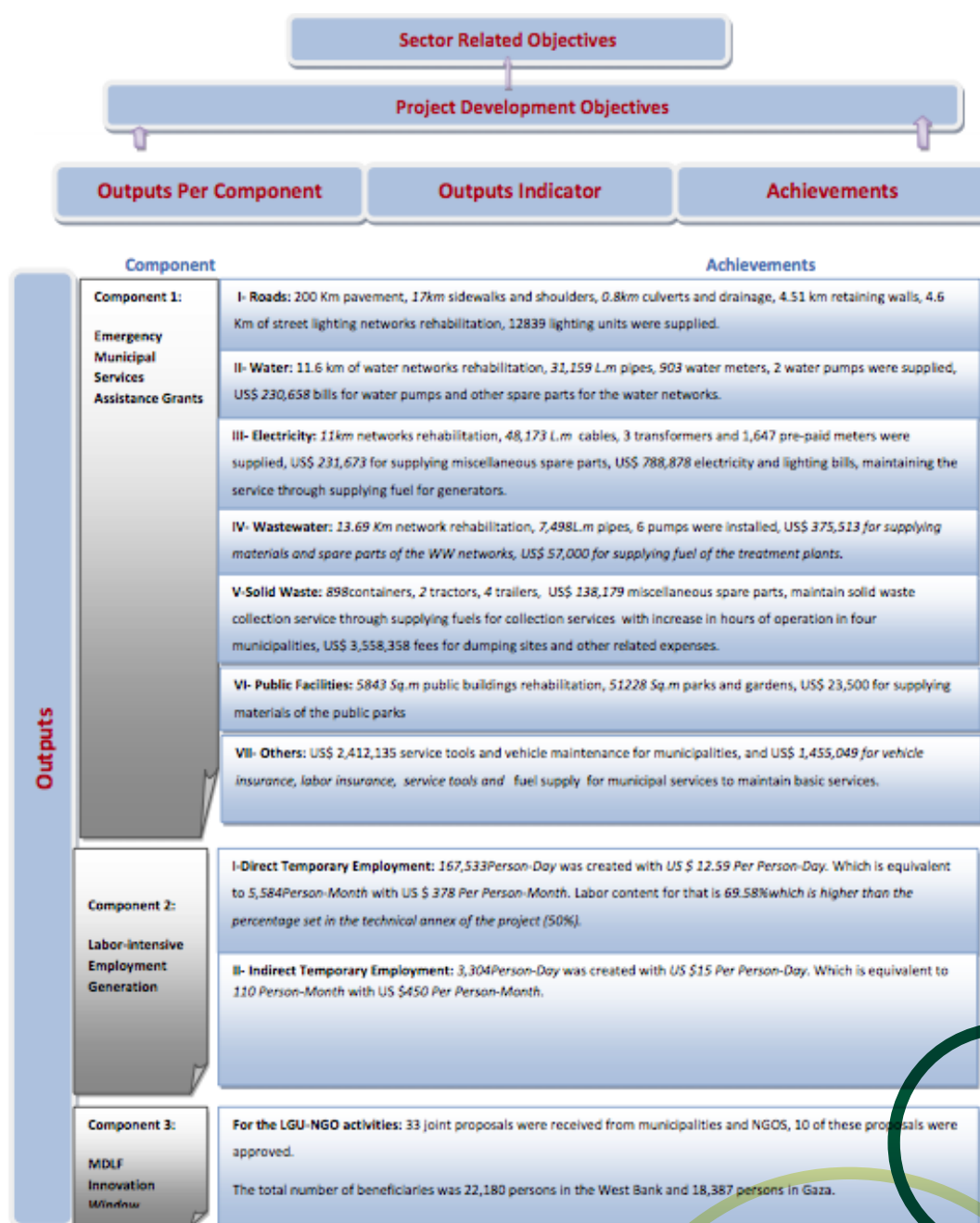
Development Objectives

Help mitigate further deterioration in the delivery of essential municipal services, including solid waste collection, street lighting, provision of water, wastewater and electricity (where such services are provided by municipalities), and street cleaning, among other services, through rehabilitation of damaged or deteriorating infrastructure and the provision of non-wage budgetary support for direct service cost input.

Outcome Achievement

About 81% of interviewed beneficiaries were satisfied and very satisfied with the services provided by the projects versus a targeted minimum 70%, as measured through the beneficiary assessment completed in September 2009

- *Create temporary job opportunities at the local level through labor intensive employment generation schemes, proportionally allocated on the basis of MDLF unemployment index;*
- *About 82.3% beneficiaries reported satisfied and very satisfied with this component versus a targeted minimum of 70%.*
- *The satisfaction was based on fairness in the selection of workers. People employed were out of work, and considered that such programs are much needed and more of the same should be continued in future programs. People who expressed dissatisfaction indicated that the employment was too short.*
- *Pilot innovative initiatives that foster Local Government-NGO collaboration in response to urgent community needs and assist municipalities in recovering costs for the provision of services.*
- *The beneficiary assessment completed in September 2009 reported that 100% of NGOs surveyed were satisfied and very satisfied, which exceeds by 30% the target of at least 70%.*
- *Municipal staff interview expressed 85.7% satisfaction and 97.9% of citizens interviewed were satisfied and very satisfied with the program. Satisfaction was measured in terms of relevance of the project to the community needs, and citizens expressed satisfaction with the project services rendered or to be rendered. People who expressed some dissatisfaction indicated that NGO-LGU relationship could be improved.*





3. Local Government Capacity Building Project (LGCBP)

The Palestine Liberation Organization has received a grant from the Kingdom of Denmark, for the benefit of the Palestinian National Authority, acting through the Danish International Development Assistance and the International Development Association (IDA). This project supports the on-going efforts of the Palestinian National Authority (PNA) to reform the local government system in the West Bank and Gaza (WBG) which is a core part of the wider overall public sector reform program being undertaken by the PNA with the support of the donor community. The Agreement for the project was signed in March 2005 and was extended till June 2012.

3.1 LGCBP Description

The overall objective of the program is to improve local governance and accountability thereby fosters an efficient and sustainable economic, social and physical development of the urban and rural areas in West Bank and Gaza. The Project is composed of the following three components:

- **Component 1: Financial Management and Accounting Systems Reform:**
The main objective is to improve the accounting, financial management and budgetary control capabilities of MOLG and LGUs through a unified financial and accounting system for LGUs.
- **Component 2: Physical Planning and Management Systems Reform:**
The main objective is to strengthen the capacity of MoLG and the LGUs in WBG in order to effectively guide, manage and monitor the development of urban areas and to be responsive for the needs of citizens.
- **Component 3: Institutional Development (MOLG/MDLF):**
The main objective is to increase the capacity of the MOLG and the MDLF in order to manage a decentralized local government system.

3.2 Financial Partners Contributions

The grant received from the Kingdom of Denmark is DKK 60 million (equivalent to around US\$10 million) and is administered through the World Bank and implemented by the MDLF.

3.3 Activities & Accomplishments

- Component 1: Financial Management and Accounting Systems Reform

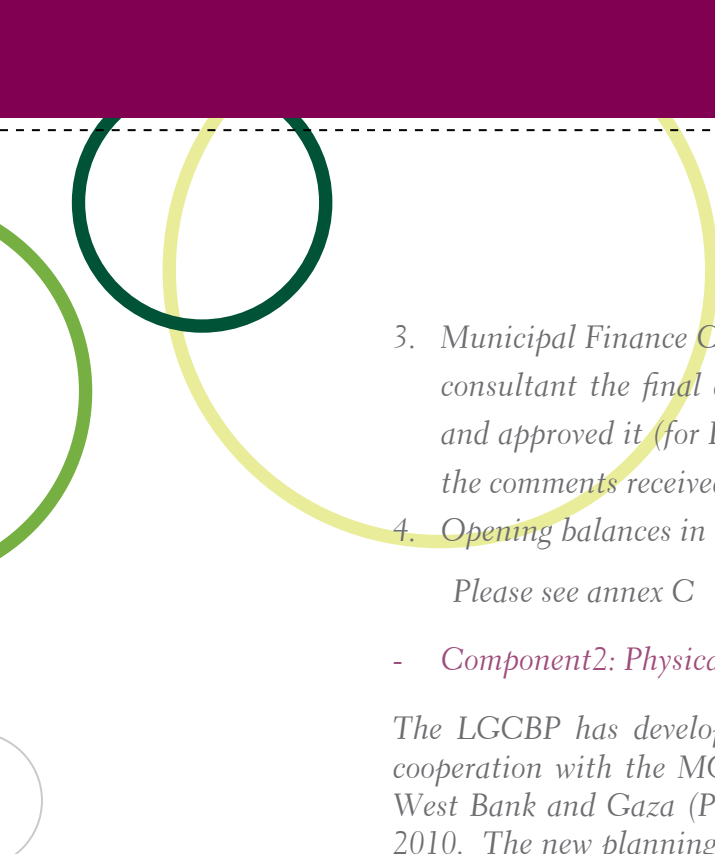
The LGCBP has so far laid the foundations for improved municipal financial practices through the design of an Integrated Financial Management Information System. The system is based on three main concepts: Fund Accounting, a Modified Accrual Bases, and unified financial reporting system. The Integrated Financial Management Information System IFMIS comprises of financial and accounting general policy note, coded unified chart of account, unified budget format, Financial Policies and Procedure Manual (FPPM), fixed assets registration and valuation methodology, manual for assessing the financial departments at the municipalities and a computerized system that facilitates the implementation of the aforementioned elements. A mission for the World Bank in early 2010 including one of the renowned international accounting expert has the concept and structure of the IFMIS as an international best practice exceeding municipal financial management practices in the region. The implementation of the IFMIS was planned to take

place in two phases:

- A pilot phase including 5 pilot municipalities in the West Bank which are Nablus, Qalqilya, Birzeit, Dura and Beit Ummar.
- A roll out phase to take place at 3 municipalities in Gaza Strip (Rafah, Dir Al Balah and Al Maghazy) and 26 municipalities in the West Bank (Hebron, Bethlehem, Beit Sahour, Yatta, Al Sammou', BaniNaim, Surif, Tafuh, Jenin, Ya'abad, Qabatya, Tulkarm, Anabta, Jaba', Kufr Ra'ie, Al Yamoun, Baita, Qabalan, Jericho, Silwad, Deir Dibwan, East Bani Zaid, Qatanna, Bidya, Biddo and Al-zaytona.

Progress and achievements of component one during the reporting period:

1. Design and implementation of the IFMIS software in large, medium and small municipalities: An extension contract was signed and approved by the World Bank, between the MDLF and Free Balance co. (the company who are implementing the system) to include the oracle database licenses and PSM for one year in order for Free Balance Company.
2. Supply of computers and hardware for Gaza Strip pilot municipalities: The MDLF supplied the Pilot Municipalities with the required Hardware in order to Implement the IFMIS (FreeBalance System).

- 
3. *Municipal Finance Consultant: The MDLF received from the hired financial consultant the final draft of the Financial Policies and Procedures Manual and approved it (for Large, and Medium and Small Municipalities) based on the comments received from the concerned municipalities.*
 4. *Opening balances in the rollout municipalities.*

Please see annex C

- Component2: Physical Planning and Management System Reform

The LGCBP has developed a new approach and methodology in planning in cooperation with the MOLG. Where a new Physical Planning Manual in the West Bank and Gaza (PPM) was developed and approved by MOLG by end of 2010. The new planning approach is being tested in pilot clusters before official finalization and adaptation from the government.

The overall objective of the Physical Planning Manual is to contribute to a well balanced and sustainable development process in the West Bank and Gaza through improved physical planning practices and procedures.

MDLF is currently piloting the manual in four community clusters Al Kafriyat (Al Ras, Kherbet Jbara, Kafr Zibad, Kafr Sur, Kafr Jamal, Kafr Abush, Kur) ,Qabatya (Qabatya, Misilya, Talfit, Al Shuhada, Kherbet Sab'in, Kherbet Tin, Al Zababdeh) Al Elzariyeh (Al-Eizariyeh, Abu Dis, As-Sawahreh, Al Zuainm, Ash-Sheikh Sa'd) cluster. Another cluster combining the physical planning assignment with the strategic development planning assignment is Al-Ittihad cluster (Deir Ammar, Jamala, Beithillo).

The purpose of the latest assignment is to pilot the implementation of the two manuals simultaneously and study the interactions between the two activities. This will be a learning process that will be reflected in the planning approach to be adopted by MOLG.

The progress of piloting the manual within the reporting period is described as follows:

1. (Al-Elzariyeh) and (Al Kafriyat) Clusters

- The contracts to conduct the physical planning projects in both clusters were signed with consulting firms on Jan. 25th , 2011, where the first meeting was conducted. In this meeting an overview about the joint planning was presented and the role of the local technical team was clarified.*
- The Local technical teams were formulated in both clusters and the agreements*

between the LGUs comprising the two clusters were signed.

- *The consulting firms had submitted the inception reports , where MDLF team, reviewed, commented and discussed the comments with the firms regarding the two clusters.*
- *The consulting firms had conducted field visits to the targeted clusters to discuss and elaborate the scope of work and collect data, taking into consideration the feedback from the local technical team concerning the planning framework.*
- *The assignment is expected to be completed by end of December 2011.*

2. Al- Ittihad Municipality Cluster

- *The contract to conduct the physical planning projects in Al Ittihad municipality was signed with a consulting firm on Jan. 25th ,2011.*
- *The Local technical team was formulated in the targeted cluster , where the agreement between the LGUs comprising the cluster was signed, and the SDIP committees were formulated.*
- *The consulting firm had submitted the inception report, where MDLF team , reviewed, commented and discussed the comments with the firm.*
- *The consulting firm had conducted field visits to the targeted cluster to discuss and elaborate the scope of work and collect data, taking into consideration the feedback from the local technical team concerning the planning framework.*
- *The SDIP orientation workshop was conducted at Al-Ittihad municipality and the first public meeting was conducted.*
- *The assignment is expected to be completed by end of December 2011.*

3. Qabatya Cluster

- *The (Expression of Interests) EOIs for developing physical plan for Qabatya cluster was re advertised due to the withdrawal of Amman Institute. Where the Invitation letter of the (Request for Proposal) RFP was sent to the shortlisted firms.*
- *The contract to conduct the physical planning projects in this cluster was not yet signed and expected to start next August 2011.*
- *Regarding the Aerial photography at a pilot municipalities and JSCs, the aerial photography tender document was prepared, advertised and the offers were evaluated. The contract with the consulting firm was signed on June 30th, 2011 where the assignment is expected to be completed on October 30th, 2011.*

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

Regarding the Project and Grand Management Information System PGMIS: during the reporting period, MDLF continued following up the provider of the software to finish all the installations, customization, and training on the new system. Where the software is being tested and will be fully operated on a test base for MDP-cycle 2.

Regarding the Junior IT officer: during the reporting period, MDLF kept the momentum to hire the Junior IT officer to work within the Ministry of Local Government (MOLG) to provide the technical support for the Integrated Financial Management Information System (IFMIS). Noting that, the required technical support will be through (phone assistant, remote desktop connection and onsite support). Yet, MoLG asked to seek for other options to support the municipalities regarding the IFMIS, which is still under discussion.

3.4 Challenges and Obstacles

General challenges faced the LGCBP

- *The general conditions under which the overall LGCBP has operated has changed dramatically between the period of conceptualization in 2004 and today, the political stand-still after the 2006 elections marking the most difficult period, in which no technical assistance to the MoLG, or municipalities could be provided due to the political situation. This resulted in delaying the implementation of key activities (e.g. Integrated Financial Management Information System, physical planning reform activities, etc) from 2006 until end of 2007.*
- *The nature of the LGCBP project and its objectives-as a reform initiative-that will dramatically impact the local government sector in Palestine including MoLG and LGUs, requires willingness and readiness to accept the proposed changes in existing management and systems related.*
- *Another major challenge that LGCBP project has faced is the large number of consultants that need to be managed by the MDLF.*

Challenges faced the Comp.1 implementation

- *There were technical problems with Free Balance Co. software especially in generating reports which took time to solve and delayed the implementation.*
- *Some of the pilot municipalities had incomplete financial data, which resulted in delays in implementing the Revenue Management Information System modules there.*
- *Low capacity and lack of sufficient staff at some municipalities*
- *Limited user acceptance to the new system since its more complex than*

their old systems.

- The change management process at the municipalities takes time.

- *Challenges faced comp.2 implementation*

- Tribal dispute in Abu Deis an Al Sawhreh areas occurred and caused delays in conducting the first public meeting.
- Internal issues at Al-Karfriyat municipality postponed conducting the first public meeting at Al- Kafriyat
- Limited capacities at the municipalities in integrated planning.
- The implementation of the new approach (especially for preparing the spatial development framework) requires cooperation and joint work between the LGUs in the cluster which takes time.
- New approach in planning that was not previously implemented before by the consulting firms.

3.5 LGCBP Supervision missions

A supervision mission for the Local Government Capacity-Building Project (LGCBP) took place between March 22nd and March 31st, 2011. The main objectives of the mission were to review the implementation progress that had been made since the previous supervision mission. In particular, it aimed to review various aspects of the Integrated Financial Management Information System (IFMIS) in view of the implementation delays encountered during the past year. The mission also aimed to review progress under the physical planning and management system component (Component 2) and the component focusing on institutional development of the MOLG (Component 3). Since the project's closing was extended for 1½ years, the mission also aimed to review the current action plan to ensure completion of all remaining activities by June 30th, 2012 (the revised closing date). Further, the mission aimed to identify any bottlenecks in project implementation and to devise strategies and provide recommendations to effectively address them.

The mission rated that the project achievements under Component 2 was excellent and the achievements under component 3 and 1 are satisfactory and the progress has been made towards meeting the Projects Development Objectives (PDOs).

The mission made the following recommendations for component One:

- Resolve dispute with Free Balance Co. and sign contract amendment ASAP. Move the coaching activity to a separate contract amendment in order to focus on the technical issues in the first amendment.
- MDLF should hire a full-time project manager who would oversee the Free Balance Co. contract and system implementation.
- Upgrade the Local Free Balance staff with international Free Balance consultant on short-term basis to provide the necessary skills required to

successfully implement the Free Balance software.

- *Ask Free Balance to submit a revised implementation plan to meet the June, 2012.*
- *MOLG needs to establish a committee to take responsibility for the new IFMIS as well as establish the help desk. This needs to be done some so that the contractor can start knowledge transfer to the government's staff.*

3.6 LGCBP Key Achievements

Following is the LGCBP key achievements against the intended objectives according to the revised key performance indicators agreed with the FPs in the mission of April 2010.

Objective	Outcome Indicator	Achievements / Works being Done
<i>Development Objective:</i> To improve local governance and foster the efficient and sustainable economic, social and physical development of the urban and rural areas in WBG	<i>Indicator 1:</i> Reform in financial and accounting systems for LGUs put in place by the end of Project.	For the first time in WBG, the project succeeded in paving the road for reforming the budgeting and financial planning procedures in the municipalities; Municipalities are preparing their annual budgets according to a UCA, and unified budgeting formats. A draft financial policy and procedures manual was developed and in place in the pilot municipalities. Fixed Assets Registration and Valuation (FARV) methodology was developed and piloted in 43 municipalities.
	<i>Indicator 2:</i> Reform in physical planning procedures for LGUs put in place, by end of Project;	A new physical planning approach and methodology was developed in collaboration with MoLG. The new PPPPM was positively received by the ministry and other stakeholders. The new planning approach is being tested in pilot clusters before official finalization and adaptation from the government.
	<i>Indicator 3:</i> Indication of increasing public participation in the LGU decision making process;	Increased awareness of the importance of citizens involvement in the LGUs decision is becoming more noticeable; the MoLG, MDLF, and other stakeholders in the sector have endorsed a set of policies and procedures that promote active public participation including the newly developed SDIP policy and manual, citizen participation manual of MDLF, citizen participation of MoLG (under development), and other related documents an initiatives. Moreover, MDLF and other donors in the sector are enforcing the involvement of the citizens through requiring the infrastructure projects to be identified through proper citizen participation.

<i>Component 1: Financial Management and Accounting Systems Reform</i> <i>Objective (SO 1) : Improve the accounting, financial management and budgetary control capabilities of MOLG and of the LGU's</i>	<i>Achievement of SO1:</i> The piloting of the new Integrated Financial Management Information System is in the final stages. Different Modules of the software have been installed and tested. The MDLF had finalized the amendment of the contract to roll out the software to 29 municipalities (in addition to the 5 pilots)
<i>Output 1.1 (MOLG): New MOF-mandated computerized governmental financial and management accounting system for MOLG (including software, hardware, documentation and training, and based on system design prepared by separate MOLG/MOF consultants) reviewed, refined and subsequently implemented.</i>	<i>Achievement of Outputs:</i> • Different modules of the Integrated Financial and Management Information System (IFMIS) were installed, piloted in 5 municipalities and will be rolled out in 29 municipalities in the West Bank and Gaza by the end of the project.
<i>Output 1.2 (LGUs): Computerized financial and management accounting system for the LGUs (including software, hardware, documentation and training, and based on a chart of accounts and budgeting framework separately prepared by UNDP consultants) developed, refined and subsequently implemented on a phased basis in a representative set of LGUs.</i>	• Development and approval of a Unified Chart of Accounts, Coding and Budgetary Formats in WBG by end of 2007. • Inventory, identification and grouping of existing computerized finance-related systems in municipalities carried out, by end of October 2007. • The Evaluation and detailed analysis of existing best-practice municipalities was carried out, by January 2008. • The draft FPPM was produced mid-2009 and piloted in 5 municipalities. Based on the comments received from the municipalities, the Final Manual will be delivered in April 2011. • The Implementation plan for new accounting and financial management system was developed and phased out in a representative set of municipalities (First phase is not yet completed and the second phase will be completed by end of December 2011).

Component 2: Physical Planning and Management Systems Reform Objective (SO2): Strengthen the capacity of MOLG and the LGUs in WBG to effectively guide, manage, and monitor the development of the urban areas and be responsive to the needs of citizens	Achievement of SO2: • The identification of the local urban planning practices and the identification of needed activities to achieve the objectives have been completed through a survey of the urban planning practices and needs in WBG in Feb-2008. • The Physical Planning Policies and Procedural Manual (PPPPM) has been developed and adopted by the MoLG as a new approach for physical planning in WBG. • Several Training sessions have been conducted including ToT on the PPM. • Piloting of the PPM is undergoing in selected clusters so to test the manual and enable MoLG to officially endorse it. • An amalgamation policy and an operational manual has been prepared and delivered in June 2009. By end of 2010, MoLG has announced the amalgamation of four clusters based on the developed manual.
Output 2.1 (MOLG and LGUs): The Physical Planning and Investment Programming capacity of MOLG and LGUs strengthened (including the capacity to develop guidelines for strategic planning, and for the programming, financing and management of key infrastructure and services). Also, implementation strategies, planning and programming guidelines, and action plans for LGUs prepared.	Achievement of Outputs: • The physical planning manual was developed and endorsed by the MOLG in the end of 2010. The manual is currently piloted in Three community clusters (Al-Kafriyyat, Al-Eizariyya and Al-Ittihad) and will be piloted the fourth cluster (Qabatya) in August-2011. • In November 2008 an Amalgamation Task Force (ATF) was formed and an outline for the amalgamation policy framework was developed and discussed with all stakeholders. • A policy and an operational manual has been prepared and delivered in June 2009. The decision on process, sequence and time line of amalgamation, however, is a political decision beyond control of MDLF. By end of 2010, MoLG has announced the amalgamation of four clusters based on the developed manual. • The physical planning manual is being piloted in three clusters, and will be piloted in the fourth cluster (Qabatya) in April-2011. Given that, the SDIP will be piloted in parallel with the physical planning manual in one cluster (Al-Ittihad). Hence, it is expected to have 4 physical plans by the end of 2011.
Output 2.2 (DJC and JSCs): The Physical Planning and Investment Programming capacity of MOLG's Department of Joint Councils (DJC) in Bethlehem and JSCs strengthened (including the capacity to further develop: the framework, strategy and program for consolidating small and economically unviable LGUs into efficient and sustainable Joint Service Councils (JSCs), guidelines for strategic planning, and guidelines for the programming, financing and management of key infrastructure and services). Also, implementation strategies, planning and programming guidelines, and action plans for the further consolidation and development of JSCs prepared.	
Output 2.3 (MOLG/DJ/LGUs/JSCs): Physical and Investment Plans and Programs (including strategic planning, investment programming, financing and management for key infrastructure and services) for a representative set of LGUs and JSCs implemented, and National system of JSC's rationalized and strengthened. (Includes software, hardware, documentation and training.)	

<i>Component 3: Institutional Development (MOLG)</i> <i>Objective (SO3): Increase the capacity of MOLG and MDLF to manage a decentralized local government system</i>	<i>Achievement of SO3:</i> - Enhance the capacity of more than 132 MOLG employees in computer applications and related office skills. - Equipment and furniture were purchased for the MOLG headquarter and district offices benefiting approximately 200 employees in addition to the provided training. - Improve the coordination between the MOLG departments of Gaza and West Bank through the setup and usage of video conference equipment - Enhance the skills of IT staff at MOLG in network management and IT support. One of the main goals was to enable the MOLG to implement and use their own email systems (i.e. info@molg.gov.ps) and activate their internal network. - Financial and Management courses training and English and communication skills courses have been conducted to municipalities, departments of the MOLG, and district offices.
<i>Output 3.1 (MOLG/PCU): Lead Capacity Building Consultant/Advisor (individual or a consulting firm), and urgently needed LGU budget advisor and (4-5) key budget staff for MOLG's Budget Department recruited.</i>	
<i>Output 3.2 (MOLG Departments): The overall MOLG organizational analysis, redesign and training needs assessment (separately prepared by UNDP consultants) reviewed, and further detailed review at Departmental level completed. Also, Departmental Capacity Building strategy and implementation action plan prepared (including improved MOLG Operational and Management Procedures, well equipped Departments, and the recruitment of additional key staff). Further, essential equipment, not exceeding 40 percent of total expected requirement, procured.</i>	<i>Achievements of Outputs</i> - The Capacity of more than 132 MoLG employees in computer applications and related office skills were enhanced. An evaluation test was conducted before and after the training, the test shows that the employee's skills in using the computerized programs have been improved by 35%. - Equipment's and furniture had been purchased for the MOLG headquarters and district offices benefiting approximately 200 employees as per the Organizational analysis, departmental needs assessment conducted in July-2007
<i>Output 3.3 (MOLG Departments): MOLG's Departmental Capacity Building strategy and action plan reviewed, refined and implemented, and key Departments strengthened. (Includes software, hardware, documentation and training, as well as improved MOLG Operational and Management Procedures).</i>	- The skills of IT staff at MoLG in network management and IT support were enhanced. One of the main goals was to enable the MoLG to implement and use their own email systems (i.e. info@molg.gov.ps) and activate their internal network. - Departmental needs assessment and implementation action plan were prepared by end of July 2007, based on the MOLG overall organizational analysis undertaken by UNDP.

	• The MDLF systems through the installation of a Project and Grant Information Management System (PGMIS) was developed that would integrate all needed Palestinian local government data. • English courses training: The MDLF has contracted the AMIDEAST to provide training to MDLF and MoLG staff on English language skills. The number of participants in this training will be nearly 100 employees from MoLG headquarters and district offices and twelve staff members from MDLF. • Recruitment of four junior accountants at Budgetary Department and Monitoring Department at MoLG
Component 4: Project Management and Operating Support	<i>Main Achievements</i> • The MDLF as an institution has been created from the PTS/PCU and currently in operation • The MDLF internal procedures, bylaws, and manuals have been developed and are in place. • The MDLF developed its Strategic Plan, and HR policies, and is currently finalizing its M&E systems, and PGMIS. • Training of MDLF staff in various topics including; procurement, and PMP.
Output 4.1 (EMSRP/PCU): Capacity Building Group established, alongside MOLG's existing EMSRP PCU and PTS; and LGCBP coordination, monitoring and reporting capacity developed. (Includes software, hardware, documentation and training.)	

4. Local Development Programme (LDP I & II)

1. Local Development Programme (LDP I & II)

The Palestinian local government system is in a development process that involves, increased decentralization, strengthened fiscal, organizational and management capacity, increased citizen participation, and improved efficiency and viability of service provision. And the new amalgamation policy adopted by MoLG serves these local governance concepts.

In January 2007, MDLF with Danish support implemented a pilot project to support local development in the northern West Bank, Jenin Governorate for a targeting the Joint Service Council for North East Jenin. This pilot project led to be as a pre-amalgamation phase for the area, and lessons learned were used to design a more thorough program of LDP.

4.1 LDP Description

The overall objective of the LDP program is to support service delivery at the level of local government by piloting amalgamation of two local government clusters consisting of existing local governance units. This will be achieved through institutional development of the local administrations and through implementation of joint infrastructure, social and cultural projects.



It is expected that an important output of the program will be a best practice model that can assist the Ministry of Local Government to promote amalgamation of small local councils into municipalities throughout the Palestinian territories.

The program is managed by the MDLF working through the Joint Service Council of North East Jenin (Area¹), and a joint committee of the LGUs in the (Area²) as shown in the map.

The implementation of LDP was planned to take place into two phases, where the programme activities fall under three main components:

1- Area 1 includes ten village councils comprising the Joint Service Council (JSC1) North East Jenin. The JSC1 is chaired by the council of Deir Abu Daif. The village councils are: Jalama, A'mana, DeirGhazzala, BeitQad North, BeitQad South, Arbuna, Khaba, Faqua'a, Jalbun, and Deir Abu Daif.

2- Area 2 includes Maythalon municipality, Siris, El-Jidedeh and Sir Village-Councils.

- *Institutional Development:*
This component focuses on the administration and management of the municipality and municipal councils.
- *Social and cultural projects:*
To improve the social and cultural facilities in the LDP areas on the basis of needs expressed by local communities through the LGUs, joint projects for the entire area were prioritized.
- *Joint infrastructure projects:*
To improve the infrastructure facilities in the two areas on the basis of needs expressed by local communities through the LGUs.



4.2 Financial Partners Contributions

The Government of Denmark provides a total grant of up to DKK 30 million (approx. USD 5.0 million) in two phases, the agreements for the two phases were signed in June 25th, 2008 and December 6th, 2009 respectively.

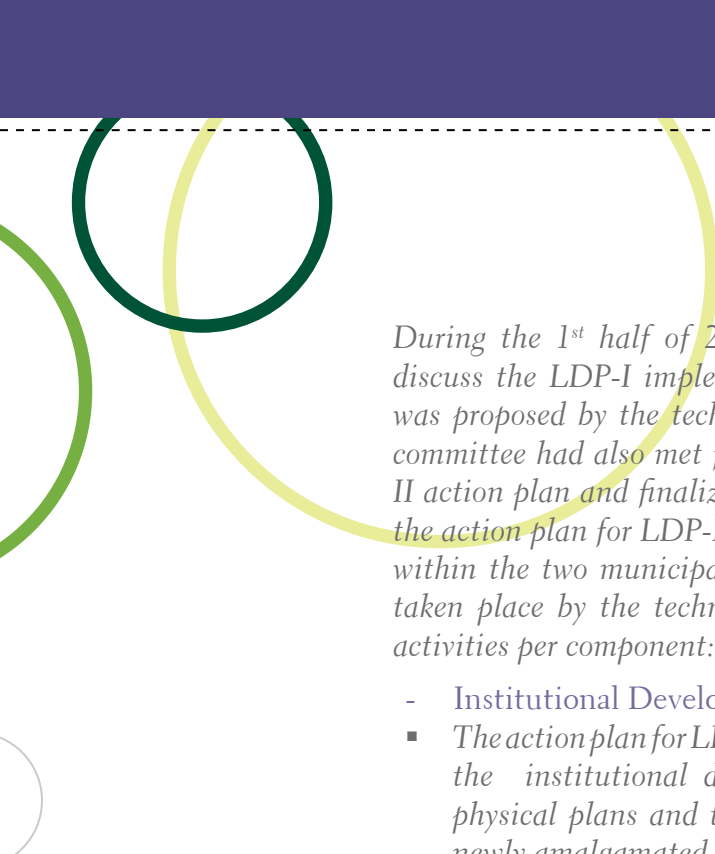
4.3 Activities & Accomplishments

During the pilot phase, an amalgamation strategy and operation manual were developed -under the (LGCBP- comp.2)- by the MoLG task force with assistance from a technical consultant funded by the Danish government and the guidelines have been approved by MoLG. The pilot phase is considered the base for implementing the LDP phases.



The first phase of the programme started early 2009 and was scheduled to finish by end of that year. Where the implementation was guided by a steering committee chaired by the MoLG on the policy level. It is worth to mention that the implementation of LDP-I was subjected to some delays, in particular the implementation of social and cultural sub-projects, along with infrastructure activities. Consequently, the agreement of LDP-I was amended to March 31st, 2011 while the LDP-II was amended until Dec. 31st, 2011.

Most importantly, 2010 marked the year of mergers in the two areas, and two new entities were created, Marj bin Amer and Al-Muttahida municipalities, where the official announcement by the Ministers Cabinet was made on the Dec. 22th, 2010. During the reporting period, the following activities and accomplishments were taken place:



During the 1st half of 2011, the Steering Committee had met three times to discuss the LDP-I implementation progress and the LDP-II action plan which was proposed by the technical committee. At the technical level, the technical committee had also met five times and kept the momentum to prepare the LDP-II action plan and finalize the list of priorities for both municipalities. However, the action plan for LDP-II was based on the feedback from the local communities within the two municipalities through the workshops and field visits that were taken place by the technical committee. Following is the accomplishment and activities per component:

- Institutional Development:

- *The action plan for LDP-II was approved from the steering committee, regarding the institutional development activities which includes, (preparation of physical plans and the strategic development and investment plans for the newly amalgamated municipalities -Almuttahida and Marj Bin Amer).*
- *A workshop including the representatives of newly amalgamated municipalities, MDLF and the Danish Representative Office was held to come up with the lessons learned from the implementation of LDP- 1 to be taken into consideration in LDP-II implementation.*

- Social and Cultural Projects:

- *The construction of the Al Muttahida Public Garden was completed in March-2011, noting that the implementation started in Oct-2010 with some delays due to the decision from the Steering Committee to replace the (original project –sport center) with the (public garden).*
- *The list of social and cultural activities along with the social and cultural sub-projects for LDP-II were approved by the steering committee regarding the (budgets, time frame, locations, and beneficiaries) for both municipalities.*
- *The procurement process had started including the bidding documents preparations and advertising.*

- Joint Infrastructure Projects:

- *The list of joint infrastructure and cultural projects for LDP-II were approved by the steering committee regarding the (budgets, time frame, locations, and beneficiaries) for both municipalities.*
- *The procurement process had started including the bidding documents preparations and advertising.*

For more details on the list of approved projects and activities under LDP-II please see annex D

4.4 Challenges and Obstacles

- *The amalgamation process of local government units into two municipalities has taken longer time than it was planned as it is a reform initiative requires willingness from the LGUs to amalgamate and due to sensitive political, social and cultural considerations.*
- *Other major challenge is the lack of understanding from the amalgamated LGUs staff of the new structures, jobs description and manuals.*

4.5 LDP Supervision missions

A Danish Mission visited the Palestinian Area, West Bank from (April 2nd – 8th, 2011) to review the Danish Assistance to the Local Development Programme (LDP- I & II) in) in Jenin Governorate (2008-2011). Meetings were held with the PNA (Minister and Deputy Minister of the Ministry of Local Government (MoLG), the Municipal Development Lending Fund (MDLF) Management and senior staff, the Local Aid Coordination Secretariat, General Director of MoLG directorate for Local Governance in Jenin Governorate, mayors and representatives from Marj ben Amer and Al-Mutahida municipalities, UNDP, bilateral donors, NGOs and the Danish Representative Office.

The objective of the review mission (RM) was to assess progress and achievements versus objectives and outputs of the Programme in accordance with the programme document. The RM was also requested to recommend an outlook to the formulation of a LDP III in a new geographical area. The mission also assessed the status of follow-up on recommendations of the Review Mission of Assistance to Municipal and Local Development mission, as documented in the Review Aide Memoire (April 26th – May 6th, 2010). The mission recommended such improvements and more vigorous quality control by MDLF for LDP II and the upcoming LDP III.

4.6 LDP Key Achievements

MDLF and as part of M&E system is regularly reporting on the key achievements of LDP-I & II. Following is the LDP achievements against the intended objectives and indicators as per the identified Programme Log-Frame.

	Indicator	Progress and Achievements
Development Objective		
<i>Sustainable improvement of living conditions in Jenin District</i>	<i>Social and physical infrastructure improved and maintained</i>	<i>Social and the physical infrastructure projects have been identified through community participation. These projects will significantly contribute to the improvement of living conditions to more than 19,000 beneficiaries in the first Area and to more than 22,000 in the second Area.</i> <i>The progress and achievements of the social and physical infrastructure are as follows:</i> - Paving 17 Km of access roads. - Construction of sport and cultural center in area 1 (Marj Bin Amer) with an area of (1700 sq.m). - Construction of public garden in area 2 (Almuttahida) with an area of (4,000 sq.m)
Immediate Objective		
<i>Improved delivery of services through increasingly integrated LGUs in Jenin District</i>	<i>Social, cultural and infrastructure projects implemented within budget, on time and good quality</i>	<i>The two physical projects that were implemented under the physical component are roads with the aim to improve the accessibility and movement of citizens in the target areas and to enhance the linkage between the communities in these areas. Along with infrastructure activities, the MDLF worked on setting up the institutional arrangement and organizational structures of the two areas including the development of the legal framework</i>
Outputs		
<i>Output 1: A best practice model developed for assisting village councils and small municipalities in the amalgamation process.</i>	<i>Number of councils amalgamated</i>	<i>Two councils have been amalgamated and the progress of amalgamation within the LDP programme was described at the activity level.</i>
<i>Output 2: Social and cultural projects implemented with a potential for sustainability.</i>	<i>Number of projects completed</i>	<i>Social and the physical infrastructure projects have been identified through community participation.</i>
	<i>Number of beneficiaries</i>	<i>Two physical infrastructure projects (17 Km roads rehabilitation projects) in the two areas were completed and the other two social projects were also completed. Given that the structure of the culture and sports center was completed under LDP-I and will be finished under LDP-II. The total number of beneficiaries are more than 19,000 beneficiaries in area 1 (Marj Bin Amer) and more than 22,000 in area 2 (Al-Muttahida).</i>
	<i>COs deliver good quality reports and accounts</i>	
<i>Output 3: Joint infrastructure projects implemented through labour intensive construction methods with a potential for sustainability.</i>	<i>Labor intensive concept for infrastructure construction included in the design</i>	<i>all physical infrastructure projects were undertaking labor-intensive construction works. This contributed to lowering the unemployment rate of the two areas and generating more income especially for disadvantaged families.</i>
	<i>Number of beneficiaries</i>	<i>19,000 beneficiaries in area 1 (Marj Bin Amer) and more than 22,000 in area 2 (Al-Muttahida).</i>
	<i>Number of work-days created</i>	<i>For the physical projects: the target is 6,355 person-day. For the social projects: The target is 3,333 person-days. (The target no. of person days was estimated as indirect temporary employment as a result of implementing the infrastructure projects).</i>

Output 1: best practice model developed for assisting village councils and small municipalities in the amalgamation process.

Component	Roles	Activity details	Lessons learned
1. Institutional Development	MOLG -Monitor, advice , and guide the implementation of this output in order to ensure alignment with national policies and coordination with other related national bodies. -Facilitate and support the amalgamation requests submitted by the LGUs. -Adopt lessons learned and experiences from the amalgamation process of the LDP in the national policy formulation. MDLF -Appoint a consultant to manage this activity. -Implement the asset valuations. Identify present capacity and capacity needs in cooperation with the local government needs. -Make and implement a prioritized plan for infrastructure, equipment and systems installation, including training and capacity development for operation of the systems. -Conduct a study on municipal income/revenue in the two areas. -Document lessons learned from the activity and incorporate them into the national strategy for amalgamation of LGUs. Local Government Units -Provide data for asset valuations -Provide data to MDLF staff consultants on existing administrative and management capacity, including buildings and equipment. - In cooperation with MDLF, identify administrative and management capacity needs, for an amalgamated municipality, including buildings, equipment and training needs. - Provide land, buildings, equipment and staff, where appropriate, to the amalgamated municipality. - Send an official request to MOLG for permission to amalgamate. Reallocate staff, buildings, equipment, etc for the operation of the amalgamated municipality	▪ A steering committee was chaired by MoLG and headed by the Deputy Minister. ▪ A technical committee headed by the MoLG District Office in Jenin Governorate was formed (MoLG staff, Councils representatives, MDLF staff). The committees guided the process and monitored the implementation. ▪ The committees received request from Local councils of Maythalon, Siris, Al Jadideh and Sir on August 1st , 2008 to join the program as one cluster, and the request of JSC1 on 2nd Sep. 2009 ▪ MoLG decision was made to formulate Area 2 into one joint council on May 3rd , 2009. ▪ In 2009, a comprehensive survey was conducted to explore the possibility of merging the capacity of both village councils and the JSC1 to carry out and administer the merging process. The study revealed that 70% of the people seem to agree on merging. ▪ The assets registration and valuation assignment was accomplished ▪ An organizational assessment was conducted for both clusters and the following were developed: - Organizational Structure with job description. - Departments functions and responsibilities - Human resource development plan with training needs assessment. - Procedural manual which describes the functions and duties of the departments and personnel including a work flow chart(s) to clarify the movement of main documents. - Needs assessment for the municipalities. - The legal framework and establishment bylaw was developed for the amalgamated municipalities. - Based on the needs assessment report IT equipments were purchased for the two clusters, the equipments included: PCs, printers, copiers, servers and total stations. ▪ The Announcement of merger was issued on 22nd Dec. 2010 ▪ A Visits and meetings with media coverage were held through the year of 2010 to promote the merger.	L1: Pre amalgamation phase should include joint planning as a first phase (SDIP and physical plans should be prepared) along with implementation of joint social and infrastructure projects. L2: More effort should be put to coordinate with all ministries involved at the local level.

Output 2: Social and cultural project implemented with a potential for sustainability			
Component	Roles	Activity details	Lessons learned
2. Social and Cultural Projects	MDLF -Use and refine the guidelines for identification, selection and implementation of social and cultural projects that were developed in the pilot phase. -Continue the appointment of a community development consultant in MDLF. Assist Community Organizations (COs) in identifying income-generating projects/activities. -Encourage LGUs and COs to contribute financial and in-kind contributions to the projects where possible. -Assist LGUs on conducting public information activities regarding amalgamation into municipalities. -Advice and hold workshops for CO staff on project management and monitoring. Assist the JSCs selection committee in the selection of projects. -Transfer funds to the JSCs for project implementation, advice on accounting procedures, and monitor financial reporting. Monitor implementation of projects, and prepare progress reports. Local Government Units -Spread information about the criteria for project selection, and procedures for application. - Conduct public forums in which ideas are put forward and discussed, and in which agreement is reached about which ideas should go forward to the application stage. -Assist the COs in making the applications and ensuring there is a sustainable operation strategy. Monitor and advise on project implementation	- To increase the social interaction among communities in each cluster a social, sport and cultural week was organized. The activities included sport competitions between the two clusters; plays for school children from different classes, arts and poetry completion for women in the two clusters. At the end of the week a closing ceremony was done and prizes were distributed to the winning teams. - Construction of sport and culture center for JSC1, one playground, multi culture hall, rooms, audience seats area. The total area was 1700 sq.m. - Construction of sport and culture center JSC2 (REPLACED Public garden) The project site lies at the middle of the cluster with total area 4000 sq.m, the average distance between the center of the villages and the project site is 1732m. The distance between the proposed amalgamation municipality building and project site is 200m. - The garden includes (a service building, children play area, sitting area for families, children swimming pool, parking area and green areas). - Maintenance plans were prepared for both projects.	LI: Awareness campaigns and media coverage that reach all citizen groups are very essential to keep the momentum towards the success of merging.

Output 3: Infrastructure projects implemented through labor intensive construction methods, and with a potential for sustainability

Component	Roles	Activity details	Lessons learned
3. Joint Infrastructure Projects	MDLF -Tender for, appoint, and supervise an engineering consultant to assist in implementing this component. -Assist the LGU or JSC in the selection of infrastructure projects based on selection criteria. -Assist the LGU or JSC with the preparation of design, and specifications to accommodate the guidelines for labor intensive construction methods. -Assess the need for infrastructure capacity development in the LGU, JSC and the village councils. Ensure environmental assessments are conducted where appropriate. Local Government Units: -Spread information about the criteria and procedures for project selection. -Assist with community meetings to inform about projects prior to and during the implementation. - Assist village councils in identifying, prioritizing infrastructure projects based on the set criteria. -Prepare design and tender documents. -Conduct tendering, tender evaluation and award tender. -Receive funds from MDLF for the projects. -Conduct community meetings to inform the community about the project prior to and during the implementation. -Supervise construction, issue completion certificate and release of bond after liability period. - Carry out ongoing maintenance of the infrastructure facilities	- All tendering procedures, design and specification were conducted in 2009. - Rehabilitation of joint roads in MarjbnAmer was completed on 2nd Feb. 2010, with total length of 11.9Km. - Rehabilitation of joint roads in Meithalun Cluster was completed on 8th April, 2010.with total length of 5.5Km of connection roads. - According to the EMP, the projects are in category B where the environmental safeguards were followed.	L1: joint infrastructure road projects should be considered a pre-amalgamation phase especially in separated geographical areas and villages, as there is a need to create physical connections.



5. Local Government Reform and Development Programme (LGRDP)

Belgium has accepted to consider local governance as a priority sector for the Belgian-Palestinian Cooperation. Therefore, Belgium accepted to support the Ministry of Local Governance reform by a 5-year programme “Support to Local Government Reform and Development Programme” (LGRDP). The programme will support the government’s decentralization efforts by strengthening the smaller and non viable local governments into more sustainable and effective structures through the government policy of Local Government Units (LGU) amalgamation and the creation of joint service arrangements for LGUs. In addition, the program will support the institutional development of selected departments of MoLG and contribute to the joint donor funded Municipal Development Program (MDP).

5.1 LGRDP Description

The general objective of the programme is to strengthen the institutional and management capacities of the local government system. The specific objective is to support institutional reform through improved capacities and services of selected clusters of smaller LGUs, and to improve the institutional capacity of MoLG. The proposed programme will have three components as follows:

- Component 1: Support for MoLG Capacity Development.

This component is oriented towards capacity development of MoLG. Given that, several steps have been taken towards the development of a coherent capacity development strategy for the Ministry, primarily at the level of assessments, diagnostics and goal setting. However, as mentioned in the Ministry’s Strategic Framework 2010-2014 and its associated Development Initiatives, the development of an administrative and organizational structure, including clear job description, titles, job classifications, guides and manuals, and performance evaluation system is one of the goals for 2010, and therefore, is currently an outstanding challenge; since a clear administrative and organizational structure is highly desirable to engraft a coherent and sustainable capacity development plan could upon.

Phase 1 (2011/2012-)

Taken into account this challenge, this first component will start with a ‘fading-

in' strategy where a targeted approach is applied, oriented towards support for three identified entities, being

- The Complaints Directorate,*
- the Internal Control Directorate, and*
- the Department of Formulation and Merging (within the General Administration for Formulation and Joint Councils)*

Next to that, this first phase will also include some crosscutting support to the ministry and selective support to MoLG at district level.

Phase 2 (2012-2015-)

It is aimed that the first phase will be followed by a second phase (2012-2015), focusing on a more broad-based capacity development plan (preferably joint-donor funded) with a focus on organisational & institutional strengthening (i.e. beyond individual training & equipment). Assistance to the Ministry for the development of such a plan will be provided through this intervention (provision of expertise) and will build upon ongoing initiatives (e.g.. Tawasol – USAID; UNDP's Capacity Development Plan of MoLG).

Component 2: Support for reform and improved capacities and services in smaller LGUs.

The programme will support reform and improved capacities and services of smaller LGUs in six selected clusters. The LGUs will receive four broad areas of support:

- Institutional development: studies, information campaign and consultations for facilitation of appropriate amalgamation process including development of SDIP and physical plans,*
- Capacity Building of LGUs through temporary support for staff employment, training, equipment, manuals, software etc as well as support for office construction.*
- Infrastructure and services: financial support for implementation of local priority projects including water, wastewater, roads, electricity etc. Emphasis will be on investments that will facilitate joint provision of services for selected clusters of smaller LGUs, eligibility of sectors shall be defined by the Programme Steering Committee*
- Socio-economic development: social activities, public awareness campaigns, one stop shop in LGU etc that will enhance citizen engagement and downwards accountability of the LGUs, Initially smaller LGUs which formally have a LG status as village councils or project committees will be supported, but it is expected that their formal status will be changed into municipalities. The decision to amalgamate will be demand driven – i.e. selection of clusters for possible support will be based on expressed local demand for LGU restructuring. Alternative arrangements for provision of joint services may also*

be supported – but it is likely that the vast majority of smaller LGUs will opt for formalization of their new LGU-status as Municipal Councils.

- *The four types of support mentioned above will be undertaken in a phased manner. In particular it will be ensured that the overall technical and social viability (local acceptance) of the proposed amalgamation is confirmed before further investments are made in capacity building or infrastructure.*

- *Component 3: Support for newly amalgamated municipalities (MDP aligned).*

The aim of this component is to ensure that newly created municipalities – not yet incorporated in an on-going MDP planning cycle – are provided with access to financial means (grants for capital investment) on the basis of clear, performance-based criteria for MDP-Window 1. The Belgian contribution under Component 3 should also be seen as an indication of Belgium's commitment to donor harmonisation in this sector, where MDP to date is the only joint donor financed initiative. The municipalities benefiting from Component 3 will be identified according to formal amalgamation processes being accomplished, as described, and planned for, in the 'Homestretch to Freedom - The Second Year of the 13th Government Program' document, where merging and amalgamation initiatives for the different governorates have been identified.

The Municipal Development and Lending Fund (MDLF) is the implementation agency for components 2 and 3 of the programme.

5.2 Financial Partner

The program will be implemented over five-years period with total budget of (Euro 15 million), where the agreement between the Belgian Development Agency and the MoP was signed on October 28th, 2010. The following table 8 illustrates the budget break down.

Table 8: LGRDP Budget Break Down

Component	Allocated Budget (Euro)	Implementation Agency
Component 1: CB of MoLG	824,140	MoLG
Component 2: Support for amalgamation in 6 areas (incl.equivalent of 7% management fee)	10,000,000	MDLF
Component 3: MDP Contribution (incl.7% management fee)	2,900,000	MDLF
General Means (International TA salaries, administrative and financial officer, reviews, etc) and budgetary reserve	1,275,860	
Total	15,000,000	

5.3 Activities & Accomplishments

During the reporting period (1st half of 2011), the following activities and accomplishments regarding the 2nd and 3rd components were taken place:

Component 2: Support for reform and improved capacities and services in smaller LGUs.

- *The targeted local government units (clusters) were identified and approved by the programme steering committee. The list of approved clusters are illustrated in table 9.*

Table 9: LGRDP Targeted Clusters

No.	Cluster	Geographical Area	Governorate	Localities
1	Beita	North “West Bank” Clusters	Nablus	Audala, Beita, Ausreen, Za’tara
2	Beit leqya	North “West Bank” Clusters	Ramallah	Beit leqya , Kharbatha al Musbah Beit seera, Beit nuba
1	Jort eshama’	South “West Bank” Clusters	Bethlehem	Jort eshama’ Um salamona Wadi ennis , Marah m’ala Marah rabah, Al ma’sarah Khalet Elhadad, Al mansheeyah Wad rahal
2	Karmel	South “West Bank” Clusters	Hebron	Karmel, Main, Khalet saleh Hadedeiyah

- *The (TOR) for conducting the awareness campaign was prepared where the Expression of Interest (EOI) was advertised.*
- *The EOI for conducting the capacity and institutional assessment as well as the fixed assets registration of the targeted clusters were prepared along with the related TORs.*
- *The EOI of conducting a physical plans and SDIPs for the targeted clusters was advertised and the EOIs were evaluated. The evaluation report was sent to the BTC for no objection.*

- *Component 3: Support for newly amalgamated municipalities (MDP aligned)*

The BTC financial contribution under this component is going to be distributed among the amalgamated municipalities over three cycle of MDP, starting from the 2nd cycle. Noting that, during the reporting period, MDP- 1st cycle was under

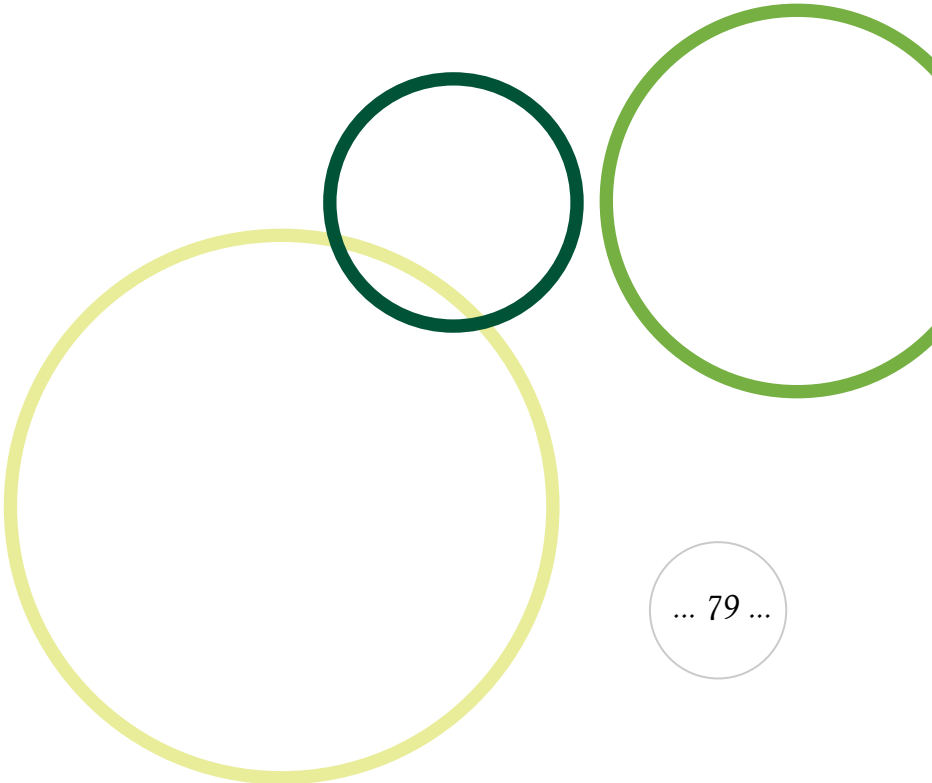


implementation and expected to be completed by end of October 2011. Hence, the BTC contribution under MDP-Window 1, is expected to be distributed by end of November 2011.

5.4 Challenges and Obstacles

Since the start the implementation process, the programme has faces different challenges as follows:

- *There was some delays in the clusters identification process from MoLG, resulting a noticeable delays in the dependent activities within component 2.*
- *There was a delay in getting the no objections from the BTC sides in particular during the initial stages of the implementation.*





Our Financial Statement

The interim statement of financial position of the Municipal Development and Lending Fund “MDLF” was reviewed by the Independent auditor “PRICEWATERHOUSECOOPERS LLP - PWH” as of June 30th, 2011, along with the related interim statement of activities and changes in net assets, and the statement of cash flows for the six months period then ended.

The review was conducted in accordance with the International Standard on Review Engagements 2410, which consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The independent auditor’s review report showed that the interim financial information was prepared, in all material respects, in accordance with International accounting Standard number 34.

The following sections illustrate the Auditor’s Review Report where the notes on the financial statement is shown in annex E.



**Independent Auditor's Review Report
To the Board of Directors of Municipal Development and Lending Fund (MDLF)
Ramallah - Palestine**

Introduction

We have reviewed the accompanying interim statement of financial position of the Municipal Development and Lending Fund (hereinafter "MDLF") as of June 30, 2011 and the related interim statement of activities and changes in net assets and the statement of cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard number 34.

Michael Orfaly

Ramallah
October 2, 2011

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in U.S Dollars)

	Note	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
ASSETS			
Non-current assets			
Property and equipment, net	(3)	263,525	287,478
Total non-current assets		263,525	287,478
Current assets			
Pledges receivable	(4,14)	29,791,533	44,785,628
Prepaid expenses and other current assets	(5)	66,701	21,539
Cash and cash equivalents	(6)	7,349,057	15,574,453
Total current assets		37,207,291	60,381,620
Total assets		37,470,816	60,669,098
NET ASSETS AND LIABILITIES			
Net assets			
Temporarily restricted net assets	(7,14)	30,694,713	53,781,425
Unrestricted net assets		1,249,207	279,621
Total net assets		31,943,920	54,061,046
Non-current liabilities			
Provident fund	(8)	345,295	281,733
Provision for end-of-service indemnity	(9)	252,088	222,148
Total non-current liabilities		597,383	503,881
Current liabilities			
Accrued expenses and other current liabilities	(10)	4,929,513	6,104,171
Total current liabilities		4,929,513	6,104,171
Total liabilities		5,526,896	6,608,052
Total net assets and liabilities		37,470,816	60,669,098

- The notes on pages 6 to 42 are an integral part of these financial statements.

- The financial statements on pages 3 to 42 were approved for issue on September 29, 2011.


Arch. Abdel Mughni Nofal
Director General


Mr. Muhammad Al Ramahi
Finance and Administrative Manager

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

INTERIM STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(All amounts in U.S Dollars)

		For the six months period ended	
	Note	June 30, 2011	June 30, 2010
		(Unaudited)	(Unaudited)
Changes in unrestricted net assets			
MDLF management fees	(7,11)	1,159,370	694,505
Currency variance	(13)	779,045	(104,295)
Interest income		17,245	-
Other income		23,856	16,818
Total unrestricted revenues		1,979,516	607,028
Released from temporarily restricted net assets	(7)	23,608,366	13,536,530
Total unrestricted revenues		25,587,882	14,143,558
Expenses			
Projects' expenses	(11)	23,608,635	13,536,530
Depreciation expenses	(3)	41,548	41,416
General and administrative expenses	(12)	965,586	726,369
Loss from sale of property and equipment		2,527	-
Total expenses		24,618,296	14,304,315
Net change in unrestricted net assets		969,586	(160,757)
Changes in temporarily restricted net assets			
Grants and donations	(7)	-	22,992,070
Net assets released from restriction – management fees	(7,11)	(1,159,370)	(694,505)
Net assets released from restriction – projects' expenses	(7)	(23,608,366)	(13,536,530)
Grants written off during the year	(7)	(187,235)	(127,875)
Currency variance	(7)	1,868,259	(3,190,297)
Net changes in temporarily restricted net assets		(23,086,712)	5,442,863
Net changes in net assets for the period		(22,117,126)	5,282,106
Net assets, beginning of the period		64,026,795	58,744,689
Net assets, end of the period		41,909,669	64,026,795

- The notes on pages 6 to 42 are an integral part of these financial statements.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statement for the six months period ended June 30, 2011

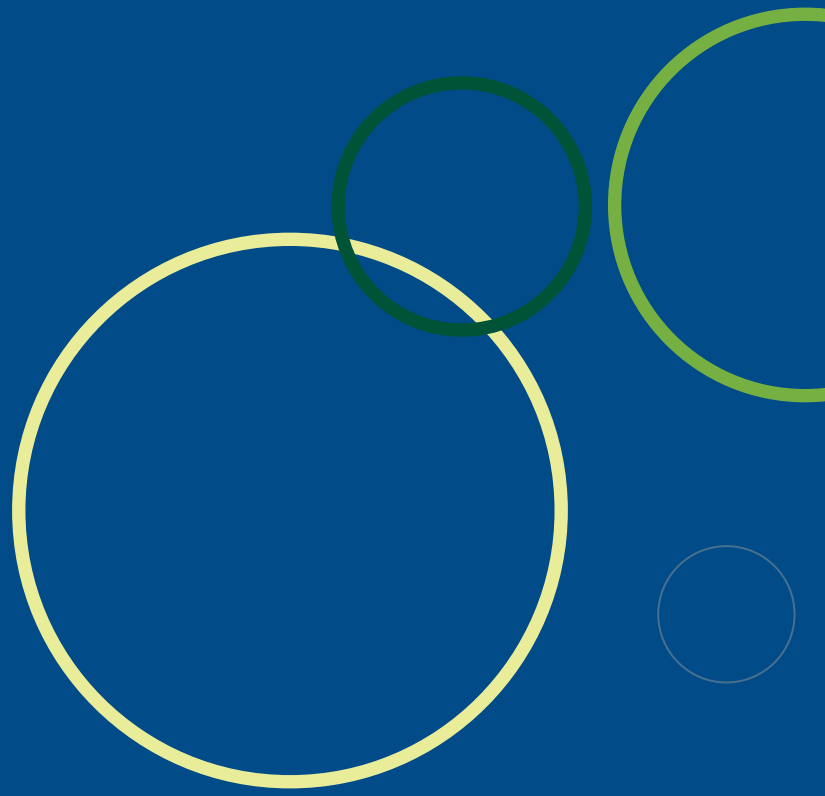
INTERIM STATEMENT OF CASH FLOWS

(All amounts in U.S. Dollars)

	For the six months period ended	
	June 30, 2011	June 30, 2010
Cash flows from operating activities		
Changes in net assets for the period	(22,117,126)	5,282,106
Adjustments:		
Depreciation	41,548	41,416
End of service indemnity expense	45,989	37,235
Loss from sale of property and equipment	2,527	-
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Pledges receivable	14,994,095	(11,342,212)
Prepaid expenses and other current assets	(45,162)	103,516
Accrued expenses and other current liabilities	(1,174,658)	(1,617,987)
Provident fund	63,562	14,288
End of service indemnity paid	(16,049)	(26,718)
Net cash used in operating activities	(8,205,274)	(7,508,356)
Cash flows from investing activities		
Purchase of property and equipment	(24,271)	(7,305)
Disposal of property and equipment	-	7,086
Proceeds from sale of property and equipment	4,149	-
Net cash used in investing activities	(20,122)	(219)
Decrease in cash and cash equivalents	(8,225,396)	(7,508,575)
Cash and cash equivalents, beginning of the period	15,574,453	12,901,949
Cash and cash equivalents, end of the period	7,349,057	5,393,374

- The notes on pages 6 to 42 are an integral part of these financial statements.

SUCCESS STORY



SUCCESS STORY

The First Tunnel in Palestine - Nablus Tunnel

MDLF is Supporting Large Scale Projects with Development Scheme



Nablus Tunnel

The Municipal Development Project (MDP1) funded by the French Development Agency (AFD) has targeted specific municipalities, insuring a clear strategic focus to the MDLF intervention on large scale projects. The total amount of fund is 12,000,000 Euros where 11,200,000 Euros were distributed among 11 main municipalities in the West Bank and 6 Joint Services Councils. The project objectives are to:

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

The Municipality of Nablus had received funding from the French Development Agency (AFD) through the Municipal Development and Lending Fund (MDLF) in the amount of 482,902 Euros for the construction of Tunnel in Nablus city center. The Tunnel was implemented under the Municipal Development Project (MDP1) which aims at providing financial support to the selected Local Government Units (LGUs) to improve the municipal services delivery to the population.

The project was implemented within 6.5 months ended in Feb-2010, where the project faced many obstacles during the implementation. One of the obstacles is the sensitivity of the project location and the intensity of infrastructure as the project located in the city center. The municipality had succeeded in mitigating these difficulties through the immediate repair of the infrastructure damage and facilitating the movement for both traffic and pedestrians.

The municipality started promoting the project for seven months through public awareness activities and community participation workshops that were necessary to inform the public about the project objectives, obstacles and to ask for their understanding and support.

The Tunnel was constructed to solve the air pollution, noise, and the congestion of traffic movement in and out of the Commercial Complex Center where the project succeeded in achieving its intended objectives.

It is worth mentioning that more than 300,000 persons will be benefited from the project including the citizens of Nablus city and all visitors from the other villages and towns. Moreover, the project is considered as income generating investment supporting the sustainable revenues of the municipality through (US\$ 400,000 as key money and US\$ 40,000 annual rent).

In conclusion, this project is successful not only due to its achievements against its intended objectives, but also due to its uniqueness of its kind in Palestine which opened the doors to implement similar projects with large scale in different places.

SUCCESS STORY

Construction of Al-Bireh International Stadium

MDLF is Supporting Large Scale Projects with Development Scheme



Al-Bireh Stadium

The Municipal Development Project (MDP1) funded by the French Development Agency (AFD) has targeted specific municipalities, insuring a clear strategic focus to the MDLF intervention on large scale projects. The total amount of fund is 12,000,000 Euros where 11,200,000 Euros were distributed among 11 main municipalities in the West Bank and 6 Joint Services Councils. The project objectives are to:

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

The Municipality of Al-Bireh had received funding from the French Development Agency (AFD) through the Municipal Development and Lending Fund (MDLF) in the amount of 635,564 Euros for the construction of Al-Bireh International Stadium. The stadium was implemented under the Municipal Development Project (MDP1) which aims at providing financial support to the selected Local Government Units (LGUs) to improve the municipal services delivery to the population.

The Stadium is part of the Majid Assad sports complex which includes an outdoor sports field, a multipurpose sports hall and a youth sports complex that contained a half-size Olympic swimming pool.

Due to its strategic importance, the stadium was selected as a community priority during a workshop held by the local community institutions, given that, it was one of the main projects included in the strategic development plan of Al-Bireh municipality.

It was the first of its kind in Palestine with the capacity to host national and international sport events and competitions. This project is considered to be unique because of its potential for generating new revenues for Al-Bireh municipality. The project with its existing and proposed surrounding facilities will serve as a recreational area for citizens of all ages and gender.

The stadium project helped the expansion of the urban built-up area and served as a catalyst for self sustainable municipal projects. It is expected to be an income generating investment through various sporting, national and educational activities. Moreover, this type of projects can be repeated in different places through proper planning and visionary guidelines and through the help of various institutions.

In summary, this project is an example of large scale projects that were implemented under the MDP1/AFD which had higher visibility, greater impact on populations, measurable effects on economic development, and potentially income-generating opportunities.

SUCCESS STORY

The Reform in the Physical Planning Process in Palestine Development of the Physical Planning Manual

MDLF is Promoting Physical Planning
Process Toward Sustainable Development



The Danish co-financed Local Government Capacity Building Project (LGCBP) supports the on-going efforts of the Palestinian Authority (PA) to reform the local government system in Palestine total budget of (US \$ 10,037,096). The Project was signed on March, 2005 and still ongoing. It is composed of the following three components:

- Component 1:
Financial Management and Accounting Systems Reform.
- Component 2:
Physical Planning and Management Systems Reform.
- Component 3:
Institutional Development for the Ministry of Local Government (MOLG) & the Municipal Development and Lending Fund (MDLF).

The Physical Planning Manual (PPM) was developed under the Local Government Capacity Building Project (LGCBP) which is funded by the Government of Denmark and administered by the World Bank. The manual was prepared by an international and national consulting team and managed by the Municipal Development and Lending Fund (MDLF) under the supervision of the Ministry of Local Government (MOLG).

The overall objective of the Physical Planning Manual is to contribute to a well balanced and sustainable development process in the West Bank and Gaza through improved physical planning practices and procedures.

In addition to that the manual is an important tool to institute the operational physical planning process, to enhance the coordination and cooperation between the selective physical planning institutions and to regulate the physical planning operation among them.

The manual was completed and approved in the end of 2010, where a training for trainees on the manual had been conducted in mid 2010. MDLF is currently piloting the manual in four community clusters (Al-Kafriyyat, Qabatyia, Al-Eizariyya and Al-Ittihad).

The manual is considered a success story because it is the first time of having a standard document with guidelines, policies and procedures that organizes the planning process in Palestine.

Moreover, this manual will provide local government units (LGU's) with practical references and tools for the different planning steps to enhance their performance in the planning process toward the sustainable development in Palestine.

The (LGCBP) is a good example of the MDLF capacity building scheme where the MDLF plays a significant role in strengthening the capacity of LGUs and fully works within the national plans and policies of Local Government.

SUCCESS STORY

Local Development Program (LDP Phase 1 & II)

MDLF is Promoting the Amalgamation of Local Government Units



The LDP is funded by the Government of Denmark with a total grant approximately (USD 5.0 million) in two financial allocations. The program is being implemented in two areas of local councils in the Jenin Governorate as follows:

Area 1: Marj Bin Amer Cluster

This is the area covered by the Pilot Programme 2006/2008- which includes ten village councils (Al-Jalama, Aba, Jalbun, Deir Gazalah, Arrana, Deir Abu Da'if, Faqu'a, North Beit Qad, South Beit Qad, Arabuna) comprising the Joint Service Council (JSC1) North East Jenin covering a population of about 19,000.

Area 2: Maithalun Cluster

Maithalun municipality and the surrounding three village councils (Siris, Al-Judeida and Sanur) in South East Jenin which covers a population of about 22,000. The recommended area was approved by the Ministry of Local Government (MoLG).

LDP Components:

- Institutional Activities
- Social and Cultural Activities
- Joint Infrastructure Projects

After the MDLF success in implementing the pilot project for the Joint Service Council of North East Jenin (Area 1), the Danish Government agreed to proceed with a wider scale program in the same area and expand activities to another area in Jenin (Area 2).

The LDP was designed by MDLF in cooperation with Danish and MoLG to support the government policy towards reducing the number of LGUs and amalgamating the smaller communities into bigger one for better, efficient and effective services.

During 2009 an amalgamation strategy and operation manual were developed by the MoLG task force with assistance from a technical consultant funded by the Danish government through the Local Government Capacity Building Project (LGCBP), where the guidelines have been approved by the MoLG in the same year.

The first phase of LDP had started early 2009 by conducting a comprehensive survey to explore the possibility of merging the capacity of both village councils and the JSC1 to carry out and administer the merging process. The study revealed that 70% of the people seem to agree on merging.

During 2009 and regarding the institutional activities of the program, the organizational structure, the procedural manuals and the legal frameworks were developed for the two clusters. In addition to that, the IT equipment needed for both clusters were installed.

In parallel to the institutional activities, the social, cultural and infrastructure activities were completed with a significant contribution to the improvement of living conditions to more than 41,000 beneficiaries in both clusters.

On Dec. 22nd, 2010 an official announcement by the Ministers Cabinet was made for creating the (Marj Bin Amer municipality (Area 1) and Al-Muttahida Municipality (Area 2) based on the developed manual of amalgamation.

The success in the LDP program phase I & II opened the door for additional support for amalgamation through the commitment from the Danish Government for LDP phase III and also the new LGRDP program funded by the Belgian Development Agency (BTC).

SUCCESS STORY

Municipal Development Program – Phase I



Objectives:

Development Objective: to improve the municipal management/governance practices and to ensure the better coverage of services with better quality.

Long Term Objective: to contribute in strengthening municipal governance to enable municipalities to become creditworthy and thereby access resources from the market for investments that will enhance municipal service delivery.

Funding Partners:

Palestinian Authority (PA), World Bank-, AFD, Belgium, Denmark, SIDA, GIZ and KfW. Where the total fund for the 1st cycle was Euros 30 million and the committed fund for the 2nd cycle is expected to be Euros 26 million.

Program Windows:

Window 1: infrastructure Investment

Window 2: Innovative Projects

Window 3: Capacity Building

Window 4: Program Management

During 2009 the MDLF had finalized the preparations of the new Municipal Development Program (MDP). The program was funded by the PNA and several funding partners who agreed to harmonize their support for municipal development in Palestine through the Donors Consultation Forum which was organized in May 2009. In addition to that, the MDLF had finalized and got the stakeholders approval on the MDLF manuals that are being applied on the MDP, including (Financial procedures manual , Procurement manual, Technical manual, Capacity Building manual, TM /Allocation manual, Environment management plan, and Community participation manual).

In December 2009, the MDP was launched through a ceremony attended by the hundreds of distinguished guests from the international community, Palestinian ministries, municipalities, and civil society, Prime Minister Dr. Salam Fayyad highlighted that “Our aim is to maintain the MDLF as an independent, stable, institution that reflects professionalism and transparency and gains the trust of everybody and support the government, in particular the Ministry of Local Government”

Most importantly, the MDP is unique because it links between the allocated amounts for infrastructure investments with the municipalities performance through the Grants Allocation mechanism which is the cornerstone of the program.

The MDP is expected to improve the municipal performance in operational, planning and financial capacities through the capacity building packages which are distributed among municipalities as follows: (41 municipalities has benefited from the strategic planning and investment plans, 75 municipalities has benefited from the financial package and 4 municipalities has benefited from the fixed assets registration and valuation package).

In parallel to that, the total allocated fund for the infrastructure projects is about Euros 23.5 million for the 1st cycle distributed among 132 municipalities in West Bank and Gaza, and expect to be accomplished by end of Sep. 2011. Where the key achievements for the infrastructure projects are as follows:(87 Km of pavement, 588 street lighting units were supplied,1745 L.m of retaining walls were constructed, 401 L.m of culverts were constructed, 15.9 Km of sidewalks were rehabilitated, 3 groundwater wells were rehabilitated, 6km of water networks were rehabilitated, 4km of wastewater networks were rehabilitated, 4 transformers were installed, 28,565 sq.m of public facilities were constructed, 10 solid waste containers were supplied, 372,143 Euros were disbursed for spare parts and materials for maintenance of different sectors in particular in Gaza strip, and 32,419 person-day were created)

The MDP is a success story because it is the first time in Palestine having a harmonization of the Financing Partners to support a program with specific objectives and contributing the achievement of the long term objectives at the national level, which is a good initiative for MDLF toward the sustainable development in Palestine.

ANNEX A:

MDP - Phase 1

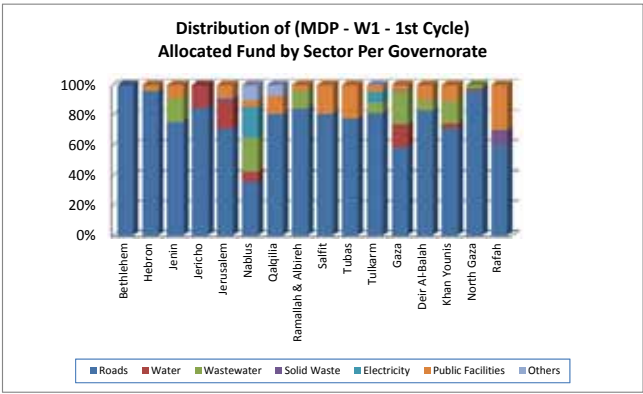
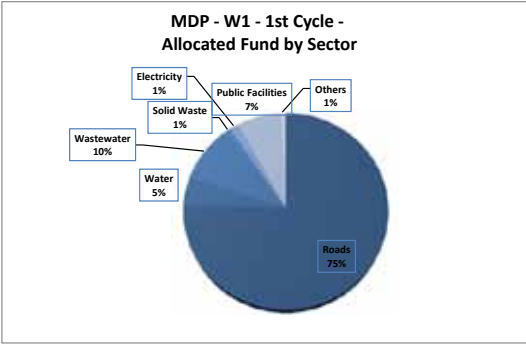
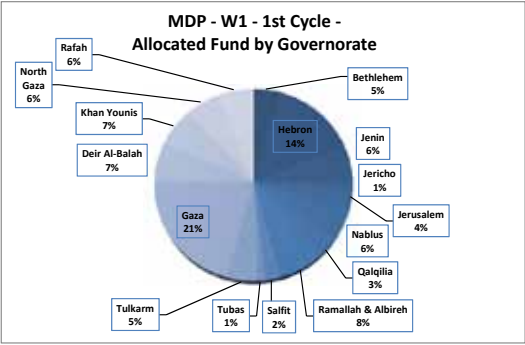
ANNEX A1:

Window 1 - 1st Cycle

Municipalities Allocations

MDP - Window 1 - 1st Cycle -
Distribution of Sub-Projects by Sector Per Governorate

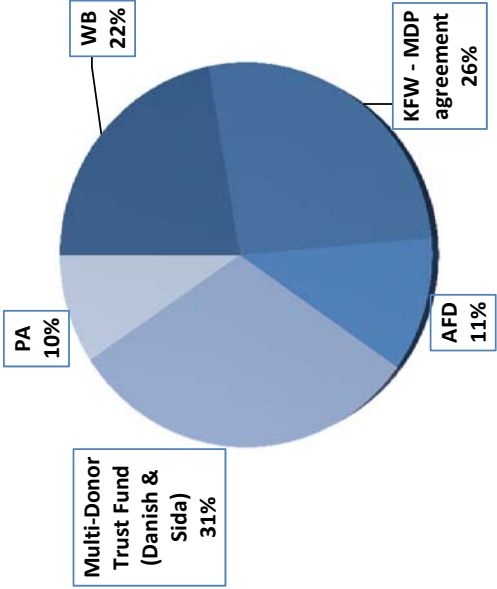
Governorate	No. of Projects	Sector (Euro)							Total Allocation (Euro)
		Roads	Water	Wastewater	Solid Waste	Electricity	Public Facilities	Others	
Bethlehem	10	1,083,963							1,083,963
Hebron	18	3,297,281					136,564		3,433,845
Jenin	13	1,074,718		217,150			131,325		1,423,193
Jericho	3	194,908	34,962						229,870
Jerusalem	12	623,370	158,912		17,228		78,887		878,397
Nablus	10	469,071	90,464	293,150		270,400	55,781	135,680	1,314,547
Qalqilia	6	594,781					85,549	55,058	735,389
Ramallah & Albireh	19	1,516,285		205,171			72,829		1,794,285
Salfit	9	470,184					111,154		581,337
Tubas	3	225,720					65,377		291,097
Tulkarm	15	933,336		81,335		79,838	46,971	5,109	1,146,589
Gaza	40	2,923,749	739,502	1,127,729	35,410		156,514		4,982,904
Deir Al-Balah	12	1,302,301		114,000			155,307		1,571,609
Khan Younis	13	1,109,084	46,301	238,232			168,509		1,562,126
North Gaza	12	1,298,234	17,000	32,754					1,347,988
Rafah	13	878,038			148,200		442,048		1,468,286
Total	208	17,995,023	1,087,142	2,309,521	200,838	350,238	1,706,813	195,847	23,845,423



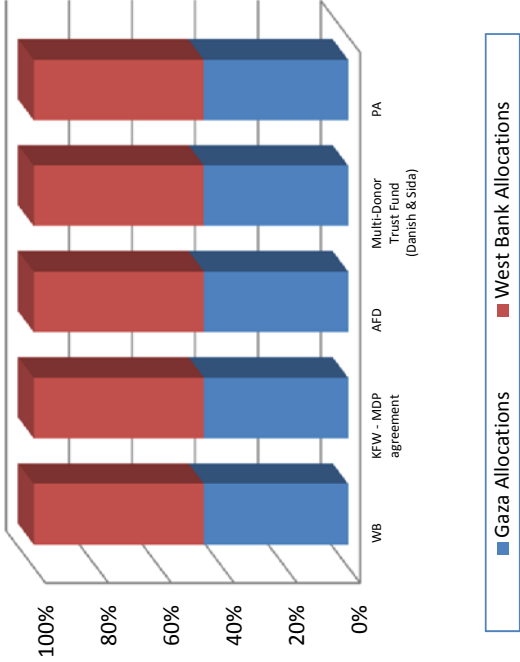
Distribution of (MDP - Window 1 - 1st Cycle) Per Donor

Donor	WB	KFW - MDP agreement	AFD	Multi-Donor Trust Fund (Danish & Sida)	PA	Total (Cycle1)
	Euro	Euro	Euro	Euro	Euro	Euro
Gaza Allocations	2,436,275	2,878,839	1,200,805	3,376,744	1,040,248	10,932,912
West Bank Allocations	2,878,410	3,401,161	1,419,195	3,988,616	1,225,129	12,912,511
Allocated Fund for W1	5,314,685	6,280,000	2,620,000	7,365,361	2,265,377	23,845,423

Allocated Fund Per Donor for MDP - W1 - 1st Cycle



Distribution of W1 Allocated Fund by Donor Among West Bank & Gaza



ANNEX A2:

Window 3 - 1st Cycle

Municipalities Capacity

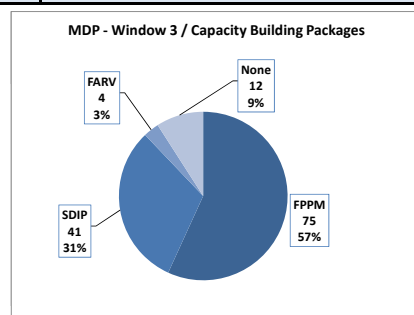
Building Packages

Financial policies and procedure manual (FPPM)			
No.	Municipalities	Cluster	Donor
1	Arraba	Northern Municipalities / West Bank MDP-CY01- FPPM-01	GTZ
2	Borqin		
3	Az Zababedah		
4	Meithalun		
5	Tubas		
6	Tammun		
7	Atteel		
8	Qaffin		
9	Bal'aa		
10	Allar		
11	Beit Leed		
12	Baqa Al Sharqeyya		
13	Kafr Al Labad		
14	Zeita		
15	Beit Foreek		
16	Jammaein		
17	Howwara		
18	Sabastya		
19	Azzun		
20	Kufor Tholoth		
21	Jayyus		
22	Al Zawyeh		
23	Kufor Al Deek		
24	Qarawat Bani Hassan		
25	Kefel Hares		
26	Bruqin		
27	Deir Ballut		
28	Deir Istia		
29	Beit Liqia	Southern & Central Municipalities / West Bank / MDP-CY01- FPPM-02	GTZ
30	Al Ittihad		
31	West Bani Zeid		
32	Sinjel		
33	Ne'lin		
34	Al Mazra'a Ash Sharqeyya		
35	Turmosayya		
36	Abwein		
37	Atara		
38	Al Tayybeh		
39	Al Oja		
40	Al Newe'emeh & Ain Aldyouk Alfouqa		
41	Al Ram		
42	Al Eizariyya		
43	Anata		
44	Abu Dees		
45	Bir Nabala		
46	Beit Anan		
47	Beit Sureik		
48	Beit Jala		
49	Beit Fajjar		
50	Al Ubeldiyya		
51	Al Khader		
52	Ad Doha		
53	Taqu'a		
54	Za'tara		
55	Janata		
56	AdDaheriyya		
57	Halhul		
58	Idna		
59	Tarqumia		
60	Ash Shoyukh		
61	Jabalia an-Nazla	Gaza Strip / MDP-CY01- FPPM-3	GTZ
62	An-Nuserat		
63	Beit Lahia		
64	Beit Hanoun		
65	Al-Qarara		
66	Al-Mughraqa		
67	Wadi Salqa		
68	Ash-Shoka		
69	Khuza'a		
70	Khan Yunis		
71	Jabalia an-Nazla		
72	An-Nuserat		
73	Beit Lahia		
74	Beit Hanoun		
75	Al-Qarara		

Strategic Development and Investment Plans (SDIPs)			
No.	Municipalities	Cluster	Donor
1	Jenin	MDP-CY01- SDIP-01	AFD
2	Seelet Al Hartheyya		
3	Jaba'a		
4	Kufor Ra'ie		
5	Seelet Ad Daher		
6	Nablus	MDP-CY01- SDIP-02	MDTF
7	Beta		
8	Aseera Ash Shamaliyya		
9	Aqraba		
10	Aqqaba		
11	Anabta	MDP-CY01- SDIP-03	KFW
12	Deir Al Ghosoun		
13	Hableh		
14	Bedia		
15	Azzaytuna	MDP-CY01- SDIP-04	AFD
16	Silwad		
17	Deir Debwan		
18	East Bani Zeid		
19	Jericho		
20	Bedu	MDP-CY01- SDIP-05	MDTF
21	As Sawahreh Ash Sharqiyya		
22	Qatanna		
23	Beit Ummar	MDP-CY01-SDIP-06	GTZ
24	Surif		
25	Se'ier		
26	Beit Ula		
27	Kharas		
28	Dura	MDP-CY01-SDIP-07	KFW
29	Taffuh		
30	Al Samu'e		
31	Beit Awwa		
32	Gaza	MDP-CY01-SDIP-08	KFW
33	Al-Buraij		
34	Al-Mughazi		
35	Deir al-Balah		
36	Rafah	MDP-CY01-SDIP-09	GTZ
37	Bani Suhila		
38	Abasan al-Kabeera		
39	An-Naser		
40	Abasan al-Jadeeda		
41	Al-Fukhary		

Fixed assets registration and valuation (FARV)			
	Municipalities	Cluster	Donor
1	Ramallah	MDP-CY01-FARV-01	MDTF
2	Al Bireh		
3	Bitunia		
4	Salfeet		

Summary of the Results	
FPPM	75
SDIP	41
FARV	4
None	12
Total Number of Municipalities	132

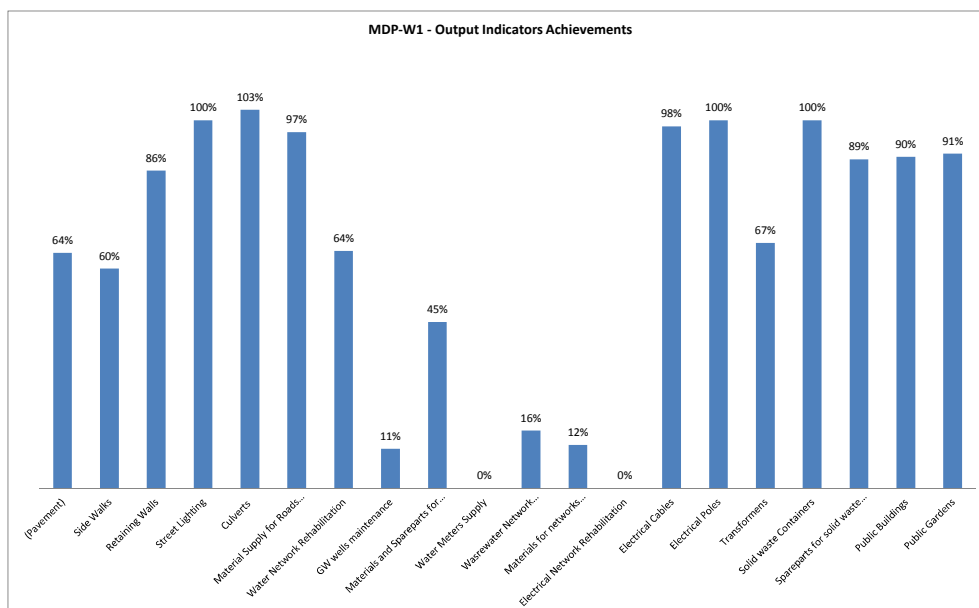


ANNEX A3:

MDP KPIS

Table : MDP - Window 1 - Outputs - (Consolidated for WB&G)

Sector	Sub-Sector	Indicator	Unit	Target	Achieved	% of Achievements	Expected Beneficiaries	Sector Relative Wt	Overall Achievement (%)
Roads	(Pavement)	Length of roads rehabilitated	Km	136	87	64%	1,861,550	75%	63.7%
	Side Walks	Length of Sidewalks rehabilitated	L.m	26,772	15,972	60%			
	Retaining Walls	Length of retaining walls rehabilitated	L.m	2,021	1,745	86%			
	Street Lighting	No. street lighting units supplied	No.	588	588	100%			
	Culverts	Length of storm water drainage rehabilitated	L.m	390	401	103%			
	Material Supply for Roads Maintenance	Amount Disbursed	Euro	167,829	162,432	97%			
Water	Water Network Rehabilitation	Length of water networks rehabilitated	Km	9	6	64%	882,570	5%	1.5%
	GW wells maintenance	# of wells maintained	No.	28	3	11%			
	Materials and Spareparts for water networks manitenwnce	Amount Disbursed	Euro	137,336	62,000	45%			
	Water Meters Supply	No. of water meters supplied	No.	170	0	0%			
Wastewater	Wasrewater Network Rehabilitation	Length of wastewater networks rehabilitated	Km	27	4	16%	1,580,328	10%	1.4%
	Materials for networks manitenwnce	Amount Disbursed	Euro	462,085	54,350	12%			
Electricity	Electrical Network Rehabilitation	Length of electrical networks rehabilitated	Km	1.5	0.0	0%	55,800	1%	0.7%
	Electrical Cables	Length of cables supplied	L.m	3,050	3,000	98%			
	Electrical Poles	No. of poles supplied	No.	31	31	100%			
	Transformers	No. of transformers installed	No.	6	4	67%			
Solid Waste	Solid waste Containers	No. of containers supplied	No.	10	10	100%	211,790	1%	0.9%
	Spareparts for solid waste vehicles	Amount Disbursed	Euro	165,228	147,711	89%			
Public Facilities	Public Buildings	Area of public buildings constructed	Sq.m	3,958	3,565	90%	142,865	7%	6.3%
	Public Gardens	Area of public gardens constructed / rehabilitated	Sq.m	27,500	25,000	91%			
Others	Service Tools	No. of tractors supplied	No.	1	0	0%	89,500	1%	0.6%
		No. of rollers supplied	No.	1	1	100%			
		No. of excavators supplied	No.	6	2	33%			
		No. of total stations supplied	No.	1	1	100%			
Total							4,824,403	100%	75.1%



ANNEX B:

EMSRPII

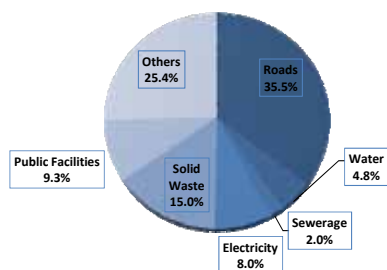
ANNEX B1:

World Bank Fund/EMSRPII

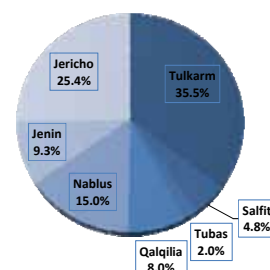
Distribution of World Bank Fund by Sector Per Governorate / EMSRP II

Governorate	Sector (\$)							Total (\$)
	Roads	Water	Sewerage	Electricity	Solid Waste	Public Facilities	Others	
Tulkarm	259,163	39,127	0	116,348	0	19,847	15,146	449,631
Salfit	106,143	16,501	0	40,897	1,700	29,860	4,567	199,668
Tubas	25,172	42,077	0	0	11,043	13,427	0	91,719
Qalqilia	50,153	8,673	50,559	37,419	17,734	0	0	164,538
Nablus	268,887	33,942	0	48,005	49,812	20,662	14,530	435,838
Jenin	338,506	21,064	0	214,212	46,264	20,236	42,770	683,052
Jericho	13,809	2,460	0	4,695	13,940	2,711	548	38,163
Hebron	823,601	120,218	0	99,226	89,832	308,219	394,516	1,835,612
Bethlehem	192,363	0	0	16,913	124,578	175,176	352,13	544,243
Jerusalem	222,994	18,357	0	44,887	147,571	88,472	61,377	583,658
Ramallah & Albireh	333,530	22,210	7,646	43,936	92,807	48,105	524,081	1,072,315
Deir Albalah	143,701	26,595	55,464	7,503	235,500	48,752	288,761	806,276
Gaza	6,024	24,152	0	11,967	5,510	0	501,140	548,793
North Gaza	297,730	0	47,994	10,000	148,544	0	264,710	768,978
Khan Younis	100,501	39,972	22,500	26,614	274,040	70,000	151,181	684,808
Rafah	43,827	22,761	0	5,574	104,029	0	16,087	192,278
Total	3,226,105	438,109	184,163	728,196	1,362,904	845,467	2,314,626	9,099,570
Percentage (%)	35.5%	4.8%	2.0%	8.0%	15.0%	9.3%	25.4%	100.0%

World Bank Projects Per Sector / EMSRP II

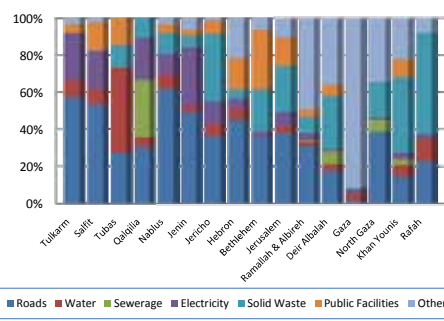


World Bank Projects Per Governorate / EMSRP II



Total (comp.1,2 &3)	\$9,099,570
Cancelled from Comp. 3	\$210,000
Comp. 4.a (Management Fee 5%)	\$500,000
Comp. 4.b (LTC)	\$190,430
Total	\$10,000,000

World Bank Projects by Sector Per Governorate / EMSRP II

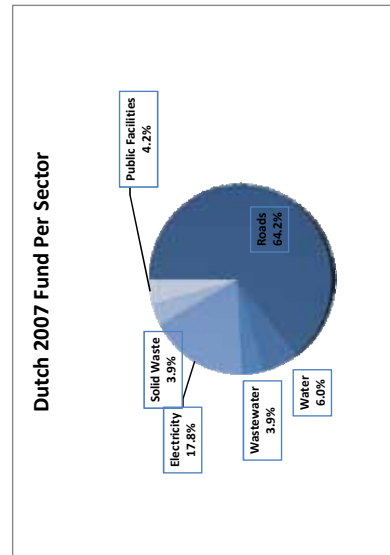


ANNEX B2:

Dutch Fund/EMSRPII

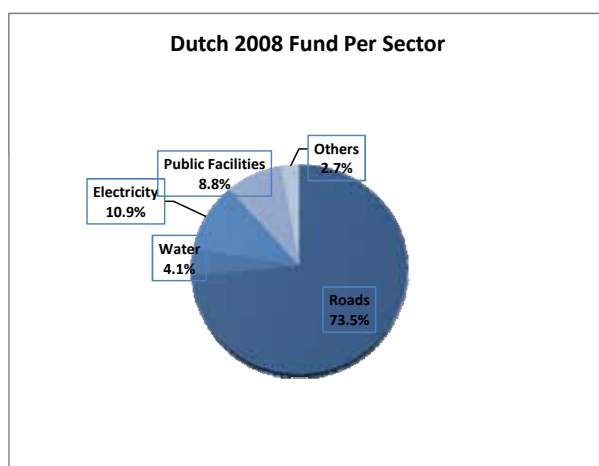
Distribution of Dutch 2007 Fund by Sector Per Governorate / EMSRPII

Governorate	Sector							Total (\$)
	Roads	Water	Wastewater	Electricity	Solid Waste	Public Facilities	Others	
Tulkarm	77,918	25,097	0	52,237	0	0	0	155,252
Salfit	41,244	0	0	37,944	0	8,834	0	88,022
Tubas	0	0	0	36,101	0	3,530	0	39,631
Qalqilia	22,699	30,303	0	0	0	0	0	53,002
Nabulus	45,850	15,367	0	39,705	15,900	19,034	0	135,856
Jenin	191,005	0	0	71,587	0	1,764	0	264,355
Jericho	0	9,624	0	0	0	0	0	9,624
Hebron	566,394	35,258	0	43,567	0	0	0	645,219
Bethlehem	207,918	0	0	0	0	0	0	207,918
Jerusalem	209,925	0	0	0	10,757	14,450	0	235,132
Ramallah	159,493	0	11,402	19,368	14,652	22,318	0	227,233
Deir Albalah	157,182	45,000	16,720	62,354	28,333	43,120	0	352,709
Gaza	0	0	8,369	8,266	12,180	0	0	28,815
North Gaza	138,155	17,258	38,715	88,600	0	0	0	282,728
Khan Younis	87,794	0	40,870	54,648	14,146	13,133	0	210,590
Rafah	0	0	0	13,555	19,426	0	0	32,981
Total	1,905,576	177,907	116,076	527,932	115,394	126,183	0	2,969,067
Percentage (%)	64.1%	6.0%	3.9%	17.9%	3.9%	4.2%	0.0%	100.0%



Distribution of Dutch 2008 Fund by Sector Per Governorate / EMSRP II

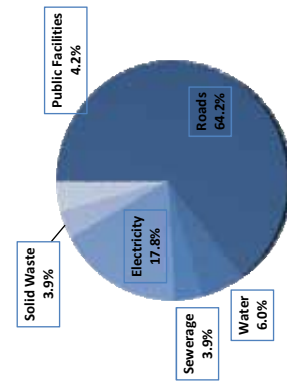
Governorate	Sector (\$)					Total (\$)
	Roads	Water	Electricity	Public Facilities	Others	
Tulkarm	881,359	47,200	142,411	0	0	1,070,970
Salfit	174,927	55,876	137,405	35,595	0	403,803
Jenin	968,956	0	33,588	216,870	77,136	1,296,550
Jericho	44,150	15,623	0	0	0	59,773
Jerusalem	42,036	0	0	0	0	42,036
Total	2,111,428	118,699	313,404	252,465	77,136	2,873,132
Percentage (%)	73.5%	4.1%	10.9%	8.8%	2.7%	100.0%



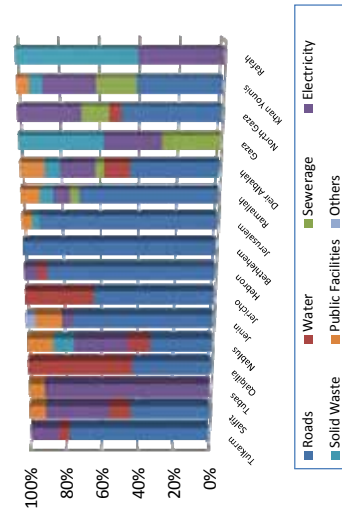
Distribution of Dutch 2007 & 2008 Fund by Sector Per Governorate

Governorate	Sector (\$)							Total (\$)
	Roads	Water	Sewerage	Electricity	Solid Waste	Public Facilities	Others	
Tulkarm	959,277	72,297	0	194,648	0	0	0	1,226,222
Salfit	216,171	55,876	0	175,349	0	44,429	0	491,825
Tubas	0		0	36,101	0	3,530	0	39,631
Qalqilia	22,699	30,303	0	0	0	0	0	53,002
Nablus	45,850	15,367	0	39,705	15,900	19,034	0	135,856
Jenin	1,159,961	0	0	105,175	0	218,634	77,136	1,560,905
Jericho	44,150	25,247	0	0	0	0	0	69,397
Hebron	566,394	35,258	0	43,567	0	0	0	645,219
Bethlehem	207,918	0	0	0	0	0	0	207,918
Jerusalem	251,961	0	0	0	10,757	14,450	0	277,168
Ramallah	159,493	0	11,402	19,368	14,652	22,318	0	227,233
Deir Albalah	157,182	45,000	16,720	62,354	28,333	43,120	0	352,709
Gaza	0	0	8,369	8,266	12,180	0	0	28,815
North Gaza	138,155	17,258	38,715	88,600	0	0	0	282,728
Khan Younis	87,794	0	40,870	54,648	14,146	13,133	0	210,590
Rafah	0	0	0	13,555	19,426	0	0	32,981
Total	4,017,004	296,606	116,076	841,336	115,394	378,648	77,136	5,842,199
Percentage (%)	68.8%	5.1%	2.0%	14.4%	2.0%	6.5%	1.3%	100.0%

Dutch 2007 & 2008 Fund Per Sector



Distribution of Dutch 2007 & 2008 Fund by Sector Per Governorate



ANNEX B3:

Sida Fund/EMSRPII

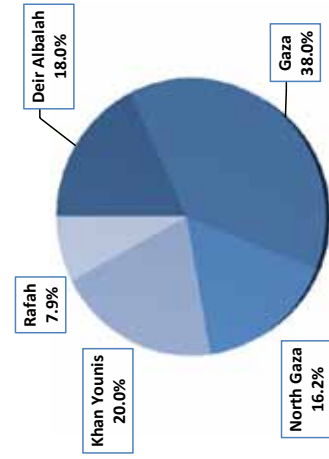
Sida & Sida (AF) Allocations by Category Per Governorate / EMSRP II

Governorate	Works (\$)	Goods (\$)	Incremental (\$)	Total (\$)
Deir Albalah	89,921	783,934	588,225	1,462,080
Gaza	45,509	980,718	2,057,967	3,084,194
North Gaza	48,315	731,760	533,581	1,313,655
Khan Younis	57,151	776,352	787,242	1,620,745
Rafah	10,000	184,834	442,570	637,404
Total	250,896	3,457,597	4,409,585	8,118,079
Percentage (%)	3.1%	42.6%	54.3%	100.0%

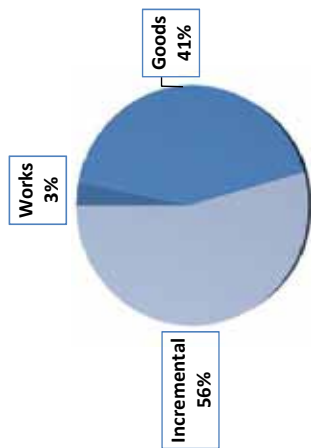
Sida & Sida (AF) Allocations by Sector Per Governorate / EMSRP II

Governorate	Sector (\$)							Total (\$)
	Electricity	Public Facilities	Roads	Solid Waste	Wastewater	Water	Others	
Deir Albalah		35,000	211,844	215,583	49,898	96,636	853,119	1,462,080
Gaza		87,009	168,558	1,587,590	209,325	204,905	826,807	3,084,194
North Gaza			229,901	326,881	158,579	31,579	566,715	1,313,655
Khan Younis		10,431	226,943	575,728	98,107	46,862	662,674	1,620,745
Rafah			48,384	362,850	10,000		216,170	637,404
Total	0	132,440	885,630	3,068,632	525,909	379,982	3,125,485	8,118,079
Percentage (%)	0.0%	1.6%	10.9%	37.8%	6.5%	4.7%	38.5%	100.0%

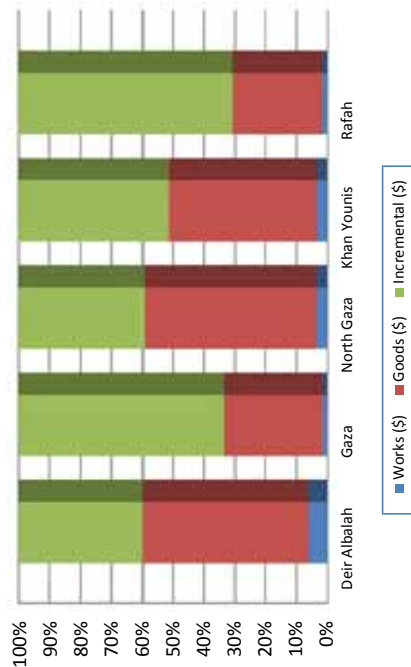
Sida & Sida (AF) Allocations Per Governorate



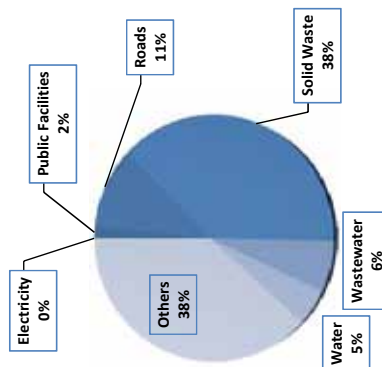
Sida & Sida (AF) Allocations Per Category



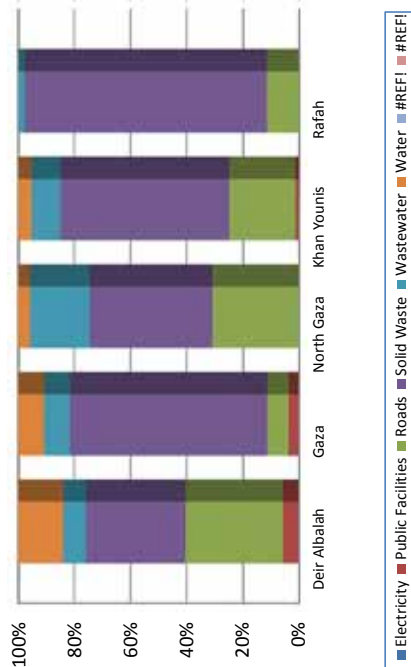
Sida & Sida (AF) Allocations by Category Per Governorate



Sida & Sida (AF) Allocations Per Sector



Sida & Sida (AF) Allocations by Sector Per Governorate



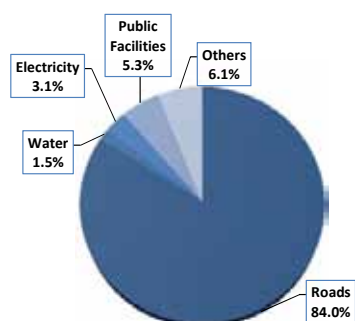
ANNEX B4:

KFW Fund/EMSRPII

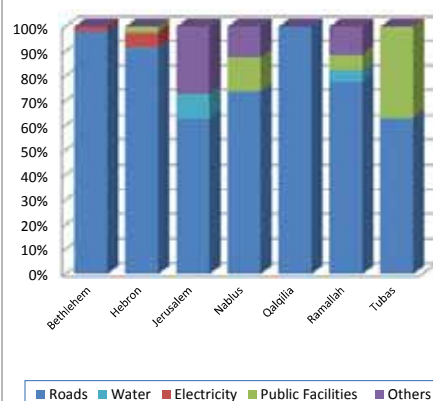
Distribution of KFW Fund Allocations by Sector Per Governorate / (West Bank Governorates)

Governorate	Sector (Euro)					Total Allocation Euro
	Roads	Water	Electricity	Public Facilities	Others	
Bethlehem	668,340	0	13,900	0	0	682,240
Hebron	3,940,952	19,815	266,760	97,116	0	4,324,643
Jerusalem	463,692	71,649	0	0	199,859	735,200
Nablus	1,558,579	6,194	0	286,529	263,904	2,115,206
Qalqilia	314,877	0	0	0	0	314,877
Ramallah	647,951	37,099	0	54,270	92,311	831,631
Tubas	81,528	0	0	47,413	0	128,941
Total	7,675,919	134,757	280,660	485,328	556,074	9,132,738
Percentage (%)	84.0%	1.5%	3.1%	5.3%	6.1%	100%

KFW Allocated Fund by Sector - West Bank Governorates



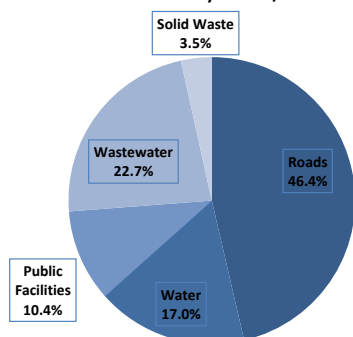
Distribution of KFW Fund by Sector Per Governorate - West Bank Governorates



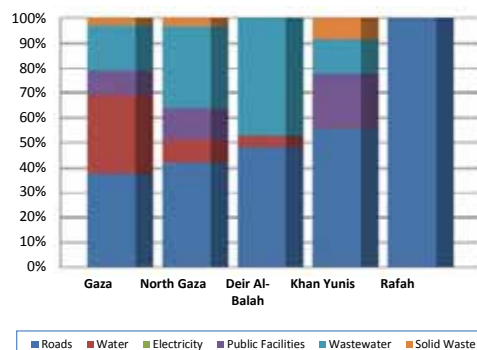
Distribution of KFW Fund Allocations by Category Per Governorate / (Gaza Strip)

Governorate	Sector (Euro)						Total (Euro)
	Roads	Water	Electricity	Public Facilities	Wastewater	Solid Waste	
Gaza	890,780	745,833		227,432	432,737	67,750	2,364,532
North Gaza	276,565	58,316		83,916	215,721	21,626	656,143
Deir Al-Balah	355,390	33,356			347,072		735,818
Khan Yunis	540,209	7,333		204,246	132,497	82,441	966,726
Rafah	237,017						237,017
Total	2,299,961	844,838	0	515,595	1,128,026	171,817	4,960,236
Percentage (%)	46.4%	17.0%	0.0%	10.4%	22.7%	3%	100.0%

KFW Allocated Fund by Sector / Gaza Strip



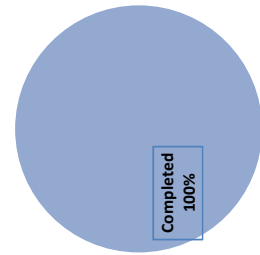
Distribution of KFW Allocated Fund by Sector Per Governorate / (Gaza Strip)



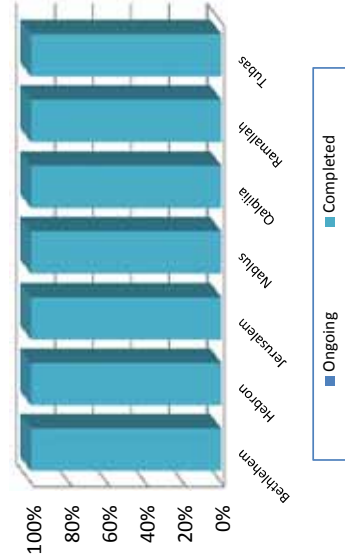
KFW Status Analysis in Terms of Projects Allocations for the West Bank Governorates - Updated 30-6-2011

Governorate	Ongoing	Completed	Total Allocation	
			Euro	
Bethlehem	0	682,240	682,240	
Hebron	0	3,376,887	3,376,887	
Jerusalem	0	735,200	735,200	
Nablus	0	1,422,868	1,422,868	
Qalqilia	0	314,877	314,877	
Ramallah	0	831,631	831,631	
Tubas	0	128,941	128,941	
Total	0	7,492,644	7,492,644	
Percentage (%)	0%	100%	100%	

Status of KFW Projects in Terms of Projects Allocation - West Bank Governorates

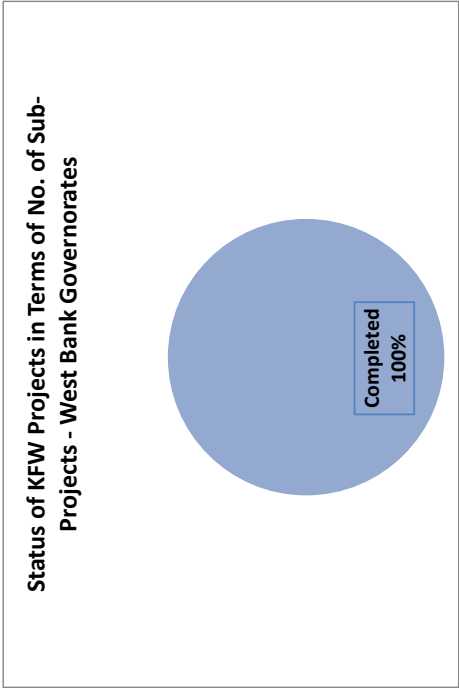


Distribution of KFW Projects Status - West Bank Governorates



KFW Status Analysis in Terms of No. of Sub-projects for the West Bank Governorates - Updated 30-6-2011

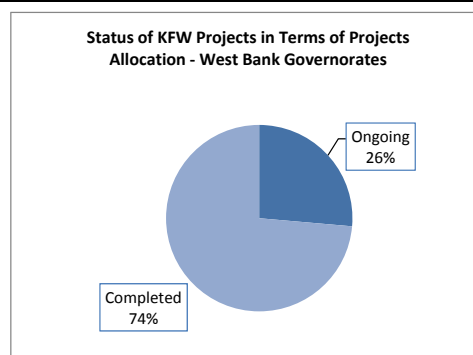
Governorate	Ongoing	Completed	Total Allocation	
			No.	
Bethlehem	0	11	11	
Hebron	0	32	32	
Jerusalem	0	14	14	
Nablus	0	12	12	
Qalqilia	0	6	6	
Ramallah	0	17	17	
Tubas	0	2	2	
Total	0	94	94	
Percentage (%)	0%	100%	100%	



Note: The total number of sub-projects increased to 94 by adding a new sub-project (supplying tires for the Garbage Truck) for Al-Ram municipality by using the remaining fund (135,94 Euro) from their allocation.

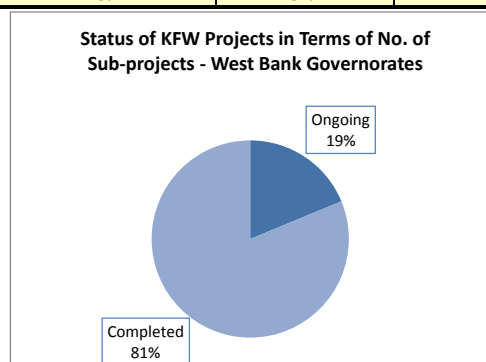
**KFW (residual fund) Status Analysis in Terms of Projects Allocations for the West Bank Governorates -
Updated 30-6-2011**

Governorate	Ongoing	Completed	Total Allocation
	O	C	Euro
Hebron	426,638	521,118	947,756
Nablus	6,194	686,143	692,337
Total	432,832	1,207,262	1,640,094
Percentage (%)	26.4%	73.6%	100%



**KFW (residual fund) Status Analysis in Terms of No. of Sub-projects for the West Bank Governorates -
Updated 30-6-2011**

Governorate	Ongoing	Completed	Total Allocation
	O	C	No.
Hebron	2	3	5
Nablus	1	10	11
Total	3	13	16
Percentage (%)	19%	81%	100%



Note: The total number of sub-projects under the KfW residual fund increased to 16 by adding two new sub-projects for Howwara and Aseera Ashamaliyya municipalities using the remaining funds from their allocations.

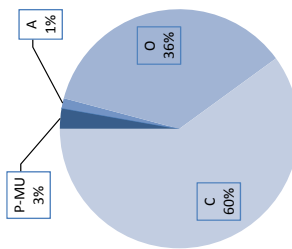
Regarding Howwara, a new sub-project of supplying and installing water meters was suggested by the municipality and approved by the MDLF, While Aseera Ashamaliyya municipality suggested the rehabilitation of roads as a new sub-project.

KFW - Subprojects - Gaza Governorates

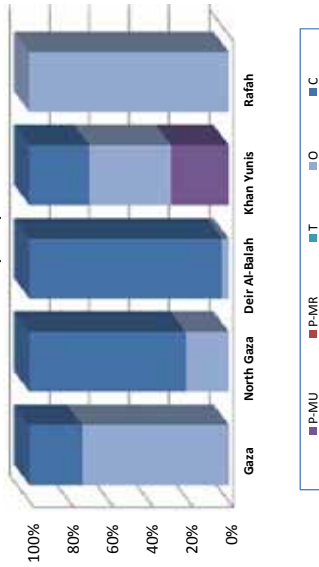
Projects Status Per Governorate - Gaza Governorates - (updated 30-6-2011)

Governorate	Status by Fund Allocation (Euro)						Total
	Pretendering (Documents at Municipality)	Pretendering (MDLF Review)	Tendering	Awarded	Ongoing	Completed	
Gaza	P-MU 5,250	P-MR	T	A 66,227	O 1,271,433	C 1,021,622	Euro 2,364,531
North Gaza					197,751	458,393	656,144
Deir Al-Balah					21,877	713,941	735,818
Khan Yunis	132,497				188,590	645,638	966,725
Rafah					99,096	137,921	237,017
Total	137,747	0	0	66,227	1,778,747	2,977,515	4,960,236
Percentage	2.8%	0.0%	0.0%	1.3%	35.9%	60.0%	100%

Status of KFW Projects by Allocated Fund - (Gaza Governorates)

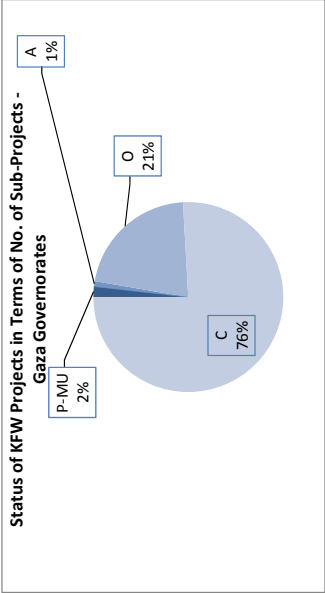


Distribution of KFW Allocated Fund by Status Per Governorate - (Gaza)



KFW Status Analysis in Terms of No. of Sub-projects for the Gaza Governorates - Updated 30-6-2011

Governorate	Pretendering (Documents at Municipality)	Pretendering (MDLF Review)	Tendering	Awarded	Ongoing	Completed	Total
	P-MU	P-MR	T	A	O	C	No.
Gaza	1			1	14	29	45
North Gaza					4	18	22
Deir Al-Balah					1	15	16
Khan Yunis	1				4	19	24
Rafah					1	4	5
Total	2	0	0	1	24	85	112
Percentage (%)	2%	0%	0%	1%	21%	76%	100%



Note that: The total no. of sub-projects decreased from 117 to 112 due to the following:

- 4 sub-projects had been cancelled in Gaza municipality
- 2 sub-projects had been cancelled in Al-Qarara municipality
- 1 sub-projects had been cancelled in Khuza'a municipality
- 2 sub-projects had been added in both (Khan-Younis & Bani Suhalla)

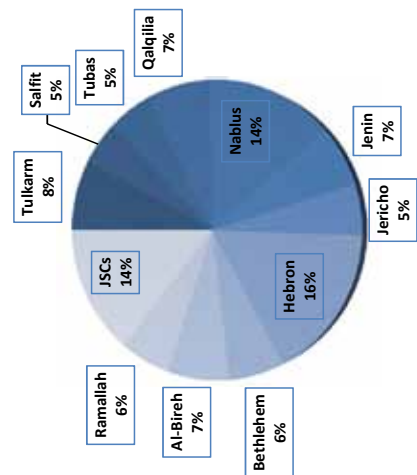
ANNEX B5:

AFD Fund/EMSRPII

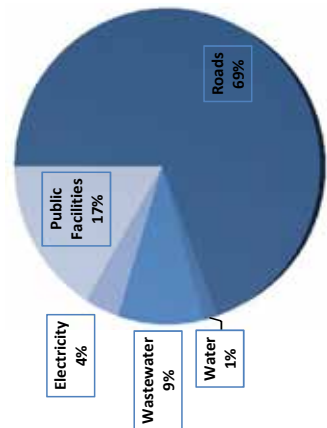
Distribution of AFD Projects by Sector Per Governorate

Governorate	Sector (Euro)					Total (Euro)
	Roads	Water	Wastewater	Electricity	Public Facilities	
Tulkarm	880,278					880,278
Salfit	509,576					509,576
Tubas	567,545					567,545
Qalqilia	499,125		306,844			805,969
Nablus	857,503	164,450	228,915	317,034		1,567,902
Jenin	685,000		46,772			731,772
Jericho	560,055			39,520		599,575
Hebron	1,490,458		357,400			1,847,858
Bethlehem	679,036					679,036
Al-Bireh	132,980				635,564	768,544
Ramallah	565,198		76,746			641,944
JSCs	320,000			58,000	1,222,000	1,600,000
Total	7,746,754	164,450	1,016,677	414,554	1,857,564	11,200,000
Percentage (%)	69.2%	1.5%	9.1%	3.7%	16.6%	100.0%

Distribution of AFD Fund Per Governorate



Distribution of AFD Fund Per Sector



ANNEX B6:

EMSRPII Additional Fund

(WB & Danish Dunds)

World Bank Additional Financing Allocations by Category Per Governorate / EMSRP II

Governorate	Works (\$)	Goods (\$)	Incremental (\$)	Total (\$)
Deir Albalah	74,887	125,000	299,575	499,462
Gaza	0	500,000	570,678	1,070,678
North Gaza	15,000	58,000	377,281	450,281
Khan Younis	130,186	0	424,221	554,407
Rafah	110,280	70,000	34,892	215,172
Total	330,353	753,000	1,706,647	2,790,000
Percentage	11.8%	27.0%	61.2%	100.0%

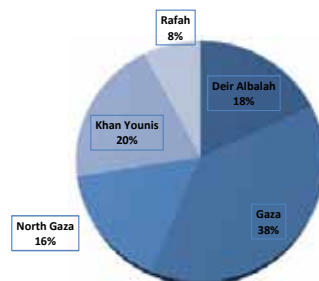
World Bank Additional Financing Allocations by Sector Per Governorate / EMSRP II

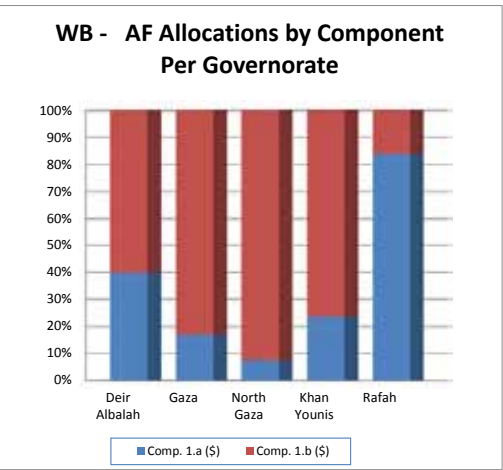
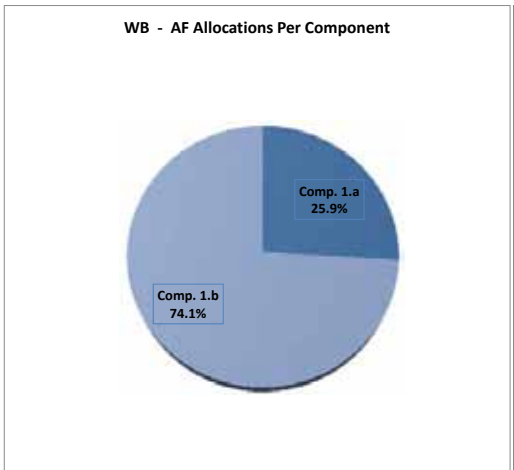
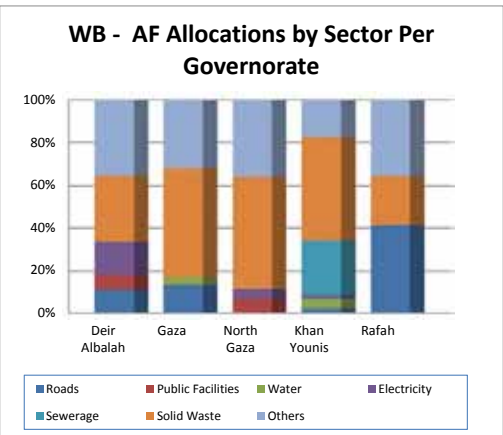
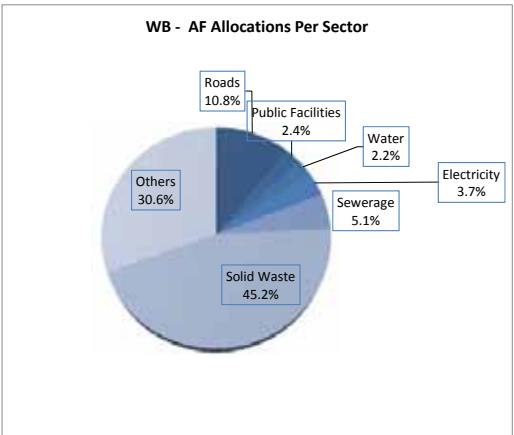
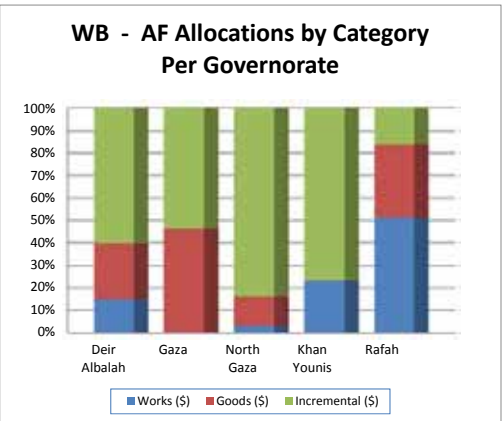
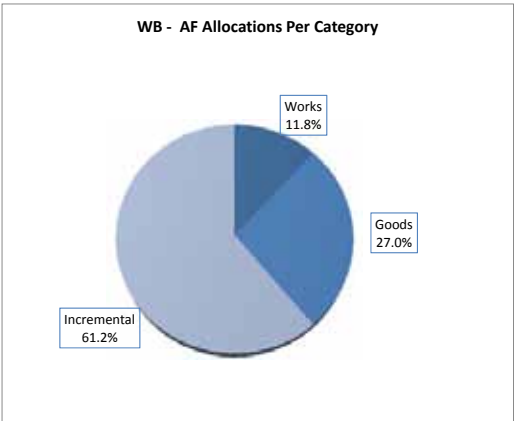
Governorate	Sector (\$)							Total (\$)
	Roads	Public Facilities	Water	Electricity	Sewerage	Solid Waste	Others	
Deir Albalah	55,719	35,000	0	75,000	0	157,095	176,648	499,462
Gaza	144,500	0	35,500	0	0	549,938	340,740	1,070,678
North Gaza	0	33,000	0	18,000	0	237,164	162,117	450,281
Khan Younis	12,974	0	25,000	9,000	143,212	267,957	96,264	554,407
Rafah	89,031	0	0		0	49,341	76,800	215,172
Total	302,224	68,000	60,500	102,000	143,212	1,261,495	852,569	2,790,000
Percentage	10.8%	2.4%	2.2%	3.7%	5.1%	45.2%	30.6%	100.0%

World Bank Additional Financing Allocations by Component Per Governorate / EMSRP II

Governorate	Comp. 1.a (\$)	Comp. 1.b (\$)	Total (\$)
Deir Albalah	199,887	299,575	499,462
Gaza	180,000	890,678	1,070,678
North Gaza	33,000	417,281	450,281
Khan Younis	130,186	424,221	554,407
Rafah	180,280	34,892	215,172
Total	723,353	2,066,647	2,790,000
Percentage	25.9%	74.1%	100.0%

WB - AF Allocations Per Governorate





Danish Allocations by Category Per Governorate / EMSRP II Additional Financing

Governorate	Works (\$)	Goods (\$)	Incremental (\$)	Total (\$)
Deir Albalah	181983	378,425	205,633	766,041
Gaza	14722	1,051,800	710,149	1,776,671
North Gaza	90000	482,111	306,342	878,453
Khan Younis	151825	435,146	310,569	897,540
Rafah	0	285,063	249,035	534,098
Total	438,530	2,632,545	1,781,728	4,852,803
Percentage	9.0%	54.2%	36.7%	100.0%

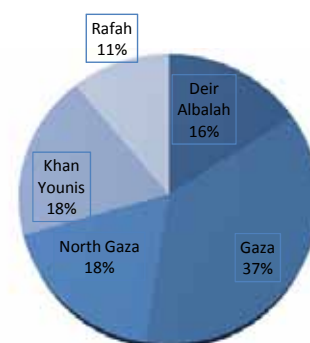
Danish Allocations by Sector Per Governorate / EMSRP II Additional Financing

Governorate	Sector (\$)						Total (\$)
	Roads	Wastewater	Water	Solid Waste	Public Facilities	Others	
Deir Albalah	355,372	0	0	141,458	16,776	252,435	766,041
Gaza	163,570	125,000	205,000	203,149	11,152	1,068,800	1,776,671
North Gaza	156,776	70,000	75,000	265,842	40,000	270,835	878,453
Khan Younis	272,632	82,000	9,942	303,466	40,000	189,500	897,540
Rafah	26,063			299,035		209,000	534,098
Total	974,413	277,000	289,942	1,212,950	107,928	1,990,570	4,852,803
Percentage	20.1%	5.7%	6.0%	25.0%	2.2%	41.0%	100.0%

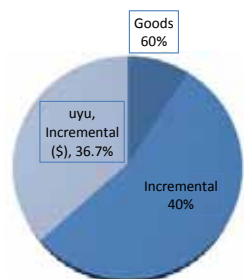
Danish Allocations by Component Per Governorate / EMSRP II Additional Financing

Governorate	Comp. 1.a (\$)	Comp. 1.b (\$)	Total (\$)
Deir Albalah	412,148	353,893	766,041
Gaza	314,722	1,461,949	1,776,671
North Gaza	341,776	536,677	878,453
Khan Younis	346,971	550,569	897,540
Rafah	47,063	487,035	534,098
Total	1,462,680	3,390,123	4,852,803
Percentage	30.1%	69.9%	100.0%

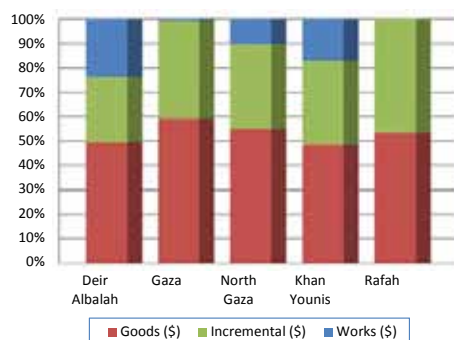
(Danish / EMSRP II AF) Allocations Per Governorate



(Danish / EMSRP II AF) Allocations Per Category



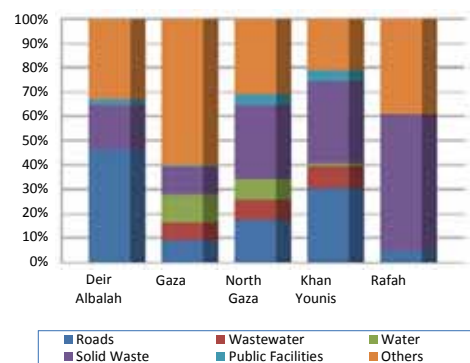
(Danish / EMSRP II AF) Allocations by Category Per Governorate



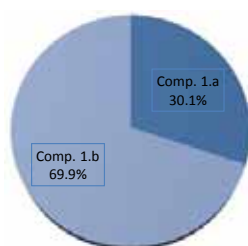
(Danish / EMSRP II AF) Allocations Per Sector



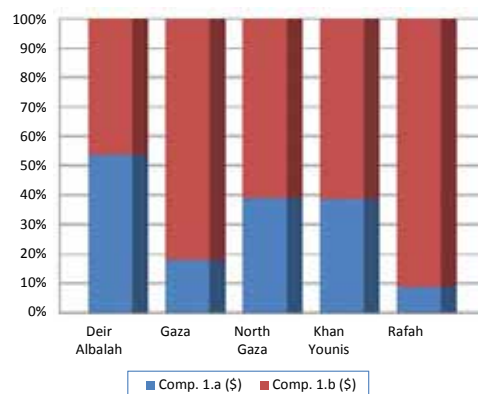
(Danish / EMSRP II AF) Allocations by Sector Per Governorate



(Danish / EMSRP II AF) Allocations Per Component



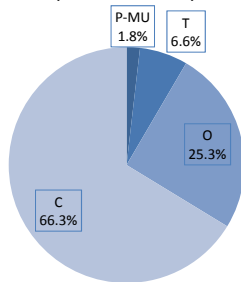
(Danish / EMSRP II AF) Allocations by Component Per Governorate



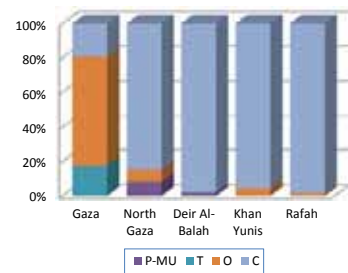
Danish - Additional Financing - Projects Status Per Governorate - Gaza Governorates - (updated 30-6-2011)

Governorate	Status by Fund Allocation (\$)				
	Pretendering (Documents at Municipality)	Tendering	Ongoing	Completed	Total
	P-MU	T	O	C	\$
Gaza		321,081	1,115,106	340,485	1,776,672
North Gaza	73,100		63,059	742,294	878,453
Deir Al-Balah	14958		360	750,724	766,043
Khan Yunis			40,000	857,540	897,540
Rafah			8,111	525,987	534,098
Total	88,058	321,081	1,226,636	3,217,030	4,852,805
Percentage	1.8%	6.6%	25.3%	66.3%	100%

Status of Danish (AF) Projects by Allocated Fund - (Gaza Governorates)



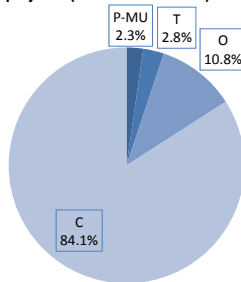
Distribution of Danish (AF) Allocated Fund by Status Per Governorate - (Gaza)



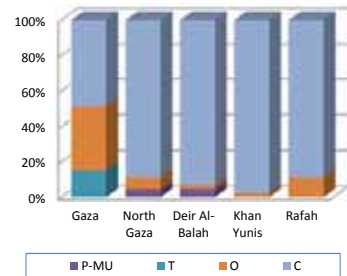
Danish - Additional Financing - Projects Status Per Governorate - Gaza Governorates - (updated 30-6-2011)

Governorate	Status by No. of Sub-projects				
	Pretendering (Documents at Municipality)	Tendering	Ongoing	Completed	Total
	P-MU	T	O	C	No.
Gaza		5	12	16	33
North Gaza	2		3	38	43
Deir Al-Balah	2		1	40	43
Khan Yunis			1	39	40
Rafah			2	15	17
Total	4	5	19	148	176
Percentage	2.3%	2.8%	10.8%	84.1%	100%

Status of Danish (AF) Projects by No. of Sub-projects- (Gaza Governorates)



Distribution of Danish (AF) Sub-projects by Status Per Governorate - (Gaza)



ANNEX B7:

EMSRPII KPIs

EMSRPII Output Indicators By Donor Per Sector - Component 1 - (as of 30-6-2011)

Sector / Donor	WB+Dutch (2007-2008)	WB-AF (2009)	Sida & Sida AF (2008-2009)	KFW-2008	AFD-2008	Danish-2009
Roads	69 Km pavement 10,023 Lm sidewalks 809 Lm culverts 240 Lm hand rails 630 Lm retaining walls 2 Km street lighting 2,673 lighting units 1 steel roller 1 asphalt cutter 1 concrete mixer	3.5 Km Pavement 2.6 street lighting units were maintained 300 lighting units 193,815 \$ for supplying materials of roads maintenance 34,742 \$ for renting services tools and equipments	4 Km pavement 3,161 lighting units 42,629 \$ for supplying materials for street lighting. 192,582 \$ for supplying materials of roads maintenance.	69 km pavement 1,230 Lm retaining walls 7,210 Lm of sidewalks 4,648 lighting units	52 Km pavement and sidewalks 2.65 km retaining walls	2.4 Km Pavement 2,057 lighting units were supplied. 294,185 \$ for supplying materials of roads maintenance
Water	28,459 Lm pipes 903 water meters 56,374 \$ bills for water pumps	3.9 Km network rehabilitation	2,700 Lm pipes were supplied. 174,284 \$ for supplying spare parts for the water networks.	5 km water networks	2.7 km of water networks	2 water pumps were supplied
Wastewater	0.69 Km network rehabilitation 5,458 Lm pipes	1 Km of network rehabilitation 57,000 \$ for supplying fuel of the treatment plants	1 Km network rehabilitation 2,040 Lm wastewater pipes 375,513 \$ for supplying materials and spare parts of the WW network	6 pumps for wastewater	11 km of waste water networks	64,468 \$ for supplying spareparts of wastewater networks
Electricity	9 Km electrical networks were rehabilitated 38,403 Lm cables were supplied 288,878 \$ Electrical & lighting bills Fuel supply for generators (continuity of service	17,764 \$ materials for electricity networks	9,770 Lm cables 213,909 \$ materials for electricity networks	2 transformers were installed 1,647 pre-paid meters were installed	2 km of electricity networks Construction of Aerial Conversion Station in Nablus Aljadedd111 - 630 KVA.	-----
Solid Waste	427 containers 2 tractors - 3 trailers 82,179\$ for supplying fuel for collection equipments 52,691\$ fees for dumping sites	20 solidwaste containers were supplied 124,647 \$ for solid collection fees and other related expenses	10 bicycles, 1 trailer and 11 containers 56,000 \$ for maintenance of solid waste collection devices. 1,760,739 \$ for solid collection fees and other related expenses	263 solid waste containers were supplied		177 solid waste containers were supplied 1,063,875 \$ for solidwaste fees, spareparts and maintenance of solid waste machines and fuels for the service tools.
Public Facilities	3,958 Sq.m public buildings 1,030 Sq.m public facilities	400 Sq.m of public facilities	41,000 Sq.m of public parks rehabilitated/constructed 23,500 \$ for supplying materials of parks and public facilities.	410 Sq.m of class rooms were constructed 7,500 Sq.m of public parks were constructed	1,298 Sq.m of public facilities	430 Sq.m of public buildings were constructed.
Others	Supplying 1 Excavator 268,047\$ for supplying service tools and vehicles maintenance	800,000 \$ fuel supply, oil supply and spare parts for municipal vehicles 202,076 \$ fees, labor insurance and vehicles insurance	158,874 \$ for supplying materials of health departments. 1,262,864 \$ fuel supply, oil supply and spare parts for municipal vehicles 802,295 \$ fees, labor insurance and vehicles insurance	540,268 Euros for supplying equipments, service tools and spare parts .		76,393 for car insurance, labour insurance and supplying of stationary.

Output Indicators for EMSRP II - 1st cycle - (WB)
Component 2 (Jobs Creation)

No	Type	Allocation \$	Output Indicator Achievement	Person-Month Conversion	Labor Content
I	Direct Temporary Employment	2,108,940	167,533 Person-Day were created as a result of the project with 12.59\$ Per Person-Day in average	5,584 Person-Month were created as a result of the project with 378\$ Per Person-Month in average	$A = 100 * (2,108,940 / 3,100,026) = 68 \%$
II	Indirect Temporary Employment	991,086	3,304 Person-Day were created as indirect employment based on 5% of the materials cost as indirect employment with 15\$ Per Person-Day	110 Person-Month were created based on 5% of the materials cost as indirect employment with 450\$ Per Person-Month	$B = (0.05 * 991,086) / 3,100,026 = 1.58 \%$
Total		3,100,026	170837	5694	69.58% > 50%

ANNEX C:

LGCBP

Local Government Capacity Building Project (LGCBP)

Component 1: Financial management and accounting system reform

Roll out Municipalities

Geographic location	Municipality	Area	Status
North (10 municipalities)	Jenin	C1	The opening Balance Assignment is on progress and the MDLF anticipates to be updated and IFMIS will be implemented.
	Al Yamun		
	Ya'abad		
	Qabatya	C2	The opening Balance Assignment is on progress and the MDLF anticipates to be updated and IFMIS will be implemented
	Jaba'		
	Kufr Rai		
	Tulkarm	C3	The MDLF anticipates to hiring a consultant to work in this area to prepare the opening balances
	Anabta		
	Beita	C4	The MDLF anticipates to hiring a consultant to work in this area to prepare the opening balances
	Qabalan		
Middle (8 municipalities)	Bidya	C5	The MDLF is anticipating to update the Opening balances so IFMIS will be implemented
	Al Zaytuna		
	Bani Zaid		
	Bido	C6	
	Qatana		
	Jericho	C7	
	Silwad		
Dir Dibwan			
South (8 municipalities)	Hebron	C8	The MDLF anticipates to hiring a consultant to work in this area to prepare the opening balances
	Tafuh		
	Surif		
	Bani Naim	C9	The opening Balance Assignment is on progress and the MDLF anticipates to be updated and IFMIS will be implemented
	Yatta		
	Al-Samu'		
	Bethlehem	C10	The opening Balance Assignment is on progress and the MDLF anticipates to be updated and IFMIS will be implemented
	Beit Sahur		

ANNEX D:

LDP II

Local Development Programme in Jenin Governorate Phase Two (LDPII)
List of Approved Projects and Activities

Component 1: Institutional Development (Allocated Budget 1,333,333 DKK = 234,025 USD)

No.	Project Name	Allocated Budget (\$)	Municipality
1	Areal Photogrametry, Master Physical Plan and SDIP for Al-Muttahida Municipality.	104,025.00	Al-Muttahida
			Al-Muttahida
2	Update Areal Photogrametry, Master Physical Plan and SDIP for Marj Bin amer Municipality	130,000.00	Marj Bin Amer
Total		234,025	

Component 2: (Social Activities) (Allocated Budget 630,000 DKK = 110,520 USD)

No.	Project Name	Allocated Budget (\$)	Municipality
1	Open Day For School Children/ Male and Female	14,000	Al-Muttahida
			Marj Bin Amer
2	Palestinian Children's Day:	5,000	Al-Muttahida
			Marj Bin Amer
3	Labor Day: (Planting trees on the roads sides connecting "integrated" municipalities)	4,000	Al-Muttahida
			Marj Bin Amer
4	Training courses for women in the following subjects: 1- Training course in food processing, canning and packaging 2- Course on planting Mushroom	5,000	
5	Leisure trip for the elderly to including activities and travel	4,000	Al-Muttahida
6	Ramadan evening with entertainment	10,000	Al-Muttahida
			Marj Bin Amer
7	Training Dabke group for Young Men in Both Municipalities.	28,620	Both Municipalities
8	Creation of Youth Councils at the Municipalities	39,900	Both Municipalities
Total		110,520	

Component 2: Community Development Projects (Allocated Budget 239,000 USD)

No.	Project Name	Allocated Budget (\$)	Municipality
1	Rehabilitation and Furnishing Seer Kindergarten	22,000	Al-Muttahida
2	Improve Abu 'Aae'sha Center for People with the special needs and supply it with new medical Equipments.	21,000	Al-Muttahida
3	Improve Serees Medical Center	20,000	Al-Muttahida
4	Construction of Canopies for Al-Muttahida Elementary Girls Schools	20,000	Al-Muttahida
5	Preparing Food Processing Center	22,000	Al-Muttahida
6	Preparing the Computer Lab for Masqat Girls School	15,000	Al-Muttahida
7	Equipping a Public Library	20,000	Marj Bin Amer
			Marj Bin Amer
			Marj Bin Amer
			Marj Bin Amer
8	Equipping a Computer and Internet Lab	22,000	Marj Bin Amer
			Marj Bin Amer
9	Preparing Food Processing Center	22,000	Marj Bin Amer
10	Sewing Factory	21,000	Marj Bin Amer
11	Vegetables Shrubs' Saplings Nursery	21,000	Marj Bin Amer
12	Packing and Marketing Center	13,000	Marj Bin Amer
Total		239,000	

Component 3: InfraStructure Projects (Allocated Budget 1,100,000 USD)

No.	Project Name	Allocated Budget (\$)	Municipality
1	Development of Internal Connection Roads for Al-Muttahida Municipality.	300,000	Al-Muttahida
2	Construction of New Building for Al-Muttahida Municipality.	250,000	Al-Muttahida
3	Extension of Marj Bin amer Municipality Building	250,000	Marj Bin Amer
4	Finishing of Sport & Culture Center for Marj Bin amer Municipality	300,000	Marj Bin Amer
Total		1,100,000	

Component 4: Consultant Services (Allocated Budget 140,415 USD)

No.	Project Name	Allocated Budget (\$)	Municipality
1	Cabacity Building & Training Needs Assessment for Al-Muttahida & Marj Bin amer Municipalities	4,400	Al-Muttahida
Total		4,400	

ANNEX E:

Financial Statement Notes

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2011
AND INDEPENDENT AUDITOR'S REVIEW REPORT

- TABLE OF CONTENTS -

	<u>PAGE</u>
Independent auditor's review report	2
Interim Statement of financial position	3
Interim Statement of activities and changes in net assets	4
Interim Statement of cash flows	5
Notes to the interim financial statements	6

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

INTERIM STATEMENT OF FINANCIAL POSITION

(All amounts in U.S Dollars)

	<u>Note</u>	<u>June 30, 2011</u> <u>(Unaudited)</u>	<u>December 31, 2010</u> <u>(Audited)</u>
ASSETS			
Non-current assets			
Property and equipment, net	(3)	263,525	287,478
Total non-current assets		263,525	287,478
Current assets			
Pledges receivable	(4,14)	29,791,533	44,785,628
Prepaid expenses and other current assets	(5)	66,701	21,539
Cash and cash equivalents	(6)	7,349,057	15,574,453
Total current assets		37,207,291	60,381,620
Total assets		37,470,816	60,669,098
NET ASSETS AND LIABILITIES			
Net assets			
Temporarily restricted net assets	(7,14)	30,694,713	53,781,425
Unrestricted net assets		1,249,207	279,621
Total net assets		31,943,920	54,061,046
Non-current liabilities			
Provident fund	(8)	345,295	281,733
Provision for end-of-service indemnity	(9)	252,088	222,148
Total non-current liabilities		597,383	503,881
Current liabilities			
Accrued expenses and other current liabilities	(10)	4,929,513	6,104,171
Total current liabilities		4,929,513	6,104,171
Total liabilities		5,526,896	6,608,052
Total net assets and liabilities		37,470,816	60,669,098

- The notes on pages 6 to 42 are an integral part of these financial statements.

- The financial statements on pages 3 to 42 were approved for issue on September 29, 2011.

Arch. Abdel Mughni Nofal
Director General

Mr. Muhammad Al Ramahi
Finance and Administrative Manager

... 140 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

INTERIM STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

(All amounts in U.S Dollars)

	<u>Note</u>	<u>For the six months period ended</u>	
		<u>June 30, 2011</u>	<u>June 30, 2010</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
Changes in unrestricted net assets			
MDLF management fees	(7,11)	1,159,370	694,505
Currency variance	(13)	779,045	(104,295)
Interest income		17,245	-
Other income		23,856	16,818
Total unrestricted revenues		1,979,516	607,028
Released from temporarily restricted net assets	(7)	23,608,366	13,536,530
Total unrestricted revenues		25,587,882	14,143,558
Expenses			
Projects' expenses	(11)	23,608,635	13,536,530
Depreciation expenses	(3)	41,548	41,416
General and administrative expenses	(12)	965,586	726,369
Loss from sale of property and equipment		2,527	-
Total expenses		24,618,296	14,304,315
Net change in unrestricted net assets		969,586	(160,757)
Changes in temporarily restricted net assets			
Grants and donations	(7)	-	22,992,070
Net assets released from restriction – management fees	(7,11)	(1,159,370)	(694,505)
Net assets released from restriction – projects' expenses	(7)	(23,608,366)	(13,536,530)
Grants written off during the year	(7)	(187,235)	(127,875)
Currency variance	(7)	1,868,259	(3,190,297)
Net changes in temporarily restricted net assets		(23,086,712)	5,442,863
Net changes in net assets for the period		(22,117,126)	5,282,106
Net assets, beginning of the period		64,026,795	58,744,689
Net assets, end of the period		41,909,669	64,026,795

- The notes on pages 6 to 42 are an integral part of these financial statements.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

INTERIM STATEMENT OF CASH FLOWS

(All amounts in U.S Dollars)

	For the six months period ended	
	June 30, 2011	June 30, 2010
Cash flows from operating activities		
Changes in net assets for the period	(22,117,126)	5,282,106
Adjustments:		
Depreciation	41,548	41,416
End of service indemnity expense	45,989	37,235
Loss from sale of property and equipment	2,527	-
Adjustments to reconcile changes in net assets to net cash (used in) operating activities:		
Pledges receivable	14,994,095	(11,342,212)
Prepaid expenses and other current assets	(45,162)	103,516
Accrued expenses and other current liabilities	(1,174,658)	(1,617,987)
Provident fund	63,562	14,288
End of service indemnity paid	(16,049)	(26,718)
Net cash used in operating activities	(8,205,274)	(7,508,356)
Cash flows from investing activities		
Purchase of property and equipment	(24,271)	(7,305)
Disposal of property and equipment	-	7,086
Proceeds from sale of property and equipment	4,149	-
Net cash used in investing activities	(20,122)	(219)
Decrease in cash and cash equivalents	(8,225,396)	(7,508,575)
Cash and cash equivalents, beginning of the period	15,574,453	12,901,949
Cash and cash equivalents, end of the period	7,349,057	5,393,374

- The notes on pages 6 to 42 are an integral part of these financial statements.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (1) – GENERAL INFORMATION

The Municipal Development and Lending Fund (MDLF) is a semi governmental juridical entity established by the Decree under the Council of Ministers, to accelerate Palestine's drive toward self-sustained, decentralized, prosperous and creditworthy local governments. The main objective of the fund is to encourage the flow of financial resources to Local Government Units (LGU). According to Cabinet Decree No. 05/13/12 dated August 2007, the fund shall undertake the following missions (Article 1 of the Decree):

1. 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.
2. Assist local authorities develop their capacities in compliance with the bases of modern management practices to help them provide better services to the public.
3. 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.
4. Encourage local authorities to adopt developmental projects to expand their geographic jurisdiction so as to serve their developmental plans.
5. 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. The MDLF consists of 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 the fund. The Board consists of eleven 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, the Ministry of Planning, the Ministry of National Economy, and the Ministry of Public Works and Housing, in addition to the Association of Palestinian Local Authorities (APLA), the Engineering Association, the Association of Banks in Palestine and three members from the local authorities and the civic society.

The interim financial statements for the six months period ended June 30, 2011 has been reviewed, not audited.

NOTE (2) – BASIS OF PREPARATION

The Interim financial statements are prepared according to the International Accounting Standard number 34 (Interim Financial Reporting) and the International Financial Reporting Standards (IFRSs) 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 statement in conformity with IFRSs 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.

... 143 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

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

a) Property and equipment:

Property and equipment are stated at 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:

	%
Furniture and fixtures	15-20%
Office equipment	15-20%
Computer software	20-33%
Vehicles	15%

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.

b) Pledges receivable:

Pledges receivable are stated at the original amount of the signed agreement less the amount received and impaired.

c) 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.

d) Net assets:

Net assets of MDLF and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets whose use by MDLF is not subject to donor-imposed restrictions.
- Temporarily restricted net assets - Net assets whose use by MDLF is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and released by actions of MDLF pursuant to those donor-imposed stipulations.

e) Impairment of assets:

The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indications exist and when the carrying values exceed the estimated recoverable amounts the values of the assets are decreased to the recoverable amount, and the difference is recognized in the statement of activities and changes in net assets.

f) Expense recognition:

Expenses are recognized when incurred based on the accrual basis of accounting.

g) Provision for end of service indemnity:

Benefits payable to the employees of MDLF at the end of their services are provided for in accordance with the local labour laws and MDLF's bylaw.

...¹⁴⁴...

h) Revenue Recognition:

Revenues are recognized when contributions and/or donations are pledged.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

i) Changes in the accounting policies:

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

j) Translation of foreign currencies:

The accompanying financial statements are denominated in US Dollars (hereinafter "USD"). Transactions in other currencies are recorded in USD at the exchange rate at the date of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into USD using the exchange rate at the statement of financial position date. All currency exchange differences are recognized in the statement of activities and changes in net assets.

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

Currency	June 30, 2011	December 31, 2010	June 30, 2010
NIS	0.293	0.282	0.258
EURO	1.450	1.324	1.221
GBP	1.610	1.552	1.505

k) Statement of sources and uses of funds:

Statement of sources and uses of funds was prepared according to the World Bank reporting procedures when funds are received from multiple donors.

l) Financial Risk Management:

1. 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:

Fully performing assets:

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

Item	Carrying amount	Credit Quality
Pledges receivable	29,791,533	High
Cash and cash equivalents	7,349,057	High

- MDLF has a total amount of USD 29,791,533 as pledges receivable from the donors.

- MDLF has an amount of USD 7,349,057 as cash at local banks and on hand, these funds are not restricted to use.

... 145 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

2. 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:

Items	Expected timing of cash outflow				
	Carrying amounts	0-6 Month	7M-1 Year	1-2 Years	More than 2 Years
Accrued expenses and other current liabilities	4,929,513	4,929,513	-	-	-
	4,929,513	4,929,513	-	-	-

- MDLF will pay an amount of USD 4,929,513 during the second 6 months of the year 2011. MDLF will use the available cash to settle these obligations.

3. 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.

The main currencies that MDLF uses are the United States Dollars (USD), the New Israeli Shekels (NIS) , Sterling Pound (GBP) and the EURO. The rates against the reporting currency USD were as follows:

	June 30, 2011		June 30, 2010	
	Period - end	Period - Average	Period - end	Period - Average
EURO	1.4500	1.4218	1.4110	1.3305
GBP	1.6101	1.5919	1.6628	1.5264
NIS	0.2927	0.2843	0.2551	0.2663

These fluctuations in the exchange rates resulted in a gain of USD 779,045 for the six months period ended June 30, 2011 (loss of USD 104,295 for the six period ended June 30, 2010).

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (3) – PROPERTY AND EQUIPMENT, NET

Details-

Cost	Vehicles	Office equipment	Furniture and Fixtures	Computer Software	Total
Balance January 1, 2010	281,577	178,329	96,192	40,504	596,602
Additions	-	17,804	2,480	-	20,284
Disposals	(9,339)	-	-	-	(9,339)
Balance December 31, 2010	272,238	196,133	98,672	40,504	607,547
Accumulated depreciation					
Balance January 1, 2010	58,787	126,606	37,744	24,109	247,246
Additions	42,009	24,991	9,280	5,882	82,162
Disposals	(9,339)	-	-	-	(9,339)
Balance December 31, 2010	91,457	151,597	47,024	29,991	320,069
Net book value December 31, 2010	180,781	44,536	51,648	10,513	287,478
Cost	Vehicles	Office equipment	Furniture and Fixtures	Computer Software	Total
Balance January 1, 2011	272,238	196,133	98,672	40,504	607,547
Additions	1,678	4,582	18,011	-	24,271
Disposals	-	-	(9,700)	-	(9,700)
Balance June 30, 2011	273,916	200,715	106,983	40,504	622,118
Accumulated depreciation					
Balance January 1, 2011	91,457	151,597	47,024	29,991	320,069
Additions	20,796	10,390	4,480	5,882	41,548
Disposals	-	-	(3,024)	-	(3,024)
Balance June 30, 2011	112,253	161,987	48,480	35,873	358,593
Net book value June 30, 2011	161,663	38,728	58,503	4,631	263,525

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (4) – PLEDGES RECEIVABLE

Details-

Project / Donor	Beginning balance	Addition during the period	Written off during the period	Received during the period	Currency variance	Ending balance
World Bank EMSRP II – additional financing	15,389	-	-	-	(15,389)	-
LGCBP	3,212,350	-	-	(604,376)	-	2,607,974
Danish Trust Fund	3,931,081	-	-	(2,051,355)	-	1,879,726
AFD	225,015	-	-	-	21,302	246,317
SIDA	363,042	-	-	(348,767)	(14,275)	-
KFW	7,045,234	-	-	(1,854,483)	645,104	5,835,855
<u>Municipal Development Program phase I (MDP)</u>						
MDP – WB	4,802,658	-	-	-	-	4,802,658
MDP – KFW	9,934,500	-	-	(6,566,979)	879,246	4,246,767
MDP – AFD	1,186,239	-	-	-	112,301	1,298,540
MDP – Multi Donor Trust Fund	10,715,042	-	-	(4,949,126)	-	5,765,916
MDP – GIZ	267,229	-	-	-	25,299	292,528
MDP – PNA	3,087,849	-	-	(516,068)	243,471	2,815,252
	<u>44,785,628</u>	<u>-</u>	<u>-</u>	<u>(16,891,154)</u>	<u>1,897,059</u>	<u>29,791,533</u>

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (5) – PREPAID EXPENSES AND OTHER CURRENT ASSETS

Details-

	June 30, 2011	December 31, 2010
Advances to employees	10,746	-
Prepaid expenses	43,620	21,539
Other receivables	12,335	-
	66,701	21,539

NOTE (6) – CASH AND CASH EQUIVALENTS

Details-

	June 30, 2011	December 31, 2010
Cash on hand	1,809	55
Cash at bank	7,347,248	15,574,398
	7,349,057	15,574,453

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (7) – TEMPORARILY RESTRICTED NET ASSETS

Details-

Project / Donor	Beginning balance	Grants and donations	Written off during the period	Released from restriction - projects' expenses	Released from restriction - management fees	Currency variance	Ending balance
World Bank EMSRPII – additional financing	287,029	-	*(50,584)	(220,920)	(136)	(15,389)	-
LGCBP	3,173,977	-	-	(445,760)	(18)	-	2,728,199
Danish Trust Fund	3,082,683	-	-	(1,250,679)	(129,401)	-	1,702,603
AFD	1,021,118	-	-	(401,688)	(164)	73,841	693,107
SIDA	963,094	-	*(136,651)	(789,241)	(22,927)	(14,275)	-
CDSF	969	-	-	-	-	-	969
KFW	6,910,880	-	-	(3,249,297)	(31,513)	594,441	4,224,511
LDP phase two	2,106,224	-	-	(566)	-	-	2,105,658
LDP phase one	242,890	-	-	(242,890)	-	-	-
Municipal Development Program phase I (MDP)							
MDP – WB	8,240,016	-	-	(4,033,646)	(239,189)	-	3,967,181
MDP – KFW	9,386,536	-	-	(5,328,487)	(377,326)	825,353	4,506,076
MDP – AFD	4,133,198	-	-	(1,648,398)	(70,277)	367,499	2,782,022
MDP – Multi Donor Trust Fund	11,133,303	-	-	(4,530,425)	(272,899)	-	6,329,979
MDP – GIZ	433,850	-	-	(151,259)	(22)	36,789	319,358
MDP – PNA	2,665,658	-	-	(1,315,110)	(15,498)	-	1,335,050
	53,781,425	-	(187,235)	(23,608,366)	(1,159,370)	1,868,259	30,694,713

* These amounts resulted from off – records currency variances as the agreements with donors are in USD whereas the money is received in sterling pound (GBP). The difference resulted from the difference in exchange rate between the time the donor transfers the money and the time they are received by MDLF.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (8) – PROVIDENT FUND

MDLF deducts 5% from employees' salaries and contributes 10% from its own funds.

NOTE (9) – PROVISION FOR END-OF-SERVICE INDEMNITY

Details-

	June 30, 2011	December 31, 2010
Balance, beginning of the period	222,148	188,153
Add: provision made during the period	45,989	74,847
Less: payments made during the period	(16,049)	(40,852)
Balance, end of the period	<u>252,088</u>	<u>222,148</u>

NOTE (10) – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Details-

	June 30, 2011	December 31, 2010
Due to contractors	4,908,034	6,049,485
Bank overdraft	-	30,009
Accrued expenses and other payables	21,479	24,677
	<u>4,929,513</u>	<u>6,104,171</u>

... 151 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)
Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS
(All amounts in U.S Dollars)

NOTE (11) – PROJECTS' EXPENSES

Details –

		For the six months period ended June 30, 2011			For the six months period ended June 30, 2010		
Project / Donor	Note	Projects' expenses	MDLF management fees	Total	Projects' expenses	MDLF management fees	Total
World Bank EMSRPII	(11.a)	-	-	-	210,426	434	210,860
World Bank EMSRPII – additional financing	(11.b)	220,920	136	221,056	1,758,933	110,385	1,869,318
LGCBP	(11.c)	445,760	18	445,778	881,894	50,199	932,093
Danish Trust Fund	(11.d)	1,250,679	129,401	1,380,080	-	-	-
AFD	(11.e)	401,688	164	401,852	1,841,734	42,985	1,884,719
SIDA	(11.f)	789,241	22,927	812,168	2,193,295	160,441	2,353,736
CDSF	(11.g)	-	-	-	3,904,391	229,477	4,133,868
KFW	(11.h)	3,249,297	31,513	3,280,810	1,671,014	100,569	1,771,583
LDP phase one	(11.i)	243,159	-	243,159	965,212	-	965,212
LDP Phase two	(11.j)	566	-	566	-	-	-
PHRD - WB	(11.k)	-	-	-	104,835	-	104,835
MDP- WB	(11.l)	4,033,646	239,189	4,272,835	4,796	-	4,796
MDP-KFW	(11.m)	5,328,487	377,326	5,705,813	-	-	-
MDP-AFD	(11.n)	1,648,398	70,277	1,718,675	-	-	-
MDP – Multi Donor Trust Fund	(11.o)	4,530,425	272,899	4,803,324	-	-	-
MDP-GIZ	(11.p)	151,259	22	151,281	-	15	15
MDP-PNA	(11.q)	1,315,110	15,498	1,330,608	-	-	-
		23,608,635	1,159,370	24,768,005	13,536,530	694,505	14,231,035

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.a) Emergency Municipal Services Rehabilitation-II Project (EMSRP II-WB)

Background

International Development Association-IDA (the "World Bank-WB as Administrator of the Trust Fund for Gaza and West Bank) and the Municipal Development and Lending Fund (the "Project Implementing Entity") in connection with the Trust Fund Grant Agreement between the Palestinian Liberation Organization-PLO (for the benefit of the Palestinian Authority-the Recipient) have entered into an agreement dated February 2, 2007 for Emergency Municipal Services Rehabilitation-II -WB Project (EMSRP II-WB).

Project Objectives

EMSRP II is designed primarily as a repeater project to EMSRP I and would address many of the same areas of support. Palestinian counterparts indicate that these remain critical areas of need, including assistance to sustain essential municipal services, promote temporary employment generation, while maintaining a guideline for emergency recovery operations which are intended to be simple in design, fast disbursing and responsive to emergency needs aimed at restoring/rehabilitating assets and services.

The main objectives of EMSRP II

- Help mitigate further deterioration in the delivery of essential municipal services, including solid waste collection, street lighting, provision of water, wastewater and electricity services (where such services are provided by municipalities), and street cleaning, among other services, through rehabilitation of damaged or deteriorating infrastructure and the provision of non-wage budgetary support for direct service cost inputs.
- Create temporary job opportunities at the local level through the launching of labor-intensive employment generation schemes, proportionally allocated on the basis of an unemployment index.
- Promote pilot initiatives that foster Local Government-NGO collaboration in response to urgent community needs and assist municipalities in recovering costs for the provision of services.

June 30, 2009 was the closing date for this agreement. However, MDLF has got an extension for the project until December 31, 2009 through a letter dated June 18, 2009

According to this letter the World Bank-WB agrees to extend to the MDLF a grant in an amount equal to ten million United States Dollars (USD 10,000,000) to assist in financing the following project categories:

Category	Budget in U.S Dollars	Percentage of expenditure to be financed
Goods	3,139,664	100%
Works	2,154,947	100%
Consultants' services	268,455	100%
Incremental operating costs	3,936,934	100%
MDLF management fees and audit	500,000	100%
	10,000,000	100%

... 153 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Details of expenses are as follows:

Category	Total Budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Goods*	3,139,664	-	130,876
Works*	2,154,947	-	-
Consultants' services	268,455	-	-
Incremental operating costs**	3,936,934	-	79,550
MDLF management Fee and audit	500,000	-	434
	10,000,000	-	210,860

**Works and Goods categories include the following disbursements presented by municipality:*

Municipality	For the six months period ended June 30, 2011			For the six months period ended June 30, 2010		
	Goods	Works	Total	Goods	Works	Total
Ramallah	-	-	-	130,876	-	130,876
Nablus	-	-	-	-	-	-
Janata	-	-	-	-	-	-
Yatta	-	-	-	-	-	-
Adayiryeh	-	-	-	-	-	-
Alsamu'e	-	-	-	-	-	-
Tarqumia	-	-	-	-	-	-
Surif	-	-	-	-	-	-
Beit Awwa	-	-	-	-	-	-
Gaza	-	-	-	-	-	-
Jabalya	-	-	-	-	-	-
Beit lahia	-	-	-	-	-	-
Khoza'a	-	-	-	-	-	-
Ala nuseirat	-	-	-	-	-	-
Al Bura'ij	-	-	-	-	-	-
Almoghazi	-	-	-	-	-	-
	-	-	-	130,876	-	130,876

***Details of Incremental operating costs:*

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Collection and dumping solid waste in legally permissible areas	-	-
Cleaning and maintaining public land , facilities and assets	-	79,550
Cost of office supplies	-	-
Cost of communications	-	-
... 154 ...	-	79,550

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.b) Emergency Municipal Services Rehabilitation-II Project Additional financing (EMSRP II-WB)

Background

International Development Association-IDA (the "World Bank-WB as Administrator of the Trust Fund for Gaza and West Bank) and the Municipal Development and Lending Fund (the "Project Implementing Entity") in connection with the Trust Fund Grant Agreement between the Palestinian Liberation Organization-PLO (for the benefit of the Palestinian Authority-the Recipient) have entered into an additional financing agreement dated July 14, 2009 for Emergency Municipal Services Rehabilitation-II -WB Project (EMSRP II-WB).

Project Objectives

Project's objectives are the same as those mentioned in note (11.a) above.

The World Bank agrees to extend to the Recipient a grant in an amount equal to three million United States Dollars (USD 3,000,000) to assist in financing the following project categories:

Category	Amount of the Grant Allocated U.S Dollars	Percentage of Expenditures to be Financed
Works	330,353	100%
Goods	753,000	100%
Incremental operating costs	1,706,647	100%
Management fee for MDLF and audit	210,000	100%
	3,000,000	

Details of expenses are as follow:

	Total Budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Works*	330,353	-	180,506
Goods*	753,000	102,040	646,004
Incremental operating costs**	1,706,647	118,880	932,423
MDLF management fees and audit	210,000	136	110,385
	3,000,000	221,056	1,869,318

... 155 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

**Works and Goods categories include the following disbursements presented by municipality:*

Municipality	For the six months period ended June 30, 2011			For the six months period ended June 30, 2010		
	Goods	Works	Total	Goods	Works	Total
Gaza	92,642	-	92,642	415,687	-	415,687
Alamoghraqa	-	-	-	4,160	-	4,160
Beit lahia	-	-	-	55,582	14,250	69,832
Rafah	9,398	-	9,398	47,614	113,681	161,295
abasan Aljadidah	-	-	-	12,961	-	12,961
Ala nuseirat	-	-	-	25,000	-	25,000
Dear Albalah	-	-	-	85,000	-	85,000
Almoghazi	-	-	-	-	29,650	29,650
Alzawaydeh	-	-	-	-	22,925	22,925
	102,040	-	102,040	646,004	180,506	826,510

***Details of incremental operating costs:*

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Water and electricity utilities relating to the provision of municipal services	-	-
Collection and dumping of solid waste in legally permissible areas	45,386	905,178
Cleaning and maintaining public land, facilities and assets	-	-
Cost of fuel to run electric generators and water and wastewater pumps	73,494	-
Cost of maintaining electro-mechanical and IT equipment	-	-
Cost of office supplies	-	27,245
	118,880	932,423

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.c) Local Government Capacity Building Project (LGCBP)**Background**

On March 22, 2005 an agreement was signed between Kingdom of Denmark represented by International Development Association and Palestine Liberation Organization represented by Palestinian Authority to support Local Government Capacity Building Project (TF 054521) by an amount of DKK 56,500,000 to be paid in several payments. The first payment was made is U.S Dollars 2,474,000.

On September 9, 2008 the grant agreement was amended to reflect the receipt of the additional contribution of (U.S Dollars 7,563,396), resulting in an aggregate contribution of (U.S Dollars 10,037,396) which was further revised in 2010, the grant is categorized as follows:

Category	Amount of the grant allocated (original budget)	Amount of the grant allocated (revised budget 2008)	Revised Budget USD 2010
Goods	300,000	1,488,068	1,860,550
Consultants' services, training and audit fees	1,900,000	6,938,356	7,089,846
Incremental operating costs	174,000	429,214	387,000
Other services	-	500,000	300,000
MDLF management fees and audit	-	400,000	400,000
Unallocated	100,000	281,758	-
	2,474,000	10,037,396	10,037,396

Project Objective

The objective of the project is to improve local governance and accountability, and thereby foster the efficient and sustainable economic, social and physical development of the urban and rural areas in the parts of West Bank and Gaza under the jurisdiction of the Palestinian Authority, through the capacity building of MOLG and LGUs. The projects closing date has been extended to December 31, 2010. During 2010, the project's closing date was additionally extended to June 30, 2012.

Details of expenses are as follows:

Category	Total Budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Goods*	1,860,550	5,637	724,026
Consultant services, training and audit fees**	7,089,846	437,741	150,749
Incremental operating costs***	387,000	2,382	7,119
Other services	300,000	-	-
Unallocated	-	-	-
MDLF management fee and audit	400,000	18	50,199
	10,037,396	445,778	932,093

... 157 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

**Details of Goods:*

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Computers	5,637	724,026
Cars Maintenance	-	-
Cars	-	-
Switchboard	-	-
	5,637	724,026

***Details of Consultant services, training and audit fees:*

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Salaries	-	16,712
Translation	502	-
Training	1,120	-
Workshops and accommodation		811
Professional fees		-
Consultant Services	422,379	133,226
Software expense	13,740	-
	437,741	150,749

****Details of Incremental operating costs:*

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Telephone Expense	-	-
Maintenance	-	-
Electricity and Water	-	-
Cleaning	-	-
Office Supplies	-	-
Bank charges	-	-
Workshops Expense	-	3,983
Advertisings Expense	2,382	3,136
Transportation	-	-
	2,382	7,119

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.d) Danish Trust Fund Project (TF 096990)

Background

On June 10, 2010 an agreement was signed between Kingdom of Denmark represented by International Development Association and Palestine Liberation Organization represented by Palestinian Authority to support Danish Trust Fund Project (TF 096990) by an amount of U.S Dollars 5,218,068.

The donor will finance the following categories:

	Budget in USD
Goods , works and consultancy services	3,071,075
Incremental operating costs	1,781,728
MDLF management fee and audit	365,265
	5,218,068

Project Objectives

The objectives of this project are to: (i) provide assistance for mitigating further deterioration in the delivery of essential municipal services in Gaza; and (ii) create temporary job opportunities at the local level.

These objectives will be achieved through three parts as follows:

Part one: Emergency Municipal Services Assistance:

- (a) Rehabilitation, reconstruction and upgrading of deteriorating and damaged municipal infrastructure and facilities, and supply of equipment to sustain municipal service provision; and
- (b) Financing non-wage recurrent expenditures to sustain essential municipal services, including expenses for fuel, equipment spare parts, electricity bills for street lighting and other related direct costs for the provision of essential municipal services.

Part two: Labor- intensive Employment Generation:

Support for labor-intensive temporary employment sub-projects identified and implemented by municipalities in coordination with local community groups.

Part three: Project Management Costs:

Provision of management fees for the MDLF in relation to the activities carried out under the project.

The closing date for the project is set on June 30, 2011.

Details of the action expenses are as follows:

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Goods, works and consultancy services*	866,766	-
Incremental operating costs**	383,913	-
MDLF management and audit fees	129,401	-
	1,380,080	-

... 159 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

**Works and Goods categories include the following disbursements presented by municipality:*

Municipality	For the six months period ended June 30, 2011			For the six months period ended June 30, 2010		
	Goods	Works	Total	Goods	Works	Total
Gaza	313,839	-	313,839	-	-	-
Almoghraqa	-	12,652	12,652	-	-	-
Wadi Gaza	-	-	-	-	-	-
Alzahra	-	3,570	3,570	-	-	-
Jabalya	74,123	-	74,123	-	-	-
Beit Hanoun	9,500	-	9,500	-	-	-
Beit Lahia	25,725	-	25,725	-	-	-
Um alnaser	-	-	-	-	-	-
Rafah	-	-	-	-	-	-
Alshokeh	-	-	-	-	-	-
Al naser	5,546	-	5,546	-	-	-
Khan Younis	26,490	-	26,490	-	-	-
Abasan Alkabira	-	39,750	39,750	-	-	-
Alqarara	12,866	-	12,866	-	-	-
Khoza'a	7,000	-	7,000	-	-	-
Abasan Aljadidah	-	-	-	-	-	-
Alfokhari	-	-	-	-	-	-
Alnuseirat	92,726	50,000	142,726	-	-	-
Der Albalah	-	-	-	-	-	-
AlBuraij	53,195	19,999	73,194	-	-	-
Almoghazi	-	47,805	47,805	-	-	-
Alzawaydeh	-	-	-	-	-	-
Wadi Alsalka	-	-	-	-	-	-
Bani Suhaila	-	71,980	71,980	-	-	-
Almasdar	-	-	-	-	-	-
	621,010	245,756	866,766	-	-	-

***Details of incremental operating costs:*

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Collection and dumping of solid waste in legally permissible areas	265,203	-
Cost of fuel to run electric generators and water and wastewater pumps	40,256	-
Cost of office supplies	78,454	-
	383,913	-

... 160 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.e) Municipal Development Project (MDP I) (The Agency Francaise De Development ("AFD"))

Background

On July 24, 2007 an agreement was signed between the Agency Francaise De Development (AFD) and Municipal Development and Lending Fund (MDLF) for the financing of a municipal development project in Gaza Strip and West Bank. The financing of the project equals Euro 12,000,000 as presented in the budget break down below.

Project objectives

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

The indicative budget break down, net of taxes for the project is as follows:

Component	Budget EURO	Equivalent USD
Municipal infrastructures	10,600,000	15,613,800
Technical audit, evaluation and other support studies	200,000	294,600
MDLF management fees (5%)	600,000	883,800
Contingencies (5%)	600,000	883,800
	12,000,000	17,676,000

During the year 2010, a re-allocation of the project's budget line items were approved by the donor as follows:

Component	Budget EURO	Equivalent USD
Municipal infrastructures	11,200,000	16,497,600
Technical audit, evaluation and other support studies	200,000	294,600
MDLF management fees (5%)	600,000	883,800
	12,000,000	17,676,000

Details of the action expenses are as follow:

Component	Revised Budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Municipal infrastructures	16,497,600	388,652	1,805,548
Technical audit, evaluation and other support studies	294,600	13,036	36,186
Management fees	883,800	164	42,985
	17,676,000	401,852	1,884,719

... 161 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.f) Emergency Municipal Rehabilitation - II project funded by Sweden International Development Agency ("SIDA")

Background

On March 14, 2008 an agreement was signed between the International Development Association (IDA-World Bank) acting as administrator of the Swedish Trust Fund for ESMRP II and the Municipal Development and Lending Fund (MDLF) (the Project Implementing Entity) in connection with the Trust Fund Grant Agreement of the same date between the Palestinian Liberation Organization (PLO) for the benefit of the Palestinian Authority to implement GZ-Second Emergency Municipal Service Rehabilitation project by MDLF. On October 15, 2009 MDLF has signed a new agreement for an additional financing agreement to the projects for an amount of U.S Dollars 2,800,000.

Project objectives

- Help mitigating further deterioration in the delivery of essential municipal services in the West Bank and Gaza Strip, including solid waste collection, street lighting, provision of water, waste and electricity services, and street cleaning, through rehabilitation of damaged and deteriorating infrastructure and the provision of non-wage budgetary support for direct service cost input,
- Creating temporary job opportunities in the West Bank and Gaza Strip through the launching of labor-intensive employment generation schemes, proportionally located on the basis of unemployment index,
- Piloting innovative initiatives that foster Local Government-NGOs collaboration in response to urgent community needs and assist municipalities in recovering cost for the provision of services, and
- Providing assistance services for rehabilitation, reconstruction, and upgrading of deteriorating and damaged municipal infrastructure and facilities.

Project Costs

During the year 2009, IDA received a commitment from SIDA for additional contribution to the original trust fund agreement. This additional agreement was made through an amendment dated September 28, 2009. According to this amendment, the grant agreement was increased by U.S Dollars 2,800,000.

During the year 2010, MDLF has signed an amendment to the original agreement in which the donor had committed to contribute an additional amount of USD 329,068. Following to this amendment, the revised budget has been categorised as follows:

Category	Original Budget U.S Dollars	Revised 2009 Budget U.S Dollars	Revised 2010 Budget U.S Dollars	Percentage of expenditures to be financed
Works	250,896	250,896	250,896	100%
Goods	2,358,423	3,232,869	3,457,597	100%
Incremental operating costs	2,612,726	4,328,280	4,409,586	100%
MDLF management fees	264,101	474,101	497,136	100%
	5,486,146	8,286,146	8,615,215	

... 162 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Details of expenses are as follows:

	Revised Budget USD	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Works*	250,896	45,509	146,607
Goods*	3,457,597	236,608	1,107,401
Incremental operating costs**	4,409,586	507,124	939,287
MDLF management fees and audit fees	497,136	22,927	160,441
	8,615,215	812,168	2,353,736

*Works and Goods categories include the following disbursements presented by municipality:

	For the six months period ended June 30, 2011			For the six months period ended June 30, 2010		
Municipality	Goods	Works	Total	Goods	Works	Total
Gaza	44,101	45,509	89,610	267,758	-	267,758
Almoghraqa	5,604	-	5,604	14,409	-	14,409
Wadi Gaza	5,000	-	5,000	5,000	-	5,000
Alzahra	4,997	-	4,997	12,027	-	12,027
Jabalya	18,855	-	18,855	137,391	48,315	185,706
Beit Hanoun	9,933	-	9,933	20,098	-	20,098
Beit Lahia	12,999	-	12,999	49,592	-	49,592
Um alnaser	4,995	-	4,995	-	-	-
Rafah	30,329	-	30,329	-	-	-
Alshokeh	6,212	-	6,212	18,145	-	18,145
Al naser	5,490	-	5,490	12,300	-	12,300
Khan Younis	11,469	-	11,469	169,336	-	169,336
Bani Suhaila	-	-	-	81,581	-	81,581
Abasan Alkabira	6,603	-	6,603	10,725	9,225	19,950
Alqarara	7,000	-	7,000	3,000	-	3,000
Khoza'a	8,148	-	8,148	4,530	-	4,530
Abasan Aljadidah	4,950	-	4,950	3,585	-	3,585
Alfokhari	4,816	-	4,816	7,863	-	7,863
Alnuseirat	-	-	-	66,744	54,921	121,665
Der Albalah	10,692	-	10,692	99,216	-	99,216
AlBuraij	14,436	-	14,436	64,165	24,985	89,150
Almoghazi	7,407	-	7,407	53,363	9,161	62,524
Alzawaydeh	7,000	-	7,000	-	-	-
Wadi Alsalka	-	-	-	6,573	-	6,573
Almasdar	5,572	-	5,572	-	-	-
	236,608	45,509	282,117	1,107,401	146,607	1,254,008

... 163 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

**Details of incremental operating costs:

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Collection and dumping solid waste in legally permissible areas	336,503	784,302
Fuel to run electric generators and water and wastewater pumps	86,623	-
Cleaning and maintaining public land , facilities and assets	-	-
Maintaining electromechanically and IT equipment	-	-
Office supplies	83,998	154,985
	507,124	939,287

Note (11.g) Community Development Stability Fund ("CDSF")**Background**

On December 2, 2008, an agreement was signed between the State of Netherlands, represented by the Minister of Development Cooperation, legally represented by the Chargé d' Affaires of the Representative Office of the Kingdom of the Netherlands and the Palestinian Authority, represented by the Minister of Planning.

Project's objective

The project's objective is to consolidate stability and improve living conditions at the local level through quick economic development projects in areas affected by emergency conditions.

The state of Netherlands represented by the Minister for Development Cooperation is prepared to make a contribution of EURO 5,000,000 (Equivalent to USD 7,062,000). The distribution of fund will be as follows :

Component	Budget EURO	Equivalent to U.S Dollars
Investments 93%	4,650,000	6,567,660
Management fees 7%	350,000	494,340
	5,000,000	7,062,000

The exchange rate used in the above budget is based on the date of signing the agreement.

The State of Netherlands and Palestinian Authority agree jointly on the projects that will be financed from the Netherlands contributions.

The project had been approved for extension by the donor through a letter addressed to MDLF dated September 7, 2009. Pursuant to this letter, the project closing date is March 31, 2010.

Details of the expenses are as follows:

Component	Total Budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Investments	6,567,660	-	3,904,391
Management fees	494,340	-	229,477
	7,062,000	-	4,133,868

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.h) Poverty-Oriented Municipal Finance funded by ("KFW")

On October 25, 2005 the agreement was signed between the Government of the Republic of Germany and the Palestinian Liberation Organization for the benefit of the Palestinian Authority on Financial Cooperation 2005 (Government Agreement).

On September 15, 2008 the Palestinian Authority represented by the Minister of Planning and the Municipal Development and Lending Fund (MDLF) have entered into an agreement with Kreditanstalt Fur Wiederaufbau-Frankfurt am main (KfW) to implement a Poverty Oriented Municipal Finance program.

The Program-executing agency shall use the financial contribution exclusively to finance:

- Municipal investment for the extension and rehabilitation of social and economic infrastructure.
- The program management costs of MDLF and the consulting services.
- Foreign exchange costs.

During the year 2010, a re-allocation of the project's budget line items were approved by the donor as follows:

Component	Budget	
	EURO	Equivalents to USD
1. Investment		
1.1 Construction works	14,092,975	19,904,918
Sub-total 1	14,092,975	19,904,918
2. Further project measures		
2.1 Procurement audit and screening	82,254	116,176
2.2 Local technical consultants	50,771	71,709
2.3 Consultants for development of technical MDLF manual	24,000	33,897
2.4 Management Fees for MDLF	750,000	1,059,300
2.5 Contingencies	-	-
Sub-total 2	907,025	1,281,082
Total	15,000,000	21,186,000

The exchange rate used in the above budget is based on the date of signing the agreement.

Details of expenses are as follows:

Component	Budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Construction works	19,904,918	3,249,297	1,671,014
Procurement audit and screening	116,176	-	-
Local technical consultants	71,709	-	-
Consultants for development of technical MDLF manual	33,897	-	-
Management fees for MDLF	1,059,300	31,513	100,569
Contingencies	-	-	-
	21,186,000	3,280,810	1,771,583

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.i) Local Development Programme, Jenin Governorate (LDP) Phase I (The Government of Denmark)

Background

On June 25, 2008 the agreement was signed between the Government of Denmark referred to as the Ministry of Foreign Affairs, Danish International Development Assistance (Danida), represented by the Royal Danish Representative Office - Ramallah (DRO) and the Palestinian Authority referred to as the Ministry of Planning (MOP) and the Ministry of Local Government (MoLG) to implement the project "Local Development Programme Jenin Governorate (LDP)-Phase 1 & Phase 2, 2008-2010". During May 2008 the Municipal Development and Lending fund (MDLF) granted the authority to manage the project. Finally the project has been approved by the MOP and MoLG and the DRO.

Project objectives

- 1.The overall development objective of the programme is sustainable improvement of living conditions in the Jenin district.
- 2.The immediate objective of the programme is improved delivery of services through increasingly integrated Local Government Units in the Jenin district.

Project outputs

In order to achieve the above-mentioned immediate objectives, the programme aims to produce the following:

- 1.A best practice model developed for assisting village councils and small municipalities in the amalgamation process.
- 2.Social and cultural projects implemented with a potential for sustainability.

The table below describes the grant description to be financed by the government of Denmark which should not to exceed Danish Kronor (DKK) 12,000,000 for the period from July 1, 2008 till June 30, 2009 as the following:

	Original Budget DKK	Original Budget USD	Revised Budget USD 2010
Institutional Development	1,000,000	210,971	197,326
Social and Cultural Projects	3,000,000	632,911	672,807
Infrastructure Projects	5,550,000	1,170,886	1,108,450
Consultant	800,000	168,776	70,000
MDLF Management Fees	800,000	168,776	168,776
Reviews	300,000	63,291	-
Audits	50,000	10,549	-
Unallocated Funds	500,000	105,485	-
	12,000,000	2,531,645	2,217,359

The project has been approved for final extension by the donor through a letter addressed to MDLF dated October 15, 2010. Pursuant to this letter, the project closing date is extended up to April 1, 2011.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Details of expenses are as follows:

	Revised Budget USD	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Institutional Development	197,326	-	251,880
Social and Cultural Projects	672,807	243,159	-
Infrastructure Projects	1,108,450	-	657,332
Consultant	70,000	-	56,000
MDLF Management Fees	168,776	-	-
Reviews	-	-	-
Audits	-	-	-
Unallocated Funds	-	-	-
	2,217,359	243,159	965,212

Note (11.j) Support to the Local Development Programme, Jenin Governorate (LDP) Phase II (The Government of Denmark)**Background**

On December 2, 2009 the agreement was signed between the Government of Denmark referred to as the Ministry of Foreign Affairs, Danish International Development Assistance (Danida), represented by the Royal Danish Representative Office - Ramallah (DRO) and the Palestinian Authority referred to as the Ministry of Planning and Administrative Development (MoPAD) and the Ministry of Local Government (MoLG) to implement the project "Support to the Local Development Programme Jenin Governorate (LDP)-Phase 1 & Phase 2, 2008-2010". During May 2008 the Municipal Development and Lending fund (MDLF) granted the authority to manage the project. Finally the project has been approved by the MoPAD and MoLG and the DRO.

Project objectives

Project objectives are the same as those mentioned in note (11.i) above.

Project outputs

Project outputs are the same as those mentioned in note (11.i) above.

The table below describes the grant description to be financed by the government of Denmark which should not to exceed Danish Kronor (DKK) 12,000,000 for the period from January 1, 2010 till December 31, 2010 equivalent to approximately USD 2,430,571 as presented below:

	Original Budget DKK	Original Budget USD
Institutional Development	1,000,000	202,840
Social and Cultural Projects	3,000,000	608,519
Infrastructure Projects	5,550,000	1,125,761
Consultant	800,000	162,272
MDLF Management Fees	800,000	162,272
Reviews	300,000	60,852
Audits	50,000	10,142
Unallocated Funds	500,000	101,420
	12,000,000	2,434,078

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

The project has been approved for final extension by the donor through a letter addressed to MDLF dated October 15, 2010. Pursuant to this letter, the project closing date is extended up to December 31, 2011.

Details of expenses are as follows:

	Original Budget USD	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Institutional Development	202,840	566	-
Social and Cultural Projects	608,519	-	-
Infrastructure Projects	1,125,761	-	-
Consultant	162,272	-	-
MDLF Management Fees	162,272	-	-
Reviews	60,852	-	-
Audits	10,142	-	-
Unallocated Funds	101,420	-	-
	2,434,078	566	-

Note (11.k) PHRD Technical Assistance (TA) Grant for the preparation of the Municipal Development Program (PHRD)**Background**

The agreement was signed on December 4, 2008 between the International Development Association (IDA-World Bank) Acting as administrator of grant funds provided by Japan and the Palestinian Liberation Organization (PLO) for the benefit of the Palestinian Authority that is authorized to enter into this agreement to carry out the objectives and activities in accordance with the terms and conditions set forth or referred to in this agreement.

Project's objective

The project's objective is to prepare the Municipal Development Programme to support the delivery of effective municipal services through demand-based infrastructure investments and capacity building for local governments.

Project costs

The table below describes the grant categories to be financed by the program:

Category	Total Budget in U.S Dollars	Revised Budget in U.S Dollars
Consultants' services	446,000	411,836
Goods, training and operating costs	49,000	68,027
	495,000	479,863

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Details of expenses are as follows:

Category	Revised budget	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Consultants' services	411,836	-	84,865
Goods, training and operating costs	68,027	-	19,970
	479,863	-	104,835

Municipal Development Project for the support of Phase I

Since the start of 2010, the MDLF has started the preparations and the implementation of the Municipal development Program (MDP) which is funded by the PNA and several funding partners.

The MDP is unique because it not only provides infrastructure grants to Palestinian municipalities, it improves performance, through better operational, planning and financial capacity. Its cornerstone is the Grant Allocation Mechanism, a formula-based method for distributing funds to municipalities for capital investments– based on need, population and good management practices.

The Municipal Development Program is a ground-breaking new effort in development and reform designed by the Municipal Development and Lending Fund (MDLF) under the guidance of the Palestinian National Authority, the MDP recognizes that the first step toward improving municipal services is better managed and more accountable local governments.

The MDP adheres to tenets laid out in the Palestinian Reform and Development Plan (PRDP), recognizing that a sustainable state requires transparent, effective and accountable local governments.

The MDP is a phased developmental program, with the first phase lasting about three years. MDP Phase I is expected to reach all 132 municipalities, large and small in both the West Bank and Gaza. The MDP is supported by the Palestinian National Authority along with the Agence Française de Développement (AFD), the Danish International Development Assistance (DANIDA), the Swedish International Development Cooperation Agency (Sida), the World Bank, German Development Bank (KfW), and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Further, in late 2010 the Belgium Government decided to join the MDP as part of their Local Government Reform and Development Programme (LGRDP)

The objective of the project is to support phase I of the Municipal Development Program in improving municipal management practices for better transparency.

The Program consists of the following Windows or Categories:

Window (1) Municipal Grants for Capital Investment

- Providing sub-grants for eligible Municipalities in the West Bank and Gaza for Sub projects to fund investments for operational manual, all as selected and carried out in accordance with operational manual and grant allocation manual.

Window (2) Support to municipal innovation and efficiency

- Strengthening newly amalgated local governments through small scale infrastructure improvements and capacity building services and training.
- Supporting activities to (a) promote increased energy efficiency municipals; and (b) support existing customer service centres and establish pilots of new customer service centres and

... 169 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

selected municipals to create comprehensive citizen- responsive services and enhance revenue generation and planning capabilities of municipals, through the financing of goods, works, training and services.

Window (3) Capacity building for municipalities and MDLF

- Capacity building services and training of municipals in the west bank and Gaza selected in accordance with criteria set forth in the operational manual and grant allocation manual, including the areas of financial management, support to the development of strategic and investment plans, and technical assistance to improve management capacity.
- Capacity building services and training to the project implementing entity for the implementation of the municipal development program including in the areas of human recourse development and institutional capacity building, in accordance with annual capacity development plans submitted by the project implementation entity and approved by the administrator.

Window (4) Project implementation support and management costs

- Project implementation support through the funding of: (a) MDLF Management Fees (including the cost of financial audit fees); (b) costs of monitoring and evaluation including the cost of technical and institutional compliance audit fees and the cost of carrying out satisfactory surveys of citizens and client municipalities; and (c) the design and implementation of an outreach and communications campaign in relation to Municipal Development Program.
- Sub Project implementation support through the financing of Local Technical Consultants.

Details of the MDP by each donor are presented from note (11.l) to note (11.q) below.

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.I) Municipal Development Project for the support of Phase I funded by the World Bank (MDP – WB) TF095351

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 1: Municipal Grants for Capital Investments	5,314,686	7,600,000
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	489,510	700,000
Window 3: Capacity Building for (a) Municipalities	384,615	550,000
(b) MDLF	34,965	50,000
Window 4: Project implementation support and management costs	769,231	1,100,000
	6,993,007	10,000,000

Details of expenses are as follows:

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Window 1: Municipal Grants for Capital Investments	3,684,339	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	288,789	-
Window 3: Capacity Building for (a) Municipalities	17,415	4,796
(b) MDLF	9,349	-
Window 4: Project implementation support and management costs	272,943	-
	4,272,835	4,796

... 171 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

Note (11.m) Municipal Development Project for the support of Phase I funded by the Kreditanstalt Fur Wiederaufbau –Frankfurt am Main (KfW)

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 1: Municipal Grants for Capital Investments	6,280,000	9,021,848
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	420,000	603,372
(b) MDLF	-	-
Window 4: Project implementation support and management costs	800,000	1,149,280
	7,500,000	10,774,500

Details of expenses are as follows:

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Window 1: Municipal Grants for Capital Investments	5,296,027	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	26,885	-
(b) MDLF	-	-
Window 4: Project implementation support and management costs	382,901	-
	5,705,813	-

Note (11.n) Municipal Development Project for the support of Phase I funded by the Agence Française de Development (AFD)

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 1: Municipal Grants for Capital Investments	2,620,000	3,518,136
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	230,000	308,844
(b) MDLF	-	-
Window 4: Project implementation support and management costs	350,000	469,980
	3,200,000	4,296,960

Interim Financial statements for the six months period ended June 30, 2011

(All amounts in U.S. Dollars)

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Window 1: Municipal Grants for Capital Investments	1,591,020	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	23,687	-
(b) MDLF	47	-
Window 4: Project implementation support and management costs	103,921	-
	1,718,675	-

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 1: Municipal Grants for Capital Investments	7,365,361	10,493,535
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	699,094	996,009
Window 3: Capacity Building for (a) Municipalities	349,650	547,966
(b) MDLF	34,965	49,815
Window 4: Project implementation support and management costs	950,958	1,354,843
Total allocated	9,400,028	13,442,168
Un-allocated amount	24,477	34,873
	9,424,505	13,477,041

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Window 1: Municipal Grants for Capital Investments	4,483,651	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	-	-
(b) MDLF	18,205	-
Window 4: Project implementation support and management costs	301,468	-
	4,803,324	-

Interim Financial statements for the six months period ended June 30, 2011

(All amounts in U.S. Dollars)

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 EURO	Budget in USD
Window 1: Municipal Grants for Capital Investments	-	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	380,000	545,908
(b) MDLF	38,500	55,309
Window 4: Project implementation support and management costs	31,500	45,253
	450,000	646,470

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Window 1: Municipal Grants for Capital Investments	-	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	149,219	-
(b) MDLF	2,040	-
Window 4: Project implementation support and management costs	22	15
	151,281	15

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 EURO	Budget in USD
Window 1: Municipal Grants for Capital Investments	2,265,377	3,007,502
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	-	-
(b) MDLF	-	-
Window 4: Project implementation support and management costs	171,374	227,515
	2,436,751	3,235,017

Interim Financial statements for the six months period ended June 30, 2011

(All amounts in U.S. Dollars)

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Window 1: Municipal Grants for Capital Investments	1,315,110	-
Recurrent Expenditures for Gaza Municipalities	-	-
Window 2: Support to Municipal Innovations and Efficiency	-	-
Window 3: Capacity Building for (a) Municipalities	-	-
(b) MDLF	-	-
Window 4: Project implementation support and management costs	15,498	-
	1,330,608	-

38

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (12) – GENERAL AND ADMINISTRATIVE EXPENSES

Detail-

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Salaries and related benefits*	724,378	563,381
Consultants and professional fee	60,207	11,822
Insurance expense	36,949	22,446
Fuel expense	30,405	23,480
Rent	30,381	25,067
Car expenses	15,058	4,924
Telephone, postage and internet	13,268	11,920
Printing and stationary	11,460	5,710
Training and workshops	9,009	5,479
Board of Directors remuneration	8,700	20,000
Utilities expense	8,037	9,629
Office supply and maintenance	4,492	2,233
Travel and transportation expenses	2,657	10,056
Advertisement	2,428	2,971
Bank charges	2,262	3,074
Car licenses	2,042	24
Hospitality and cleaning	1,902	785
Software expense	1,574	-
Translation expense	301	1,570
Others	76	1,798
	965,586	726,369

*Salaries and related benefits details as follows:

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Salaries and wages	541,482	376,076
Provident fund expense	53,533	38,564
End of service expense	45,989	37,235
Transportation allowance	33,585	25,159
Bonus	31,473	53,672
Family allowances	16,654	11,859
Employees' remuneration	1,662	500
Living expenses	-	19,084
Other allowances	-	1,232
	724,378	563,381

... 176 ...

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (13) – CURRENCY VARIANCE

Major items resulted in currency variances as follows:-

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Temporarily restricted net assets – year end revaluation (note 7)	1,868,259	(3,190,297)
Pledges receivable – year end revaluation (note 4)	(1,897,059)	2,008,280
Currency variances from daily transactions and year end revaluation of other monetary assets and liabilities balances	(750,245)	1,286,312
(Gain) loss included in changes of unrestricted net assets	(779,045)	104,295

NOTE (14) – 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 are as follows:

	For the six months period ended June 30, 2011	For the six months period ended June 30, 2010
Director general salary and related benefit	36,219	33,268
Board of directors remuneration	8,700	20,000
MDLF management fees	1,159,370	694,505
	1,204,289	747,773

-Balances with related parties are as follows:

	June 30, 2011	December 31, 2010
Director General - benefits payable	35,741	25,389
Pledges receivables	29,791,533	44,785,628
Temporarily restricted net assets	30,694,713	53,781,425

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (17) – STATEMENT OF SOURCES AND USES OF FUNDS FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011 (excluding MDLF Bank account)

	EMSRP II					Other Projects				
	AFD	SIDA	KFW	DANISH T. F.	A.F.WB	LGCBP	LDP I	CDSF	LDP II	Sub-total
Beginning balances										
Cash and banks	980,323	679,557	1,205,702	7,030	213,808	14,632	243,162	7,020	2,106,224	5,457,458
Assets accounts	-	-	-	-	-	-	35	-	-	35
Liabilities accounts	(184,221)	(239,525)	(1,340,059)	(862,980)	-	(87,104)	-	-	-	(2,713,889)
Total opening balances (A)	796,102	440,032	(134,357)	(855,950)	213,808	(72,472)	243,197	7,020	2,106,224	2,743,604
Add: sources of funds										-
Funds received	-	348,767	1,854,483	2,051,355	-	604,376	-	-	-	4,858,981
Currency variance	52,539	26,570	(50,663)	(13,160)	7,252	(1,039)	-	-	-	21,499
Interest income	-	-	-	-	-	-	-	-	5,328	5,328
Total sources of funds (B)	52,539	375,337	1,803,820	2,038,195	7,252	603,337	-	-	5,328	4,885,808
Cash available ((A)+(B))	848,641	815,369	1,669,463	1,182,245	221,060	530,865	243,197	7,020	2,111,552	7,629,412
Less: uses of funds										-
Projects expenses	401,852	812,168	3,280,810	1,380,080	221,056	445,778	243,159	-	566	6,785,469
Fixed assets	-	-	-	-	-	-	-	-	-	-
Down payment	-	-	-	-	-	-	-	-	-	-
Total operating expenses	401,852	812,168	3,280,810	1,380,080	221,056	445,778	243,159	-	566	6,785,469
Excess/ (shortage) of sources over uses	446,789	3,201	(1,611,347)	(197,835)	4	85,087	38	7,020	2,110,986	-
Ending balances										-
Cash and bank balances	446,789	347,879	85	23,594	209,102	99,337	3	7,020	2,110,986	3,244,795
Assets accounts	-	-	-	-	-	-	35	-	-	35
Liabilities accounts	-	(344,678)	(1,611,432)	(221,429)	(209,098)	(14,250)	-	-	-	(2,400,887)
Total ending balance	446,789	3,201	(1,611,347)	(197,835)	4	85,087	38	7,020	2,110,986	843,943

MUNICIPAL DEVELOPMENT AND LENDING FUND (MDLF)

Interim Financial statements for the six months period ended June 30, 2011

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in U.S Dollars)

NOTE (17) – STATEMENT OF SOURCES AND USES OF FUNDS FOR THE PERIOD FROM JANUARY 1, 2011 TO JUNE 30, 2011 (excluding MDLF Bank account) – continued from previous page

	Sub-total from previous page	MDP						Grand total
		WORLD BANK	KFW	AFD	MDTF	GIZ	PNA	
Beginning balances								
Cash and banks	5,457,458	4,495,815	-	3,012,743	1,610,603	168,534	77,380	14,822,533
Assets accounts	35	-	-	-	-	-	-	35
Liabilities accounts	(2,713,889)	(954,380)	(547,963)	(65,784)	(1,296,070)	(1,913)	(507,727)	(6,087,726)
Total opening balances (A)	2,743,604	3,541,435	(547,963)	2,946,959	314,533	166,621	(430,347)	8,734,842
Add: sources of funds								
Funds received	4,858,981	-	6,566,979	-	4,949,126	-	516,068	16,891,154
Currency variance	21,499	259,620	(53,833)	253,953	68,110	11,497	(16,301)	544,545
Interest income	5,328	3,135	3,346	3,393	1,822	168	46	17,238
Total sources of funds (B)	4,885,808	262,755	6,516,492	257,346	5,019,058	11,665	499,813	17,452,937
Cash available ((A)+(B))	7,629,412	3,804,190	5,968,529	3,204,305	5,333,591	178,286	69,466	26,187,779
Less: uses of funds								
Projects expenses	6,785,469	4,272,835	5,705,813	1,718,675	4,803,324	151,281	1,330,608	24,768,005
Fixed assets	-	-	-	-	-	-	-	-
Down payment	-	-	-	11,107	-	-	-	11,107
Total operating expenses	6,785,469	4,272,835	5,705,813	1,729,782	4,803,324	151,281	1,330,608	24,779,112
Excess/ (shortage) of sources over uses	-	(468,645)	262,716	1,474,523	530,267	27,005	(1,261,142)	1,408,667
Ending balances								
Cash and bank balances	3,244,795	32,272	715,113	1,625,693	671,729	27,005	835	6,317,442
Assets accounts	35	-	-	-	-	-	-	35
Liabilities accounts	(2,400,887)	(500,917)	(452,397)	(151,170)	(141,462)	-	(1,261,977)	(4,908,810)
Total ending balance	843,943	(468,645)	262,716	1,474,523	530,267	27,005	(1,261,142)	1,408,667

Ramallah Main Office:
Rishmawi Bldg, Al-Yasmin St.,
Jerusalem Road, Al-Bireh - palestine
Tel . +972 2 296 6610 Fax. +972 2 2950685

Gaza Branch Office:
Hanadi Tower, Al-Rimal Avenue, Al-Rasheed st.,
4th floor, Apartment #3 - Palestine
Tel . +972 8 282 8821 Fax. +972 8 2842363

info@mf-palestine.org
www.mdlf.org.ps