

صندوق تطوير وإقراض البلديات
Municipal Development & Lending Fund

MDLF Annual Report

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Annual Report 2013

Covering the period from January 1st to December 31st, 2013
Municipal Development and Lending Fund
(MDLF) - Palestine
March, 2014





**The President
Mahmoud Abbas**



**The Prime Minister
Rami Hamdallah**



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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 WestBank
Sida:	Swedish International Development Cooperation Agency
TOR:	Terms of References
WBG:	West Bank & Gaza
FARV:	Fixed Assets Registration and Valuation
SDIP:	Strategic Development and Investment Plan





As we are moving towards 2014, it's of a great pleasure to me as the board chairman of the Municipal Development and Lending Fund to introduce the 2013 annual report. In this context the Municipal Fund was still able to prove itself as a national Palestinian institution, highly contributing to state building through supporting local government units to build their capacities and enhance their services provided to citizens. MDLF was able to add to its accomplishments, and to reflect policies and strategies of Palestine Government in general and the Ministry of Local Government MoLG in particular through its programs, and to meet the expectations of municipalities throughout Palestine. This can be achieved by enhancing the effectiveness of services and by creating a suitable environment for the local economy to survive and sustain.



The second strategic plan (2013-2016) for MDLF has been finalized early 2013 based on the directions of the PNA National development plan NDP and the cross-sectorial strategy of Local Government, with the vision of contributing to reach effective local government that enables Local Authorities to achieve better life for citizens.

One of the most distinguished programs that we build on at MDLF is the national program "Municipal Development Program" MDP that reaches the end of phase I in 2013 successfully. This national program is a pioneer approach in the local government sector where policies such as strategic planning, financial reforms, social accountability, transparency and good governance concepts are all integrated. It's worth mentioning that the second phase of this program (2013-2016) has launched in the 2nd half of 2013. In this context, MDLF has succeeded to secure nearly 100 million U.S. dollars to finance projects and activities under MDPII including the municipal infrastructure, capacity development and innovative projects. This will continue to help shaping the future of the Palestinian municipalities along with other programs that MDLF is executing in the fields of amalgamation and policy development.

Finally, and on behalf of the Palestinian Government, it's important to express our sincere appreciation of the achievement of MDLF and to give our gratitude to all development partners who made it possible to reach what MDLF is presenting in this report.

Dr. Saed Koni
Chairman of MDLF Board
Minister of Local Government



Introduction from MDLF Director General

During the year 2013, MDLF managed to finalize the MDLF (2013-2016) strategic Plan in line with national policy towards the local government sector development. Additionally, we continued to strengthen our organization internally by upgrading the operational and technical systems and enhancing the capacities of our staff.

The context in 2013 carried a lot of positive progress in terms of local government sector that MDLF took part in, many policies and reforms that expressed good governance, financial, administrative and planning aspects were developed. MDLF as part of its mission worked on translating LG policies approved by the Palestinian government into programs and projects that contribute to the empowerment of the local government units. Social accountability, gender and socio-environmental safeguards are cross-cutting issues that MDLF pays attention to, as we at MDLF believe in our values of transparency, accountability, professionalism and credibility to guide us in our work in this sector.

This year 2013, MDLF launched for the second phase of its National Program MDP after successfully accomplishing the first phase (2010-2013) targeting all Palestinian municipalities in West Bank and Gaza, continued the execution of the third phase of its development program LDP, as well as the LGRDP "local government reform & development programme" both targeting smaller local authorities, and posted its work to support the Ministry of Local government through "Local Government Policy Development" programme LGPD. All among other interventions weren't possible without such a highly motivated, committed and professional team who made the MDLF a success story that I am honored to lead. By this, allow me to introduce to you the 2013 annual report of MDLF. This report highlights the role of the MDLF as a main institution working together with the Ministry of Local Government and other development partners toward achieving sustainable local governments and better quality of life for citizens. The report provides detailed progress of the programs and activities of the MDLF, the outputs achieved, and the challenges encountered through the year 2013.

As I am introducing the annual report of 2013, I would like to express my deep gratitude and recognition for all MDLF staff, partners and mainly to the Ministry of Local Government for their role in materializing the vision of MDLF, and special thanks go to municipalities and local councils who worked with us hand by hand to achieve what we are presenting here in this report.



Arch. Abdel Mughni Nofal
Director General of MDLF



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Our Vision

Effective local government units able to achieve better life for their citizens.

Our Mission

The Municipal Development and Lending Fund (MDLF) is a Palestinian semi-governmental institution that works on translating local government policies approved by the Palestinian government into programs and projects that contribute to the empowerment of the local government units through managing funds (grants and loans).

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

- Contribute to the implementation of the national local government policies & plans.
- Empower Palestinian Local Government Units.
- Strengthen the institutional development of the MDLF.

To Our Municipalities

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



Board of Director (BOD)

Dr. Saed Koni	Chairman of the Board, Minister local Government
Dr. Daoud Al Zatari	Board Member, Mayor of Hebron Municipality
Mr. Fayeq Al-Deek	Board Member, Representing Ministry of Public Works and Housing
Mr. Mahmoud Nofal	Board Member Representing Ministry of Finance
Mr. Nabil Diab	Board Member Representing Association of Banks in Palestine (ABP)
Mr. Ahmad Edeili	Board Member Representing Engineers Association
Mr. Ghassan Al-Shak'a	Board Member Representing Association of the Palestinian Local Authorities (APLA)
Mr. Badr Abu Zahra	Board Member Representing Ministry of Planning
Ms. Zahera Kamal	Board Member Representing Palestinian Women's Research and Documentation Center (PWRDC)
Mr. Khaled Salah	Board Member Representing Ministry of Economics

Accumulative Achievements



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 December 2013:

Roads	<u>549</u> <u>4.6</u> <u>12,254</u> <u>10.9</u> <u>66.85</u>	kilometer of roads were paved, developed and rehabilitated, kilometer of street lighting networks were rehabilitated, lighting units were supplied, kilometer of retaining walls were constructed, kilometer of sidewalks were constructed.
Water	<u>28.3</u> <u>31,459</u> <u>2,135</u> <u>3</u>	kilometer of water networks were rehabilitated/constructed , L.m of pipes were supplied, water meters were installed , water pumps were installed.
Wastewater	<u>49</u> <u>7,498</u> <u>6</u>	kilometer of wastewater networks were rehabilitated/constructed, L.m pipes were supplied, wastewater pumps were installed
Electricity	<u>11</u> <u>1,647</u>	kilometer of electrical networks were rehabilitated, pre-paid meters were installed.
Public Facilities	<u>35,836</u> <u>84,928</u>	Sq. meter of public buildings were constructed, Sq. meter of parks and public gardens were constructed.
Solid Waste	<u>1,396</u> <u>2</u>	solid waste containers were installed, tractors, and 4 trailers were installed.
SDIPs	<u>97</u>	municipalities were supported in preparing SDIP
IFMIS	<u>34</u>	municipalities were supported in applying the Integrated Financial Management Information System "IFMIS"
FPPM	<u>130</u>	municipalities were coached on using the financial policies and procedures manual "FPPM".
Fixed Assets Registration	<u>70</u>	municipalities were supported in registering and valuation their assets
Physical Plans	<u>6</u>	municipalities were supported in developing their physical plans
Persons Days		About 2.0 million Persons. day were created



Executive Summary





The Municipal Development and Lending Fund (MDLF) is a semi-governmental juridical entity established by the Council of Ministers Decree, to accelerate Palestine's drive toward high responsiveness, self-sustained, decentralized, prosperous and creditworthy local governments. MDLF has been enriching its role as the preferred channel of financial resources from the Palestinian Authority and various donors to the Palestinian local government units (LGUs), to improve the delivery of local infrastructure and municipal services, to promote economic development, and to improve municipal efficiency and accountability.

Since its establishment in Oct-2005, MDLF has noticeable achievements on the community development as well as the reform initiatives regarding the MOLG policies towards the local government sector in Palestine. Since its establishment, MDLF has implemented hundreds of donor-funded projects in the amount of "US\$ 225 million" in the municipal infrastructure services, capacity development, and innovative initiatives at the municipal level.

Dr. Saed Koni the Minister of MOLG - through the launching ceremony of the Municipal Development Program-Phase II - emphasized on that LGUs constituted the most important element in the good local governance system since they are the direct services providers who fulfill citizen's needs of municipal services and suitable infrastructure.

The year 2013 witnessed the launching of the new strategic plan of MDLF (2013-2016) which was developed in close coordination with Ministry of Local Government MoLG, LGUs and the development partners, this plan has focused on getting the municipalities closer to citizens as the main goal of the National Development Plan NDP is aiming at. Additionally, the new strategy of MDLF has focused on empowering local authorities, contributing to implementation of LG policies and concentrating on MDLF institutional development and sustainability.

During the year 2013, the MDLF has successfully completed the (1st phase of the Municipal Development Programme "MDPI") as planned, which is a remarkable milestone of MDLF efforts toward improving the municipal performance and services delivery capabilities of the LGUs in Palestine. In September 2013, a completion mission for MDPI took place, where MDLF had presented the key achievements, challenges encountered during the implementation and the lessons learned. The mission had perceived the MDPI achievements against the development objective and the intermediate outcomes positively. **This was indicated clearly in the drafted MDPI completion report where the achievements are more than expected.**



Highlighting on the key achievements of MDPI, more than 508 municipal infrastructure sub-projects were accomplished and created more than (750 thousands person. Day). The key deliverables of the implemented sub-projects has affected positively the life conditions of the municipal citizens. This was indicated clearly in the results of the citizens satisfaction survey which was conducted in 2013 as a post assessment of the program. Additionally, 96% of municipalities in WB&G were graduated from lower ranks to higher ranks according to the MDPI ranking system. This was achieved through developing the capacity of municipalities in the fields of strategic planning as well as the financial management as per the following: 90 municipalities had been supported in preparing their SDIPs, 96 municipalities were coached on the use of financial procedures manual (FPM), 32 municipalities were supported in registering and valuating their fixed assets.

Dr. Rami Al-Hamdallah the Palestinian Prime Minister - through the launching ceremony of the Municipal Development Program-Phase II - announced that "The Palestinian government has decided to contribute to the MDP financing with 10% of the total fund received from all financing partners, in addition to NIS 20 million from the MOLG budget" as a contribution from the PNA in MDPII.

Most Importantly, the year 2013 witnessed the launching of the 2nd phase of the Municipal Development Program (MDPII). The launching ceremony was attended by hundreds of distinguished guests from the international community, Palestinian ministries, municipalities, and civil society and ended by signing a Memorandum of Understanding (MOU) to finance the MDPII in a total of US\$100 million. The MOU was signed by the PNA along with several Financing Partners (FPs) including the Agence Française de Développement (AFD), the Danish Representative Office-Ramallah (DRO), the Swedish International Development Cooperation Agency (SIDA), the Swiss Agency for Development and Cooperation (SDC), VNG International funded by the Dutch Government, the International Development Association (IDA), KfW and GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), the European Union (EU), the Kingdom of Belgium.



In his speech in the MDPII launching ceremony, H.E Prime Minister Dr. Rami Al-Hamdallah highlighted that: "the MDP corresponds with the outlines of the NDP, which stress on that the establishment of a stable and independent Palestinian state requires an efficient, transparent and accountable local governments". Therefore, as the Prime Minister announced that "The Palestinian government has decided to contribute to the MDP financing with 10% of the total fund received from all financing partners, addition to NIS 20 million from the MOLG budget", hence revealing the PNA support for local government units and to encourage potential donors to join this program".

Since the MDPII ceremony, MDLF had communicated effectively with all FPs to finalize all the contracting issues and the parallel financing agreements to move forward in the implementation phase. In parallel, several orientation workshops were conducted during the 2nd half of 2013 to give orientation to the municipalities on the MDPII arrangements concerning the request for application, the procurement arrangements, the Environmental and Social Management Framework "ESMF", the available Capacity Building packages and the new allocation criteria. Following the workshops, MDLF had received the proposals for the requested municipal sub-projects as well as the CB packages and finalized the initial appraisal successfully by end of 2013.

Furthermore, MDLF has kept the momentum in implementing the other ongoing Programs/Projects including: the (Local Government Reform Development Programme – "LGRDP" funded by the Belgian Government, in addition to the (Local Development Programme phase III – "LDPIII"), and the (Local Government Policy Development Programme – "LGPD") funded by the Danish Government.

Arch. Abdel Mughni Nofal the Director General of MDLF - through the launching ceremony of the Municipal Development Program-Phase II - mentioned that MDLF is translating the PNA's policies and strategies into implementable programs and projects.

Regarding the LDPIII, it was designed in line with MOLG policies and initiatives to minimize the number of LGUs into bigger, efficient and effective ones through the process of amalgamation. In this context, MDLF has started the implementation of LDPIII early 2013 where the study of feasibility and willingness to amalgamate and the study of Investment needs were finalized for two clusters out of three targeted clusters, followed by the preparation of the work plan and the identification of the joint projects within the two clusters.



Another programme falls under the same initiative is the (LGRDP) funded by the kingdom of Belgium. The LGRDP witnessed a noticeable progress during the reporting period regarding the support for reform and improved capacities and services in smaller LGUs as well as the MDP aligned component.

Another initiative of reform for the local government system at the national level, is the “Local Government Policy Development Programme” (LGPD) funded by the Danish Government and being implemented by MDLF. During the reporting period, the policy unit within MoLG has continued its tasks in monitoring the MoLG policies and strategies being implemented in the local government sector.

This report presents the activities and achievements of the MDLF programs and projects during the period from January 1st until December 31st, 2013. It intends to keep the Palestinian Government and other MDLF Partners informed about the various programs and projects and to highlight the future plans to reform and improve local government units for better quality of life for the citizens in Palestine.

MDLF Institutional Development





1.1: MDLF Strategic Dimensions (2013 – 2016)

The focus of the present Palestinian National Authority (PNA) plans and policies is on preparation for the establishment of the Palestinian state. The local government strategy for state building builds on and extends the reform process outlined in the Local Government Reform Action Plan 2004 and the Local Administration Reform Process 2007, followed by the Cross-Sectoral Strategy for the Palestinian Local Governments (2011 – 2013), and the Ministry of Local Government's (MoLG) own Strategic Framework (2010-2014). To achieve that, the Ministry of Local Government has been slightly shifting towards legislative and guidance role, introducing new policies and adapting reforms in financial, administrative and planning aspects.

In this context MDLF has finalized its Mid-Term Strategic Plan (2013-2016) early 2013, where a framework for the MDLF strategic dimensions were derived from the overall national plans and policies regarding the LG sector development. The developed vision, mission, and values of the MDLF were translated into twelve (12) strategic objectives clustered according to three strategic themes. For each strategic objective, set of activities were outlined and the relevant performance indicators were identified. Thus the focus of the plan was tackling the following:

- **Contribute to the implementation of the national local government policies & plans:**

Strategies include: contribution to policies, exploring lending opportunities, implementation and management of large scale infrastructure projects.

- **Empower Palestinian Local Government Units.**

Strategies include: Strengthening LGUs institutional systems towards better governance, strengthening LGUs role in local economic development, contribute to improved infrastructure and services, generate additional financing and rationalize expenditures and increase revenues, as well as promoting innovation in local governments.



- **Strengthen the institutional development of the MDLF.**

Such strategies objectives will need that MDLF laws, rules and regulations are all completed and up-to-date, keeping qualified and committed human resources and that MDLF strengthen its role in conducting informative research and publish studies in the areas of municipal development, and give more attention for financial sustainability of MDLF through institutionalization of inter -governmental transfers.

It's worth mentioning that in identifying MDLF mid-term strategy (2013-2016), MDLF went into deep consultation with its Board of Directors (BoD) and executive management from one side and with municipalities and Ministry of Local government from the other side, comments and feedback from development partners were also considered in the process of formulating the midterm strategic plan of MDLF. The Plan was set to contribute to the existing national plans objectives and to benefit from lessons learned and surveys conducted at the local level. The following graph illustrates the main framework of MDLF mid-term strategic plan (2013-2016).





Effective local government that enables local government units to achieve better life for citizens

IMPACT

Empower Palestinian local government Units

Strengthen the institutional development of the MDLF

Contribute to the implementation of the national local government plans & policies

SO. 1: Local government units have institutional systems in line with the policies of local government sector and the principles of good governance.

SO. 6: MDLF laws, rules and regulations are all completed and updated and the procedural manuals are issued/ updated accordingly

SO.10: MDLF is capable to manage the implementation of large scale infrastructure projects with national dimensions

SO. 2: Local government units are capable to enhance the local economic development and participate with the private sector PPP

SO. 7: MDLF is capable to conduct informative research and publish studies in the areas of municipal development and urban development.

SO.11: MDLF is capable to explore the LGUs lending opportunities

SO.3: Improved infrastructure and services provided by the local government units.

SO.8: Qualified and committed human resources perform their functions efficiently.

SO.12: MDLF is capable to plan and manage the implementation of programs that contribute to the implementation of policies for local government sector.

SO.4: Local government units are capable to generate additional financing and rationalize expenditures and increase revenues.

SO. 9: MDLF achieve financial sustainability, with institutionalization of inter -governmental transfers in place

SO.5: Local government units are capable to implement innovative initiatives.



1.2: MDLF Capacity Development

1.2.1: Human Resources Development

As outlined in MDLF's Strategic Plan (2013-2016), particularly under the strategic objective (SO.11), a key issue is to maintain and develop the MDLF's human resources to maintain the level of proficiency and credibility in particular the enhancement of the capacities of middle management staff. To achieve that, MDLF has developed a training program for the MDLF employees where the following trainings took place during the year 2013:

- Development of HR Management Strategies
- Intermediate Monitoring & Evaluation Skill
- Knowledge Management for Development
- Local Economic Development
- Impact Evaluation of technical cooperation and development project
- Renewable Energy
- Renewable Energy – Study Tour
- Archiving
- Rehabilitation of the Security and Safety Supervisor and occupational Safety Facilities

It is worth mentioning that MDLF used to prepare a training plan by end of each year based on the annual assessment of training needs for the employees.

1.2.2: MIS Development

The year 2013 witnessed the development of web application survey where the municipalities are capable to apply for their projects and capacity development packages using the web. This application will be served for such surveys that MDLF intends to do in the future such as the municipal ranking, clients satisfaction and any other survey. It is worth mentioning that this application was developed by an out-sourced consultancy company and was successfully tested during the request for projects proposals for MDPII-cycle 1.





Moreover, the archiving system is well functioning since 2013. The MDLF has allocated an archivist for this purpose who started using the system by transferring the MDPI files to the system electronically. The MDLF has prepared a plan to upload all the MDLF historical information into the system during 2014.

Additionally, the MDLF hired a new IT/MIS officer late 2013 who will be responsible for IT infrastructure development as well as the database management. In this context, MDLF intends to conduct IT assessment including the mapping of all hardware and software within MDLF and to put recommendation and solutions for future development towards E-MDLF.

1.3: Outreach and Communication

MDLF had prepared a communication plan for 2013 to share its vision, goals and activities with the municipalities, sector partners and the public. It served as a guide for media and public relations activities in which MDLF was engaged through the year 2013. Various outreach models were considered to establish dialogues and linkages with other institutions and groups. These included presentations at meetings; applying communication products; collaborative projects, etc.





- **MDLF promotional and media materials:** MDLF issued several printing materials throughout the year 2013, including: MDLF updated Strategic Plan, Semi-Annual report, technical and Media Fact sheets, saving energy pilot booklet, procedural manual on energy efficiency enhancement.

Also MDLF had used audio and video tools, of which the movie “future of Palestinian municipalities”, funded by AFD was launched as an evaluation movie that opens the dialog about MDLF role in the sector. Another promotional short film about MDLF and 10 spots were made covering in a simple way the work of MDLF. Such tools were launched on MDLF website and YouTube, a specific web page was also launched for the movie to reach larger audience.



- **MDLF Campaign:** Using different media tools, MDLF conducted over two months period a campaign that included billboards, ads in newspapers, ads in Maan and Palestine TV's, launching events as well as dissemination of different printing materials. The campaign concentrated on visibility and image of MDLF for a larger audience.





- **Events and workshops:** as part of our belief in creating direct linkages and opening communication channels with our beneficiaries, tens of workshops were made through the different programs of MDLF covering all aspects of its work. Several events like the Signature of Memorandum of Understanding for US\$ 100 million support the second phase of Municipal Development Program in festival under the auspices of His Excellency, the Prime Minister, Dr. Rami Alhamdallah, Orientation and training workshops, Meeting with the “Former Germany State Secretary on Agriculture and Costumers Protection and Governor of Muenster in MDLF” MDLF concludes as series of orientation workshops on the use of the procedural manual on energy efficiency enhancement, such events were attended by different Ministries and under the patronage of the Prime Minister.
- **Field Visits & meetings:** during 2013, MDLF gave a special focus to reach out to municipalities in WB&G, headed by the DG as well as the executive staff, MDLF visited many municipalities and projects in West Bank to be able to have a direct feedback on MDLF interventions.
- **International Engagement:** a mission from MDLF and seven municipalities led by the Director General joined the Palestinian Official mission to the World Urban Forum 6, held in Napoli/ Italy, where MDLF was part of running the Palestinian booth, conducting several meetings with different agencies on local governance, area C, and urban planning, that event was very important for networking.
- **Receiving missions:** MDLF through the year 2013 received several missions from different international and national organizations working in the field of local government and explained the work of MDLF with special focus on MDP, in the aim at promoting collaborative approach, meetings with official delegations from South Africa, EU, World Bank etc. Such meetings resulted in three new development partners joining the MDP (SDC and VNG and EU).



Programs / Projects





- 2.1: Municipal Development Program (MDP - phase I)**
- 2.2: Municipal Development Program (MDP - phase II)**
- 2.3: Local Development Programme Phase III (LDP-III)**
- 2.4: Local Government Reform Development Programme (LGRDP)**
- 2.5: Local Government Policy Development (LGPD)**
- 2.6: Schools Rehabilitation “Jenin Governorate”**





2.1: The Municipal Development Program -phase I (MDPI)

2.1.1 Background

During 2009 the MDLF has finalized the preparation activities of the new Municipal Development Program (MDP). The program is 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, the same criteria for project selection, and the same 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.

2.1.2 MDPI 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 has targeted all 134 municipalities in the West Bank and Gaza.

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 in accordance to 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 Grants 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.

Main Beneficiaries

The MDP - Phase I has reached 132 municipalities (107 in WB and 25 in Gaza) during the implementation of the 1st cycle, however, additional 2 newly amalgamated municipalities in West Bank were targeted by MDPI-cycle 2. It is worth mentioning that about 75% of the Palestinian population are served by the municipal services in a total population of (3,147,560 inhabitant) (53.5% in West Bank and 46.5% in Gaza Strip).

More specifically, and based on the data received from the municipalities regarding the window 1 sub-projects, the total number of direct beneficiaries was estimated 2,117,160 inhabitants, (55% in WB and 45% in Gaza Strip).

2.1.3 Financing Partners Contributions

The MDP is supported by the Palestinian National Authority along with the Agence Française de Développement (AFD), the Danish Government, the Swedish International Development Cooperation Agency (Sida), the World Bank, the



German Development Bank (KfW), and the German International Technical Cooperation (GIZ). Furthermore, the saving from the KfW under the EMSRP II with an amount of **Euro 1,640,094** was invested in window 1 of the MDP 1 – Cycle 1. In addition to that, the Kingdom of Belgium, has committed to support the MDP through its ongoing program (**Local Government Reform and Development Programme – LGRDP**) and starting from the 2nd cycle of MDP-phase 1. All the 1st cycle 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 June 10th, 2010. The total allocated amount for the 1st cycle fund was **Euros 30,004,263**.

In regards to the 2nd cycle fund, some of the agreements were signed late 2011, particularly the WB amendment and the AFD agreement. However, the other financing agreements were signed during the 1st half of 2012. The total allocated amount for the 2nd cycle fund was **Euros 29,706,587**. Table 1 below illustrates the funding amounts, the signature dates and the completion dates for both cycles agreements of MDP phase 1.





Table 1: MDP Financing Partners Contribution for the 1st and 2nd cycles

Donor	Fund Amount (1st cycle)	Signature Date	Completion Date as per the Agreement
GIZ Agreement	€ 450,000	November 12nd , 2009	March 31st, 2012
KfW Financing Agree- ment	€ 7,500,000	December 6th , 2009	December 6th , 2012
AFD Financing Agree- ment	€ 3,200,000	April 6th , 2010	December 31st , 2012
World Bank Agree- ment	\$10,000,000	October 29th , 2009	August 31st ,2013
Multi Donor Trust Fund Agreement	\$13,477,042	The agreement was signed on June 10th , 2010.	August 31st ,2013
The Kingdom of Belgium	---	---	---
Donor	Fund Amount (2nd cycle)	Signature Date	Completion Date as per the Agreement
GIZ Agreement	€ 300,00	June 27th , 2012	March 31st , 2015
KfW Financing Agree- ment	€ 9,500,000	February, 14th 2012	February, 14th 2015
AFD Financing Agree- ment	€ 6,000,000	December, 21st 2011	December, 31st 2014
World Bank Agreement	\$ 2,000,000	December, 21st , 2011	August 31st ,2013
Multi Donor Trust Fund Agreement	\$ 12,209,718	June 27th , 2012	August 31st ,2013
The Kingdom of Bel- gium	€ 1,000,000	This contribution to MDP is allocated under the 3rd component of the ongoing programme "Local Government Reform & Development Programme", with total amount of (Euros 3 million) distributed on MDP cycles.	



In addition to the above listed agreements, 10% of the total fund excluding the share of (AFD in the 1st cycle and the Belgian contribution in the 2nd cycle) will be funded by the Palestinian Authority and will be invested in window 1. Chart 1 and Chart 2 illustrate the distribution of MDPI fund per donor and per window for both cycles of MDP-phase 1.

Chart 1: Distribution of MDP Fund Per Donor (both cycles)

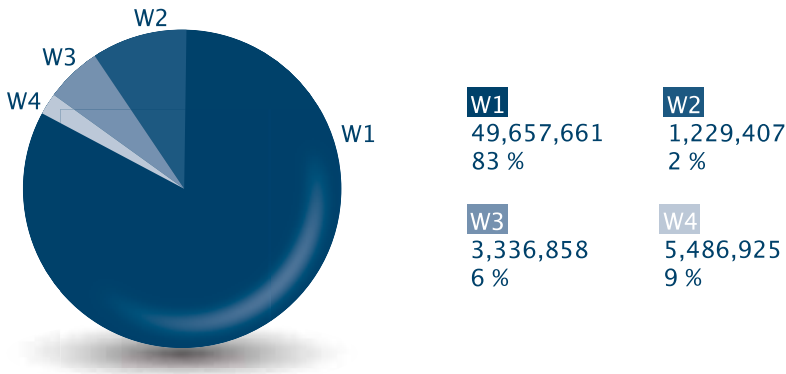
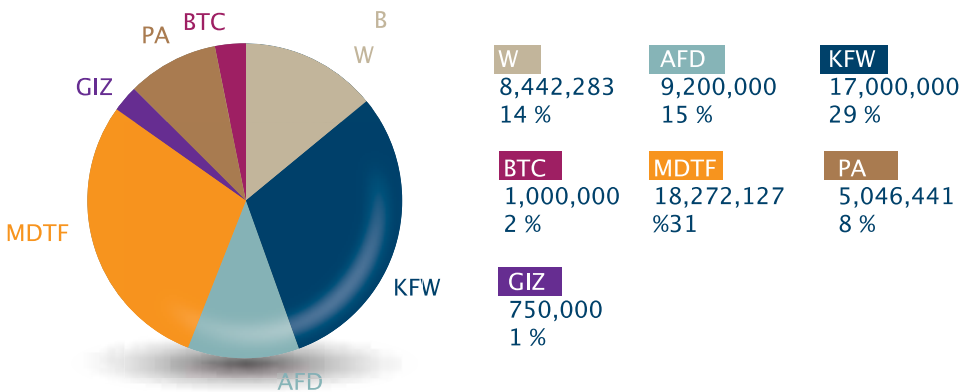


Chart 2: Distribution of MDP Fund Per Window (both cycles)





2.1.2 Achievements Against the Overall Objective

Project Overall Objective: To improve the quality and coverage of municipal service delivery

Indicator 1: At the end of each program phase, municipalities are rated satisfactorily on the quality and coverage of service delivery by citizens, through citizen satisfaction surveys.

- This indicator was measured by conducting a post survey by end of 2012 to assess the perception of citizens towards the municipal services concerning the infrastructure, transparency, awareness, public participation and interaction.
- The results of the surveys and interviews were for most parts positive and indicated improvements from 2009 but highlighted some reoccurring issues.
- The effects of MDP-I are clear on some of the services but issues that extended beyond the capacity of the Municipalities, may have skewed the perceptions of respondents.
- The descriptive table below and Chart 3 show the 2009 base line scores of citizens perception towards municipal services compared with 2012 survey scores of the citizens who benefited from the MDP-I interventions.
- Finally, the total score was calculated by summing the weighted scores for all services together.

Chart 3: Citizens Satisfaction Results (2009 Versus 2012)





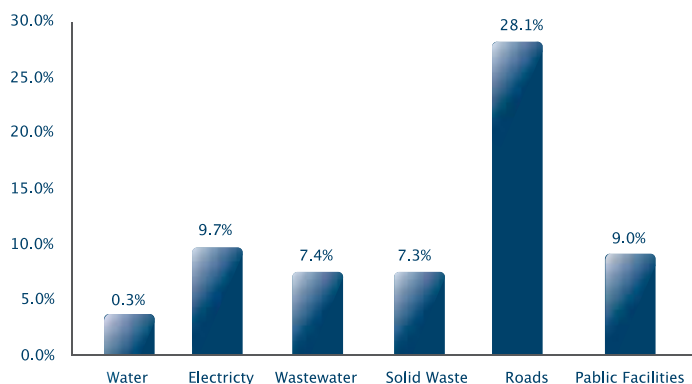
Item	2009		2012	
	Satisfaction Score	Overall score	Satisfaction Score	Overall Score
<i>Electricity</i>	65.1	50.0	58.1	57.1
<i>Water</i>	42.7		54.8	
<i>Sewage</i>	57.8		68.4	
<i>Solid Waste</i>	52.3		50.6	
<i>Roads</i>	49.7		58.7	
<i>Parks and entertainment</i>	51.8		32.3	
<i>Interaction</i>	68.8	---	72.5	---
<i>Awareness</i>	18.6		33.4	
<i>Public Participation</i>	16.4		23.2	
<i>Transparency</i>	34.8		36.6	

Indicator 2: Percentage of coverage of municipal services (households, neighborhoods) through MDP-financed investments as shown in the MDLF municipal infrastructure database.

- This indicator was measured through a post survey of the municipal infrastructure database. This assessment was conducted by the PCBS as a single source and financed by the AFD.
- The results indicated such improvements in coverage of municipal services and municipal infrastructure.
- The assessment indicated such improvement for the municipal infrastructure coverage at the municipal level in water, wastewater, roads, electricity.
- MDPI has noticeable contribution in the overall change, in particular roads construction and rehabilitation.
- The MDPI contribution is 14.7% (overall), (10.3% WB), (34% Gaza) of the total invested amounts at municipalities over the last three years (2010, 2011, 2012) regarding the infrastructure coverage and services quality. Chart 4 bellow illustrates the MDPI contribution to municipal infrastructure per sector over the last three years in terms of fund allocations.



Chart 4: MDPI contribution to the municipal infrastructure services (2010, 2011,2012)

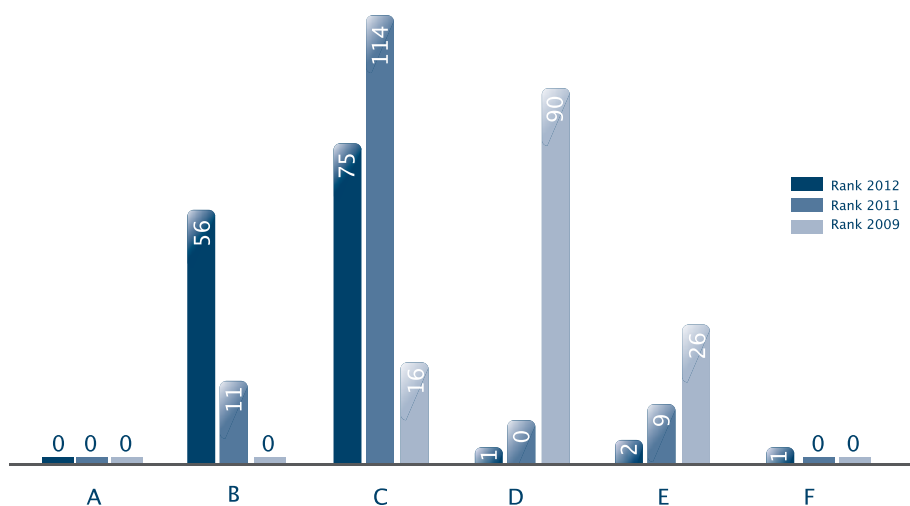


2.15 Progress of Outcomes and Intermediate Outcomes

Project Development Objective (PDO) : To improve municipal management practices for better transparency						
Indicators	Baseline (end of 2009)	End of cycle 1 (mid 2011)		End of cycle 2 (end of 2012)		Comments
		Target	Achieved	Target	Achieved	
The per-centage of municipal-ities that graduate up the per-formance category in which they are current-ly classified, by the end of phase 1	0	15%	86%	25%	96%	This Indicator is Over-achieved. The municipal graduation by end of MDPI is described as follows: Graduated E-C:15 Graduated E-B:8 Graduated D-C:58 Graduated D-B:32 Graduated C-B:14 No change (2 in C) No change (2 in E) Two newly amalgamated – B One newly established (Nuba) Backward (E-F) : 1 (Al Oja) The graduation status is shown in Chart 5 bellow.



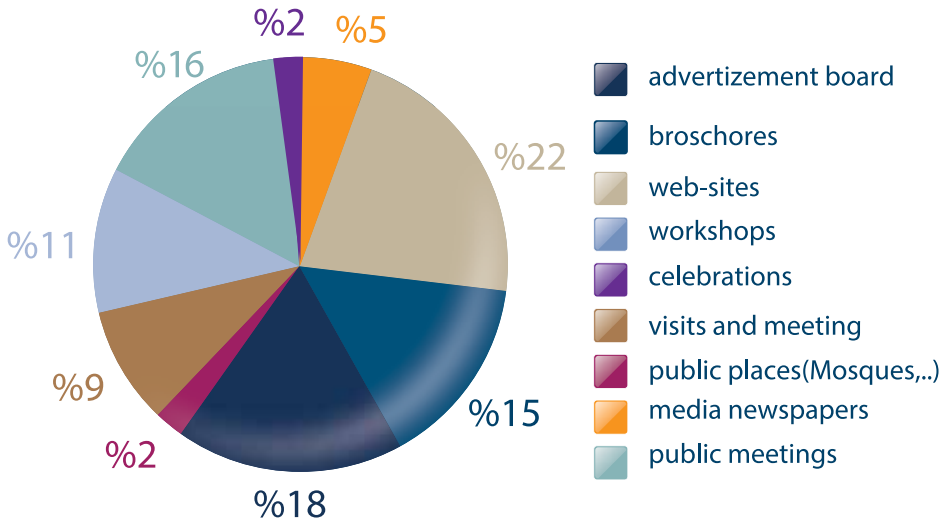
Chart 5: Municipal Ranking (2009 -2012)



Project Development Objective (PDO) : To improve municipal management practices for better transparency						
Indicators	Baseline (end of 2009)	End of cycle 1 (mid 2011)		End of cycle 2 (end of 2012)		Comments
		Target	Achieved	Target	Achieved	
Percentage of municipalities that apply at least two public disclosure (publicly available SDIPs, Annual External Audits, project related data, municipal budgets and performance rankings) by the end of Phase 1	0	30%	68%	50%	68%	This indicator is over-achieved. SDIP disclosure: (119 out of 129) – 92% External Audit disclosure: (41 out of 61) – 67% Municipal budgets disclosure: (75 out of 134) - 56% Ranking disclosure : (89 out of 134) – 66% The verification of the survey was conducted by an outsourced consultant. The results are shown in chart 6 below.



Chart 6: Public Disclosure Methods applied by Municipalities





Intermediate Outcomes (Components Indicators)						
IO1 - Window 1 - Improved municipal infrastructure through capital investment grants						
Indicator	Baseline (2009)	End of cycle 1 (mid 2011)		End of cycle 2 (end of 2012)		Comments
		Target	Achieved	Target	Achieved	
Percentage of investments financed that were identified in the municipal Strategic Development and Investment Plans (SDIPs)	0	100%	100%	100%	100%	This Component Indicator is fully achieved. All the municipalities that have SDIPs submitted sub-projects that are already identified in their SDIPs. (37 sub-projects) in the 1st cycle and (198) in the 2nd cycle.
Percentage of investments financed under MDP Phase 1 that are operational and in adequate state of usability according to Technical Audits	0	80%	NA	80%	97%	This Component Indicator is Over-achieved. Based on the technical audit & usability assessment which was conducted by individual consultants in West Bank and Gaza, the audit reports indicated that the functionality, usability, and sustainability are acceptable and satisfactory. Based on a sample of 30 sub-projects. However one sub-projects in Gaza is partially utilized. (i.e) this indicator is over achieved where more that 97% of sub-projects are in adequate state of usability.



IO2 - Window 2 - improved municipal management through application of innovative initiatives

Indicator	Baseline (2009)	End of cycle 1 (mid 2011)		End of cycle 2 (end of 2012)		Comments
		Target	Achieved	Target	Achieved	
The number of municipal amalgamation initiatives initiated, by the end of phase 1	4	NA	NA	6	8	This component indicator is over-achieved. 8 newly amalgamated municipalities had selected 13 social and small scale of infrastructure sub-projects in health, education, culture, roads.
The number of Energy-Efficient projects for enhancing municipal revenues that are implemented	0	NA	NA	2	4	This component indicator is met: One year after the installation of energy saving equipment's, a post process evaluation was conducted. The results for the measurement and verification in 2012 indicated a noticeable achievements regarding the energy savings in the 4 piloted municipalities in the amount reached 1,523,235 KWH (165,479 Euro) The evaluation report for this sub-window illustrates these figures in detail.
Pilots of one-stop-shops implemented in at least 3 municipalities in Gaza;	0	1	NA	3	3	This indicator is met where met: 3 OSS in Gaza are in operation in (Jabalia, Al Qarara and Bani Suhaila)



IO3 - Window 3 - Developed capacities for municipalities through the capacity development packages

Indicator	Baseline (2009)	End of cycle 1 (mid 2011)		End of cycle 2 (end of 2012)		Comments
		Target	Achieved	Target	Achieved	
The percentage of municipalities that graduate up the performance category in which they are currently classified, by the end of phase 1	0	15%	86%	25%	95.5%	This component indicator is over achieved as illustrated at the PDO level
Procedures for Operations and Maintenance are established and piloted in at least 5 municipalities;	0	O&M Procedures Approved		O&M procedures are piloted in at least 5 municipalities and relevant training is completed		This indicator is not achieved yet, but is expected to be surpassed by the end of project: The scope of this assignment was developed to have a manual for O&M for roads and public facilities. A set of 10 municipalities (compared to 5 target)) will be coached on the use of the manual. The target which was identified by end of Cycle 1 was not met due to planning issues related to O&M package. The main deliverable of the coaching process of the 10 pilot municipalities is to have O&M plans that is expected to be ready by April 2014, where the contract with the consultancy firm was extended upon the approval from the KFW.



IO4 - Window 4 - Good and effective management of MDP I

satisfactory performance of MDLF as measured by meeting targets it defines in the Annual Work Plan	satisfactory	satisfactory	satisfactory	satisfactory	satisfactory	MDLF has achieved more than 95% of the forecasted disbursement for 2010 ,2011 and 2012.
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Progress of Outputs

Window 1:

Outputs (key achievements)

310 Km of roads were rehabilitated, 3,415 street lighting units were supplied, 6279 L.m of retaining walls were constructed, 740 L.m of culverts were constructed, 49.9 Km of sidewalks were rehabilitated, 47 groundwater wells were rehabilitated, 11 Km of water networks were rehabilitated, 35 Km of wastewater networks were rehabilitated, 4 transformers were installed, 16,783 sq. of public buildings were constructed, 29,000 sq.m of public gardens were constructed, 498 solid waste containers were supplied.

Window 2:

Outputs (key achievements)

Amalgamation : This sub-component is still under implementation, it is anticipated to complete 13 social infrastructure sub-projects within 8 newly amalgamated municipalities.

Energy Efficiency: A number of energy efficient equipment, in particular, the pumps and public buildings and street lighting were installed for the targeted municipalities.

One Stop Shop: This sub-component is still under implementation, it is anticipated to finalize OSS in three municipalities in Gaza.



Window 3:

Outputs (key achievements)

Financial Policies and Procedures Manual (FPPM): 96 municipalities has benefited from the financial package

Strategic Development and Investment Plans (SDIPs): 90 municipalities has benefited from the SDIP package

Fixed Assets Registration and Valuation (FARV): 32 municipalities has benefited from the fixes assists registration and valuation package

Operation and Maintenance (O&M): 10 municipalities will be coached on the use of O&M manual.

For more details about MDPI results please see annex (A)

2.1.7 Implementation Status and Activities

Window 1 – 1st cycle

In regards to the status of W1 – 1st cycle sub-projects in the West Bank, 121 sub-projects were approved with total allocations (12,912,511 Euros). All these sub-projects were completed.

However, 87 sub- projects in Gaza Strip were approved with total allocations (10,932,912 Euros) where the status of W1- 1st cycle sub-projects in Gaza strip is described as follows:

- **85 sub-projects** out of 87 were completed with total allocations (10,698,348 Euros) amounting (98%) of the budget.
- **2 sub-projects** were cancelled with total allocations (234,563 Euros) amounting (2%) of the budget. The allocated fund of the cancelled sub-projects was redistributed among municipalities in the 2nd cycle pooling.



Window 1 – 2nd cycle

Regarding the status of W1 – 2nd cycle sub-projects in the West Bank, 139 sub-projects were approved with total allocations (15,948,035 Euros) where the status is described as follows:

- **138 sub-projects** out of 139 were completed with total allocations (15,607,938 Euros) amounting (98%) of the budget.
- **1 sub-projects** is ongoing with total allocations (340,097 Euros) amounting (2.0%) of the budget and expected to be completed by mid-February 2014.

Chart 7: Status of W1 sub-projects in WB

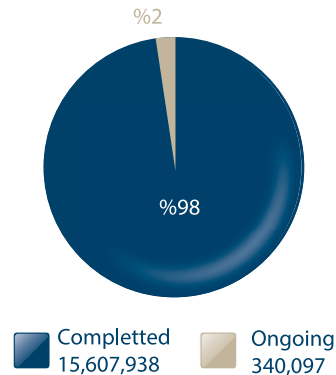


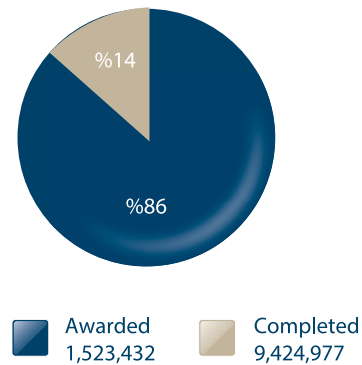
Chart 7 illustrates the status of the W1 allocated funds in the West Bank

Regarding the status of the W1 -2nd cycle-sub-projects in Gaza strip, 161 sub-projects were approved with total allocations (10,948,409Euros) where the status is described as follows:

151 sub-projects out of 161 were completed with total allocations (9,424,977 Euros) amounting (86%)of the budget.

10 sub-projects are awarded with total allocations (1,523,432 Euros) amounting (14%) of the budget, noting that these sub-projects will be financed by the PA contribution in MDPI-cycle 2. Chart 8 illustrates the status of the W1 allocated funds in Gaza Strip.

Chart 8: Status of W1 sub-projects in Gaza





During the reporting period, it is obvious there is an effective progress in the implementation of sub-projects. There is a dramatic increase in the percentages of (completed) sub-projects and a decrease in the percentages of (Pre-tendering and ongoing) subprojects amounting 39.18% of the total budget. All these figures are illustrated Table 2 below.

Table 2: (MDP-W1 sub projects) status over the time in terms of Allocated Fund (WB&G)

Status	January 1 st , 2013	December 31 st , 2013	Trend
Pre-tendering	2%	0%	Decrease
Tendering	2%	2%	Steady
Awarded	6%	6%	Steady
Ongoing	53%	15.82%	Decrease
Completed	37%	76.18%	Increase

Note: for more details about the MDP-W1 status please refer to annex A.





Window 2: Municipal Innovations and Efficiency

- **Energy Efficiency:** *this sub component had been implemented over the two cycle s of MDPI and financed by the World Bank.*

In order to save energy, MDLF through MDPI included a pilot innovation project with a total budget of about Euro 487,000 that aims at enhancing municipal revenue generation, and to reduce operating costs and promote 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 pilot project has been staged into the following:

- 1) pre-audit,
- 2) investment in equipment and installation,
- 3) post-implementation measurement and verification,
- 4) post-implementation process evaluation and results dissemination;

Regarding the pre-audit stage, MDLF contracted a consultancy firm “Energy Management Services company (EMS)” that carried out a detailed energy audit which was completed in August 2010. Upon the audit completion, energy saving equipment were identified and installed within the municipalities during 2011. The post-implementation measurement and verification was also conducted over the year 2012 where the saving outcomes for the four Municipalities over the period (11/2011-11/2012) are summarized as follows:

- Total annual Energy Savings = 1,514,461 kWh/year
- Total annual savings= 181,735 Euro/year
- Total annual environmental savings = 1,599,402 kg CO₂ /year



During the reporting period a dissemination workshop had been conducted on January 30th 2013 where the project stages and outcomes had been illustrated through the presentation of the individual consultant and the supporting printed material.

The assessment of the workshop showed that Municipalities has acknowledged the project objectives and stages, and showed great interest and willingness to apply this initiative.

Furthermore the post implementation process evaluation assignment was carried out by an Individual Consultant who assessed the pilot project process, stages and outcomes and reported the outputs, lessons learned and main recommendations for enhancement of each step of the energy efficiency within municipalities.

- **Amalgamation:** this sub component was implemented in the 2nd cycle of MDPI and financed by the Multi - Donor Trust Fund. It was designed to support the newly amalgamated municipalities, with focus on the **community development projects** including some small scale infrastructure and social infrastructure sub-projects. In this regards the total allocated fund in the amount of **(608,185 Euros)** from the **MDTF fund** was distributed among **8 newly amalgamated municipalities**. MDLF asked those municipalities to apply for community development projects early October 2012 and the application forms were appraised and approved early November 2012. The total no. of approved sub-projects were 13 distributed across **8 municipalities** as follows:
 - **Sub-projects out of 13** are roads sub-projects in (Baqa Al-Sarqiyya, Azzaytouna, Al-Ittihad) municipalities.
 - **10 Sub-projects out of 13** are public buildings including (school maintenance, supplying equipment's for school, construction of health center, external works for health clinic) in (**Al-Kafriyyat, Marj Bin Amer, Al-Muttahida, Al-Yasiriyya, Azzaytouna, Al-Ittihad**) municipalities.

All these sub-projects were completed by end of August 2013.



» ***One Stop Shop: this sub component has been implemented in the 2nd cycle of MDPI and financed by the Multi - Donor Trust Fund.***



This activity was designed to assist municipalities in establishing Citizen Services Centers as a piloting phase under the MDPI. The establishment and use of such centers enhances transparency and responsiveness towards citizens, as well as enable citizens to participate and monitor municipal performance. Activities under this sub-component include institutional assessment and business process management assessment, provision of IT equipment, software installation and implementation, civil works to accommodate the citizen service center. The implementation status can be summarized as follows:

- ***MDLF had applied a specific criteria to select three municipalities for the implementation of OSS as a pilot phase. The selected municipalities were (Jabalia, Al Qararah and Bani-Suhaila).***
- ***A contract was signed with an individual consultant in February 2013 to conduct the institutional assessment for the selected municipalities. The consultant had completed mapping, tracking and documenting the ongoing institutional processes and municipal delivery procedures in all selected municipalities in June 2013.***
- ***Physical inspections for placing the OSS were done, BOQ has been created for the OSS place requirements in terms of place' rehabilitation (construction works), furniture, Air conditions and IT equipment.***

On 18th of June 2013, a contract was signed with a local contractor company who performed the rehabilitation of the OSS' places in the target municipalities. Regarding the OSS software, the implementation process as well as the testing phase were all completed.



Window 3.A: Capacity Building for Municipalities

Window 3.A- 1st cycle

This sub-component supports municipalities in improving their performance to graduate to a higher performance category in which they are currently classified; it supports consultant's services, training and equipment for municipalities in both West Bank and Gaza Strip. The capacity building packages for the 1st cycle included:

- Improved financial management through rolling out of Financial Policies and Procedures Manual; Fixed Assets Registration and Valuation; Budgeting Guidelines; and promotion of Municipal External Audits.
- Support for improved planning capacity through rolling out Phase 1-3 of the Strategic Development and Investment Planning (SDIP) process to municipalities that do not have SDIPs; and rolling out of Phase 4 & 5 of SDIPs to municipalities having SDIPs with (Phase 1-3).
- Support for improving Operations and Maintenance (O & M) would assist municipalities in improving O&M for roads and public buildings as a pilot phase.
- Table 3 illustrates the distribution of capacity building packages of the 1st cycle by region per donor.

Table 3: Capacity Building Packages/ 1st cycle

Capacity Building Package	No. of Municipalities	West Bank	Gaza	Financing Partner
FPPM (Financial Policies & Procedures Manual)	75	60	15	GIZ
SDIP (Strategic Development & Investment Plan)	41	31	10	AFD: 10 mun West Bank MDTF: 8 mun West Bank KFW: 8 mun West Bank KFW: 4 mun Gaza Strip GIZ: 5 mun West Bank GIZ: 6 mun Gaza Strip
FARV (Fixed Assets Registration & Valuation)	4	4	0	MDTF
Total Number of Municipalities	120	95	25	

All capacity development packages which were implemented under window 3.A - 1st cycle were completed in 2012.





Window 3.A – 2nd cycle

The capacity building packages for the 2nd cycle were distributed among municipalities based on the municipal ranking which was measured by end of the 1st cycle to ensure the graduation of the municipalities according to the MDPI ranking system. Table 4 illustrates the distribution of capacity building packages of the 2nd cycle by region per donor.

Table 4: Capacity Building Packages/ 2nd cycle

Capacity Building Package	No. of Municipalities	West Bank	Gaza	Financing Partner
FPPM (Financial Policies & Procedures Manual)	21	14	7	GIZ
SDIPs (Strategic Development & Investment Plan phase 1-3)	49	36	13	AFD: 8 mun West Bank AFD: 6 mun Gaza Strip MDTF: 17 mun West Bank GIZ: 11 mun West Bank GIZ: 7 mun Gaza Strip
SDIPs Update (phase 4&5)	52	42	10	AFD: 13 mun West Bank MDTF: 29 mun West Bank MDTF: 10 mun Gaza Strip
FARV (Fixed Assets Registration & Valuation)	28	26	2	MDTF
Total Number of Municipalities	98	76	22	

The implementation status of these packages can be described as follows:

i. Improving financial management through:

- a. External Audits:** Municipalities would be expected to ensure an external audit of their finances in accordance with a specified TOR published by MDLF through its website.



- b. Financial Policies and Procedures Manuals (FPPM):** Support the use of standardized budget guidelines (developed and endorsed by the MoLG) through coaching and training municipalities on the use of the guidelines. The municipalities were grouped in two clusters (One cluster in West Bank comprising “14 municipalities”) and (one cluster in Gaza Strip comprising “7 municipalities”). The implementation process for Gaza cluster has started in early November 2012 and completed by end of June 2013. However, the coaching of West Bank municipalities has started in Mid of December 2012 and completed by mid of July 2013.
- c. Fixed Assets Registration and Valuation (FARV):** This capacity building package was designed to support 28 municipalities in registering and valuating their fixed assets. Municipalities were grouped into 4 clusters (3 clusters in West Bank comprising 26 municipalities) and (one cluster in Gaza Strip comprising 2 municipalities). The implementation of this assignment had started late 2012 where the consulting firms had provided a training for the target municipalities in WB&G on the work mechanism and the use of the methodology related to estimating fixed assets. The municipalities completed recording their fixed assets by end of July 2013.





ii. improving planning capacity through:

a. Strategic Development and Investment Planning (SDIP):

- b. The process of preparing/developing SDIPs consists of five phases including the preparation of the strategic development plan (Phase 1-3) and the implementation and monitoring of the plan (Phases 4&5) for municipalities already having SDIPs. This capacity building package was designed to support 49 municipalities in the preparation of their SDIPs. Municipalities were grouped into 7 clusters (5 clusters in West Bank comprising 36 municipalities) and (2 clusters in Gaza Strip comprising 13 municipalities). The implementation process in the West Bank and Gaza clusters has started in 2012 and completed by end of August 2013 except one cluster in West Bank comprising of 11 municipalities which was contracted on 23rd of June 2013 and expected to be completed by end of February 2014.

c. Quality Assurance of selected SDIPs:

- Three Quality Assurance Consultants (QA) (Social Expert, Strategic Planner and Organizational Development Expert) were contracted to assess the quality at ten municipalities in the West Bank throughout the process of developing their SDIPs.
- The QA consultants reviewed and assessed the deliverables of the local consultants at the ten chosen municipalities from cycle2, they attended sample workshops and submitted recommendations to enhance quality during the process.
- In Gaza, the quality assurance consultancy firm which was contracted to monitor the progress of the work for 13 municipalities has approved the complete SDIP deliverables.



d. Implementation of Phases Four and Five from the Strategic Development and Investment Planning Project (SDIP). The implementation status for this package can be illustrated as follows:

- Implementation, evaluation and update phases were initiated for 52 municipalities across the West Bank and Gaza. These municipalities have previously received support in preparing their SDIPs by the MDLF or other entities.
- Several meetings were held with these municipalities to discuss the goals of the project and to mobilize the committees to complete the remaining phases of the SDIP manual.
- In the West Bank, four consultants have completed their work with (42) municipalities, and submitted all deliverables, which were reviewed and accepted by MDLF.
- In Gaza, the consulting company has completed the works with (10) municipalities across two clusters and submitted all deliverables, which were reviewed and accepted by MDLF.

iii.Improving Service Delivery: through developing and implementing operations and maintenance plans for roads and public buildings. This capacity building package (O&M) was agreed with FPs (mainly the KFW) to be implemented in four main phases:

- Phase one: assessment of the current practices of O&M at the municipalities.
- Phase two: develop an operation and maintenance system and document it in a manual and coach municipalities on its use as a pilot phase.
- Phase three: develop a computerized O&M system and test it on a pilot of two municipalities.
- Phase four: roll out the computerized system to the municipalities.

During MDPI-cycle 02, MDLF has focused on the 1st and 2nd phases of O&M package. The implementation process for the 1st phase was completed end of December 2012 where the assessment study and the guideline for operations and maintenance package” was prepared. However the implementation of the





2nd phase has started mid 2013. The consulting firm has finalized the O&M manual and started piloting the manual on 10 municipalities in WB&G. It is anticipated to finalize the piloting by end of April 2014 by having O&M plans for the target municipalities.

LTCs - 1st cycle

- 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.

LTCs - 2nd cycle

Given that the role of the local technical consultants (LTCs) for the 2nd cycle is the same for the 1st cycle, the contracting agreements between MDLF and the LTCs - (three consultancy firms in the West Bank and one in Gaza) - were signed in February-2012. The LTCs assignments were distributed among the financing partners as follows:

- North of the West Bank cluster will be financed by the World Bank.
- Middle of the West Bank cluster will be financed by the KfW.
- South of the West Bank cluster will be financed by MDTF (Sida and Denmark).
- Gaza Strip cluster will be financed by the AFD.



Monitoring and Evaluation:

Under this sub-component, there are set of surveys which were planned to be conducted for MDPI evaluation in accordance to the MDPI results framework. MDLF had conducted all these surveys through outsourced consultants to measure the achievements against the outcome and the intermediate outcome indicators. Additionally the results will be utilized as baseline surveys for MDP-II as per the following:

Survey	Financing Partner	Objective, Scope and Description of the Assignment	Implementation Status
Municipal Ranking update (end of cycle 1)	MDTF	To update the municipal ranking in accordance to MDPI ranking system using the 12 KPIs as indicated in the MDPI – Transfer Mechanism. This assignment was implemented through an individual consultant who did a verification for the document received from the municipalities to check the compliance of the municipalities with the 12 KPIs. The results have been used for evaluation purposes of MDPI-cycle 1.	This assignment was implemented over the period (September – October 2011)
Municipal Ranking Update (end of cycle 2)	KFW	To update the ranking of municipalities based on the MDPI and MDPII ranking systems. This assessment will be served for evaluation purposes of MDPI (based on MDPI ranking system) and will be utilized as a baseline for MDP-II “based on the new ranking system of MDP-II). The consultant was requested to review and verify the supporting documents received from the municipalities, in site inspection at municipalities, document the results with the municipalities and then update municipal ranking using both criteria’s (the MDP-I ranking system (12 KPIs) and the MDP-II updated ranking system (16 KPIs)).	This assignment had started in January and Completed in April 2013.



Survey	Financing Partner	Objective, Scope and Description of the Assignment	Implementation Status
Technical audit and Usability assessment	KFW	This audit was carried out in both West Bank and Gaza Strip through two individual consultants one in West Bank and the other in Gaza. The study aimed at evaluating a representative sample of infrastructure sub-projects (18 sub-projects in WB and 12 sub-projects in Gaza). The sample of sub-projects was randomly selected by the two individuals in coordination with MDLF to cover the implemented sub-projects in both cycles of MDP-I. The assessment focused on the technical quality and structural soundness, and the compliance of implemented sub-projects with technical specifications. Furthermore, it assessed the approaches and processes during the implementation of sub-projects and provides recommendations for future improvements.	This assignment had started in September 2012 and completed in December 2012.
Update of Municipal Infrastructure Database	AFD	The main objective of this assignment is to collect a reliable data and indicators on basic municipal infrastructure for 134 municipalities in West Bank & Gaza. The results of the survey have been utilized specifically for evaluation purposes of the ongoing "MDP-phase 1" and will be used as baseline for the upcoming "MDP-phase 2". Moreover, the updated infrastructure data will be used as proxy indicators to reflect the municipalities needs as one of the main criteria for the updated grants allocation formula. MDLF had contracted the PCBS in September 2012 to collect the needed information using the survey tools and instruments for the baseline survey 2009. The PCBS was asked to conduct a comparative analysis between the 2009 and 2012 figures regarding the municipal infrastructure database.	This assignment had started in September 2012 and completed in December 2012



Survey	Financing Partner	Objective, Scope and Description of the Assignment	Implementation Status
Clients and Citizens satisfaction assessment	WB	The objective of this consultancy is to conduct a Clients and Citizens Satisfaction Assessment as a post evaluation of the MDP-I by combining two surveys: (1) MDLF clients' satisfaction survey with municipalities and (2) citizens satisfaction survey with municipalities' performance. In particular, the aims of the assignment are to: - Assess the satisfaction of municipalities with the performance of the MDLF - Assess the satisfaction of citizens with the performance of municipalities - Performing comparative analysis between the situation before and after the MDP-phase1, i.e. between the 2009 baseline and the 2012 survey - Develop recommendations and lessons learned, based on the empirical findings, to address the identified performance concerns (with 1) and (with 2) - that are within the realm of both entities. This study will be utilized specifically for evaluation purposes of the ongoing program "MDP-phase 1" and will be used as baseline for the upcoming "MDP-phase 2". MDLF had contracted a consultancy firm to conduct the assessment using both quantitative -(questionnaires for citizens satisfaction)- and qualitative methods -(focus groups, key informants interviews for LTCs, SDIP committees, and municipal staff)-. The sample size was pre-identified to be (1200 citizens, 200 key informants interviews and 4 focus groups) distributed among 31 municipalities in West Bank and Gaza. It is worth mentioning that the contract was amended to expand the scope of work in particular the qualitative surveys including (additional 5 focus group, additional 117 key informants interviews with municipal staff distributed among additional 39 municipalities in WB&G). Furthermore, the new scope of work included conducting additional 105 key informant interviews with SDIP committees and institutions engaged in preparing the municipal SDIPs.	This assignment had started in October 2012 and completed by March 2013.



2.1.8 Financial Status

1st cycle Disbursement by end of reporting period (by end of December 2013)

Financing Partner	WB		MDTF		KFW		AFD	
Window	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed
Window 1	5,314,685	6,024,138	7,365,360	7,585,501	6,280,000	6,272,358	2,620,000	2,617,078
Window 2	489,510	488,768	699,094	843,367	0	0	0	0
Window 3	419,581	102,653	409,092	293,970	420,000	229,705	230,000	221,010
Window 4	769,231	977,807	950,958	956,558	800,000	772,733	350,000	359,029
Total	6,993,007*	7,593,366*	9,424,504*	9,679,396*	7,500,000	7,274,796	3,200,000	3,197,117

* Special note: the allocated amounts for the WB and MDTF was calculated in Euro using the exchange rate 1.43\$/Euro, whereas the disbursed amounts was transferred in Euro based on the average exchange rates over the period of financing agreement.

Financing Partner	PA		GIZ		BTC		Total (Euro)		(%)
Window	Allocated	Dis-bursed	Allocated	Dis-bursed	Allocated	Dis-bursed	Allocated	Disbursed	
Window 1	2,265,377	2,247,890	0	0	0	0	23,845,422	24,746,965	104%
Window 2	0	0	0	0	0	0	1,188,604	1,332,135	112%
Window 3	0	0	418,500	418,583	0	0	1,897,173	1,265,921	67%
Window 4	171,374	212,534	31,500	31,502	0	0	3,073,063	3,310,163	108%
Total	2,436,751	2,460,424	450,000	450,085	0	0	30,004,262	30,655,184	102%

1st cycle Disbursement During the reporting period (1st of January until 31st of December 2013)

Financing Partner	WB	MDTF	KFW	AFD	PA	GIZ	BTC	Total (Euro)
Window 1	627,258	490,465	153,421	0	55,483	0	0	1,326,627
Window 2	33,486	733,987	0	0	0	0	0	767,473
Window 3	68,836	198,079	40,205	49,101	0	0	0	356,221
Window 4	290,422	245,689	171,548	31,315	48,295	0	0	787,269
Total	1,020,002	1,668,220	365,174	80,416	103,778	0	0	3,237,590



2nd cycle Disbursement by end of reporting period (by end of December 2013)

Financing Partner	WB		MDTF		KFW		AFD	
Window	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed
Window 1	1,235,983	1,322,527	7,415,865	8,068,557	8,723,523	8,599,073	5,079,856	4,894,079
Window 2	0	0	40,803	58,930	0	0	0	0
Window 3	24,232	0	724,976	426,141	111,477	0	300,000	217,794
Window 4	189,061	209,996	665,979	763,113	665,000	665,000	620,144	496,373
Total	1,449,276*	1,532,523*	8,847,623*	9,316,741*	9,500,000	9,264,073	6,000,000	5,608,246

*Special note: the allocated amounts for the WB and MDTF was calculated in Euro using the exchange rate 1.38\$/Euro, whereas the disbursed amounts was transferred in Euro based on the average exchange rates over the period of financing agreement.

Financing Partner	PA		GIZ		BTC		Total (Euro)		
Window	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	Allocated	Disbursed	(%)
Window 1	2,427,012	39,205	0	0	930,000	927,338	25,812,239	23,850,779	92%
Window 2	0	0	0	0	0	0	40,803	58,930	144%
Window 3	0	0	279,000	228,298	0	0	1,439,685	872,233	61%
Window 4	182,678	0	21,000	15,154	70,000	67328	2,413,862	2,216,964	92%
Total	2,609,690	39,205	300,000	243,452	1,000,000	994,666	29,706,589	26,998,906	91%

2nd cycle Disbursement During the reporting period (1st of January until 31st of December 2013)

Financing Partner	WB	MDTF	KFW	AFD	PA	GIZ	BTC	Total (Euro)
Window 1	1,235,983	4,954,030	369,145	2,146,703	39,205	0	199,851	8,944,917
Window 2	0	30,041	0	0	0	0	0	30,041
Window 3	24,232	0	0	207,767	0	195,986	0	427,985
Window 4	189,061	378,583	303,836	213,257	0	11,130	15,253	1,111,120
Total	1,449,276	5,362,654	672,981	2,567,727	39,205	207,116	215,104	10,514,063



2.1.9 MDPI Missions

- ***Supervision Mission***

During the reporting period, the Supervision Mission for the (MDPI) was carried out by its Funding Partners (AFD, Government of Denmark, GIZ, KfW, Government of Sweden, BTC, the World Bank, and the Palestinian Authority) during May 8th -16th , 2013. The objective of the mission was to assess the progress and achievements of MDP 1.

During the mission, the MDLF and FPs discussed the key findings of the MDPI evaluation surveys concerning the MDPI results framework. The FPs were pleased to note positive outcome results from the surveys and rated the achievements of the PDO as satisfactory. Moreover, the implementation of MDPI was rated satisfactory regarding the Progress, Procurement, Financial Management, Project Management, and Monitoring and Evaluation.

In-depth discussions took place during the mission concerning the construction quality of sub-projects that witnessed noticeable improvement from the first to second cycle and was rated satisfactory as well. In the same context, the mission encouraged MDLF to implement recommendations outlined in the Technical Audit and Usability Assessment report and Technical Review which was conducted by an outsourced consultants in both WB&G.

- ***ICR Mission***

Following the supervision mission, the implementation completion mission for MDPI was conducted in conjunction with its Funding Partners from September 24th - 29th , 2013. The overall objective of the mission was to assess the performance as well as the efficiency of the implementation highlighting the MDPI results and achievements of MDPI. During the mission, in-depth discussion took place between MDLF, FPs and key stakeholders regarding the results as well as the key findings. The outcomes for MDPI were evaluated against three criteria: relevance (against conditions prevailing at the time of ICR), efficacy (in terms of achieving the expected objectives), and efficiency (economic and other measures).

During the mission several site visits were conducted a sample of municipal sub-projects in West Bank and Gaza. The mission found the quality of the projects acceptable, and in good operational condition. Moreover, the target for all windows at the output, intermediate outcome and the PDO level are all achieved as per the updated results framework for MDPI.



2.1.10 Challenges Encountered and Obstacles

- **Market conditions:** Limited resources among the local service providers resulting of re-tendering some assignments.
- **Municipal Capacity:** Municipalities have widely varying capacity that is influenced by:
 - Lack of certain specialties, understaffing, overloads of routine works & multi-tasking, and bureaucracy in some municipalities caused delays in collection and verification of the data.
 - Limited commitment of some decision makers towards reforms in management,
 - Dependency on the consultants to execute CB packages,
 - Lack of proper documentation and archiving at some Municipalities made it difficult to identify the ownership, acquisition year and costs of assets.
 - Low revenues and financial resources and high dependency on external funds which limited the ability of implementing SDIPs.
- **Political conditions:** Delays in the start of implementation of CB packages due to the Israeli war on Gaza in November 2012 and due to the local elections for the majority of municipalities in the West Bank which took place in October 2012.
- Low capacity of municipalities staff in evaluation, bidding documents preparation and project supervising. Some of the municipal engineer are working in municipalities as a part time, and working in more than one Municipality, this required more efforts from LTCs.
- Some municipalities did not assign site engineers for following up the implementation of MDP projects.
- The Municipality strategic plans are not clear enough and the Municipalities allocations are not sufficient to implement large scale projects.
- Procedures in the large municipalities in the evaluation of biddings documents took longer time than what was expected by the LTCs and the MDLF engineers.
- The rainy days caused delay in the progress of some projects



2.1.11 Lessons Learnt and Recommendations

- It is recommended to design the contracts packaging for consultancy services, particularly for capacity building packages, to maximize the interest by qualified consultants and to provide for optimal use of MDLF procurement and contract management capacity.
- Most municipalities in the second cycle were small municipalities with a small to medium-sized populations and with limited human resources, thus approaches such as using simplified processes for SDIP planning (below 8000 inhabitants) is recommended.
- The need for more cooperation from LG national entities (MoLG, APLA and MDLF) to support, campaigns, and to have a harmonized approach towards municipal reforms.
- It is recommended to take into consideration the municipality performance in projects implementation to be reflected in the ranking criteria .



MDPI Grants Allocation Criteria

The grants are based 40 percent on performance, 40 percent on population and 20 percent on needs. Municipalities have been ranked according to 12 basic accepted “good management” practices. Funds are allocated based on rank; municipalities with higher rankings will be eligible for more funding than those with lower rankings. During Phase 1, municipalities were ranked in the beginning of each cycle. The MDP works closely with municipalities through its capacity building packages to help them graduate from lower levels up to a higher ranking levels. The rankings levels are from A to F, with A constituting the highest possible rank based on 12 criteria encompassing planning, management and financial accountability.

A <i>Fulfillment of all indicators</i>	Current account surplus for two consecutive years Unqualified external audit Integrated financial management system In place
B <i>Fulfillment of all below indicators and at least one indicator in rank B</i>	Operational account surplus (2007) Fixed assets register In place Maintenance plan
C <i>Fulfillment of all below indicators and at least one indicator in rank C</i>	Strategic Development and Investment Plan In place Financial accounting policies and procedures In place External audit
D <i>Fulfillment of all below indicators and at least one indicator in rank D</i>	Capital Budget approved, executed and properly submitted to the MOLG
E <i>Fulfillment of all below indicators and at least one indicator in rank E</i>	Recurrent budget approved, executed and properly submitted to the MOLG
F	No budgetary information

2.2: *The Municipal Development Program –Phase II (MDP II)*



In 2009, the PA developed the Municipal Development Program which was supported by seven Donors (through the Municipal Development Program phase1 – MDP 1) to operationalize the local government goals of the Palestinian Reform and Development Plan (PRDP) which is to strengthen local government through greater fiscal and administrative autonomy. The MDP II was designed to align with the National Development Plan (2011-2013), which built upon PRDP local government goals by emphasizing the acceleration of fiscal decentralization and the promotion of community participation in local government. During 2012 the MDLF has finalized the preparation activities of the MDPII aiming at improving municipal management practices for better services delivery and municipal transparency. The development objective of MDPII builds on the MDPI achievements and introduces a focus on service delivery, which is a sector level goal of the MDP.

The MDPII adheres to laid out in the NDP, recognizing that a viable state requires transparent, effective, and accountable local governments. It is national program where the donors are jointly supporting their contribution in 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.

2.2.1 MDPII 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 needs, population, and good management practices. The MDPII will be implemented over the period of 3 years (2013-2016) in two cycles of approximately 18 months each.



The MDPII has four windows/components as follows:

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

Window 2 - pilots learning and innovation for municipal development, including implementation of MoLG policy decisions. This window finances goods, works and consultant services for capacity building and capital investments, including:

- a. Strengthening Newly Amalgamated Municipalities** that will support newly amalgamated municipalities towards achieving service levels in existing municipalities through financing small-scale social infrastructure and demand driven municipal capacity building packages. It will finance goods, works and consultant services.
- b. Piloting Innovations** for improved municipal responsiveness that will support:
 - i. Introduction of E-governance in four selected municipalities for more responsive service provision.
 - ii. Renewable Energy that will assist municipalities in piloting sub-projects with a focus on solar energy for public buildings.
 - iii. Support to Local Economic Development initiatives that will develop a municipal approach to LED and pilot the approach in 12 municipalities (6 per each cycle).

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





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

2.2.2 Financial Partners Contributions

The MDPII 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, the German Development Bank (KfW), the German International Technical Cooperation (GIZ), the Netherlands (through VNG International) and the Switzerland (through SDC). Furthermore, the saving from the (KfW-MDPI) in the amount of Euro 398,440 was agreed with the KfW to be invested in window 1 of the MDPII- Cycle 1.

In addition to that, the Belgian Development Agency (BTC), has committed to support the MDPII through its ongoing program (Local Government Reform and Development Programme – LGRDP) in the amount of 2 million Euros for both cycles (one million per each).

The MDPII legal agreements were signed by the World Bank, KfW, GIZ, BTC, SDC and VNG. However, the Sida and Denmark agreements who chose to finance the MDP through a trust fund administered by the World Bank has not yet signed and in progress. Moreover the AFD agreement for MDPII-1st cycle is still under preparation and expected to be signed in March 2014. Table 5 below illustrates the funding amounts, the signature dates and the completion dates for the MDPII agreements, noting that some of them will be utilized over the two cycles of MDPII, such as (WB, MDTF, SDC, and VNG).



Table 5: MDPII Financing Partners Contribution for the MDPII

Donor	Fund Amount	Signature Date	Completion Date as per the Agreement	Notes
GIZ Agreement	€ 400,00	June 27th , 2012	March 31st , 2015	This fund will be utilized in MDPII-1st cycle
KfW Financing Agreement	€ 13,500,000	December 19th , 2013	December 19th , 2016	This fund will be utilized in MDPII-1st cycle
AFD Financing Agreement	€ 1,000,000	Not Yet Signed	Not Yet Signed	This fund will be utilized in MDPII-1st cycle
World Bank Agreement	\$10,000,000	July 7th , 2013	February 28th , 2017	This fund will be utilized in both cycles of MDPII
Multi Donor Trust Fund Agreement	\$ 25,534,000	Not Yet Signed	Not Yet Signed	This fund will be utilized in both cycles of MDPII
The Kingdom of Belgium	€ 2,000,000	---	This contribution to MDP is allocated under the 3rd component of the ongoing programme “ Local Government Reform & Development Programme ”, in a total amount of (Euros 2 million)	This fund will be utilized in both cycles of MDPII
SDC Agreement	€ 2,500,000	September 4th , 2013	March 31st , 2016	This fund will be utilized in both cycles of MDPII
VNG Agreement	€ 1,200,000	July 1st , 2013	December 31st , 2016	This fund will be utilized in both cycles of MDPII
PA-MOLG	NIS 20,000,000	---	---	This fund will be utilized in MDPII-1st cycle



In addition to the above listed agreements, 10% of the total fund excluding the share of **(the BTC contribution)** will be funded by the Palestinian Authority and will be invested in window 1 in a total of **5.33 million** Euros.

Out of the total FPs contribution in MDPII, an amount of **42.58 million** Euros will be invested in the 1st cycle. Chart 9 and Chart 10 illustrate the distribution of **MDPII-1st cycle fund per donor and per window**.

(see annex B for more details)

Chart 9: Distribution of MDP Fund Per Donor (cycle 1)



Chart 10: Distribution of MDP Fund Per Window (cycle 1)





2.2.3 The Grant Allocation Mechanism

The Grant Allocation Mechanism is the most important element of the MDP. This is the first time a performance-based formula has been used in conjunction with infrastructure grants in Palestine. The MDLF and the FPs agreed that the final allocation formula would be 50% performance, 20% needs and 30% population, this new formula will be the basis for fund allocation for MDPII/ window 1. In regards to the graduation ladder as well as the key performance indicators, and after having long discussions between MDLF, MOLG and the Funding Partners, it was agreed that *the graduation ladder will be 11 levels (E, D, C, C+, C++, B, B+, B++, A, A+, A++)*. Within each ranking level (E, D, C, B and A) specific key performance indicators were identified which reflect the municipal performance in financial management, planning, social accountability and municipal services provision.

Funds are allocated based on ranks; municipalities with higher ranking will be eligible for more funding than those with lower ranking. Prior the start of MDPII and early 2013, a base line survey was conducted to assess the municipal performance in accordance to the new ranking system. The MDP works closely with municipalities through its capacity building packages to help them graduate from lower levels up to a higher ranking levels. Table 6 and Chart 11 show the municipal ranking before the launching of MDPII-cycle 1.

Table 6: Grants Allocation Performance Indicators

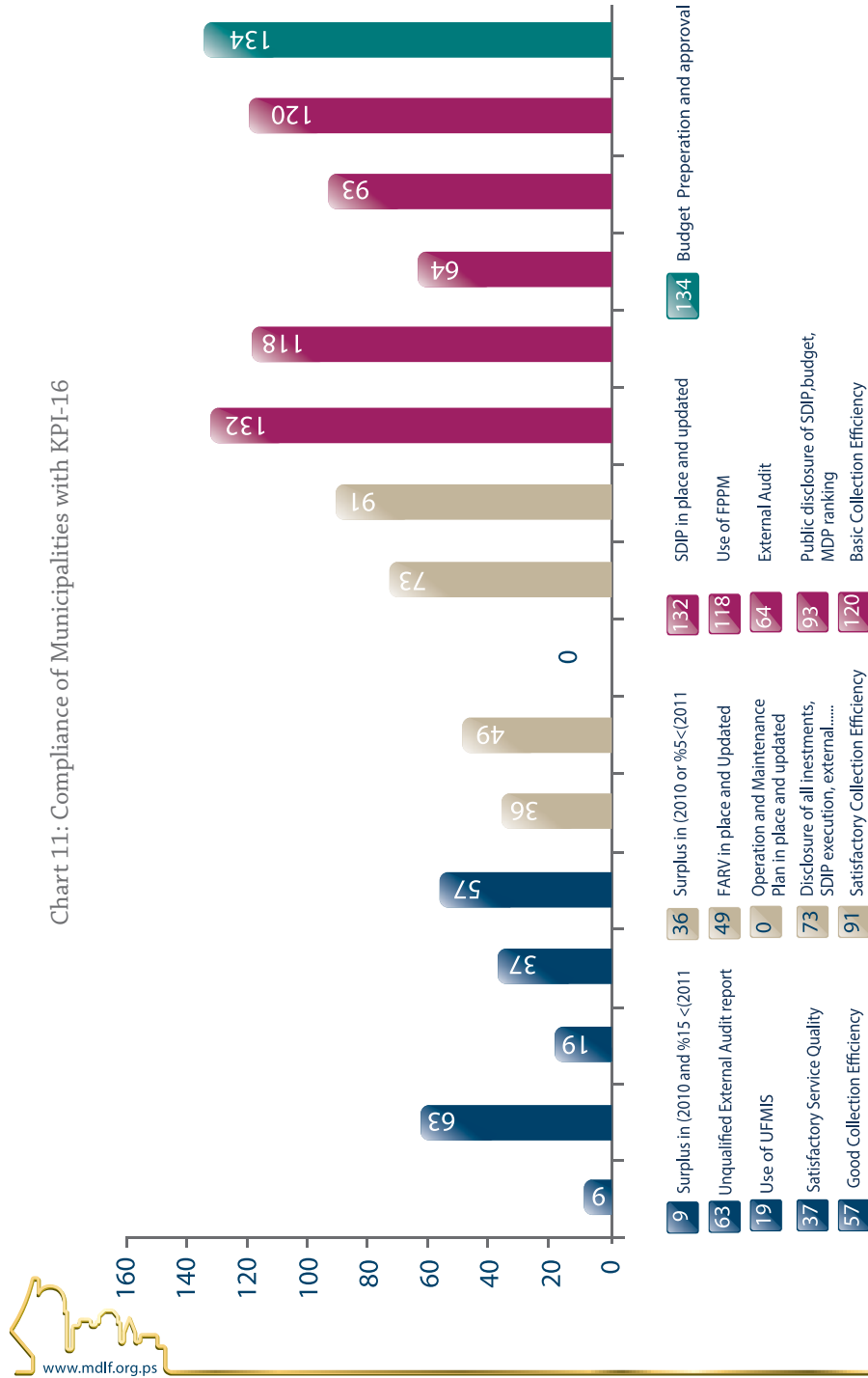
Rank	Performance Criteria)	Performance Criteria	No. of Municipalities per Rank
A++	Fulfillment of all 16 KPIs	• Substantial Operation and Enterprise Account Surplus. (more than 15 %)	A++: none
A+	Fulfillment of 4 out of 5 in addition to below indicators	• Unqualified External Audit • Use of an Integrated Financial Management System IFMIS • Satisfactory Service Quality (Timely delivery of building licenses and clearances; Provided public green space per capita)	A+: none
A	Fulfillment of 3 out of 5 in addition to below indicators	• Good Collection Efficiency and own Revenue Generation (Specified own revenues > 100 NIS per capita or 10% above last two years' average)	A: none





	Performance Criteria)	Performance Criteria	No. of Municipalities per Rank
B++	Fulfillment of all 5 indicators in addition to all indicators below B	Substantial Operation and Enterprise Account Surplus (more than 5%). Fixed Assets Register in place and updated	B++: none
B+	Fulfillment of 3 or 4 out of 5 in addition to all indicators below B	Operation and Maintenance Plan in place and updated Public disclosure of all municipal investments, SDIP execution, and external audit reports	B+: 19 municipalities
B	Fulfillment of 2 out of 5 in addition to all indicators below B	Satisfactory Collection Efficiency and own Revenue Generation (Specified own revenues > 50 NIS per capita or 5% above last two years' average)	B: 18 municipalities
C++	Fulfillment of all 5 indicators in addition to all indicators below C	Municipal Strategic Development and Investment Plan SDIP in place and updated. Financial Accounting Policies, Procedures and Reports in place.	C++ : 3 municipalities
C+	Fulfillment of 3 or 4 out of 5 in addition to all indicators below C	External Audit according to minimum standards Public disclosure of budgets, SDIP plan and ranking	C+: 87 municipalities
C	Fulfillment of 2 out of 5 in addition to all indicators below C	Basic collection efficiency and own revenue generation (Specified own revenues > 25 NIS per capita or above last two years' average)	C: 6 municipalities
D	Fulfillment of indicator in rank D	Budget forecast and executed properly submitted and approved by MoLG	D: 1 municipality
E		Minimum requirements not fulfilled	E : 1 municipality

Chart 11: Compliance of Municipalities with KPI-16





2.2.3 MDP II - Implementation Status and Activities

Component/ (Window) 1: Municipal Grants for Capital Investment

This Component allocates performance-based grants for capital investments in municipal service provision and for operating expenditures specially for Gaza municipalities, and will be financed by the majority of FPs. It will be implemented in two cycles of approximately **18 months** each. The municipalities performance is determined by 16 good governance indicators, based on which municipalities are ranked from A through E, and the municipalities allocations were calculated using the new criteria for MDPII (**50% performance, 30% population, 20% needs**).

Based on the allocation formula, the majority of municipalities (**48 %**) were allocated less than EUR 100,000; around 16% was allocated EUR (100,000-150,000); around 12% was allocated EUR (150,000-200,000); around 14% was allocated EUR (200,000-400,000); around 6% was allocated EUR (400,000-1.0 million) and around 5% was allocated more than EUR 1.0 million. Chart 12 and Chart 13 bellow illustrate the distribution of municipal allocation per Donor and per Governorate.

Chart 12 : Distribution of MDPII-W1 Fund Per Donor (cycle 1)

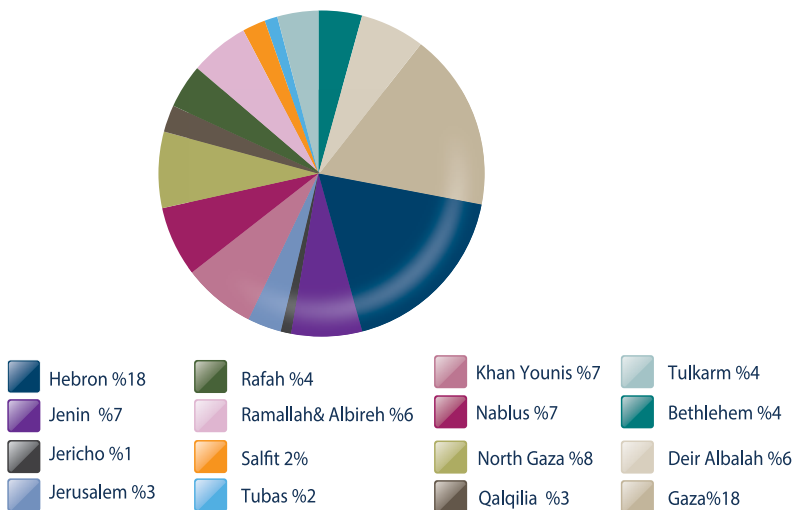
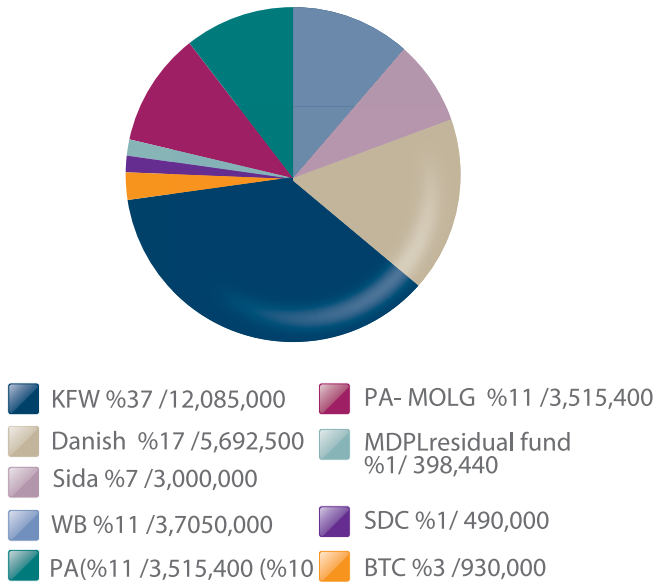




Chart 13: Distribution of MDPII-W1 Fund Per Governorate (cycle 1)



The municipalities were informed about their allocation in **August 2013** and they were asked to apply for their investment priorities using a standardized application form published on the web. The municipalities started filling out the application forms since September 2013 where MDLF had conducted **4 orientation workshops attended by all municipalities in WB&G**. During the workshops MDLF presented the updated ranking, infrastructure application forms, Environmental and social Management Framework (EMSF), Cost-Benefit Analysis and the Energy Efficiency manual. MDLF had also presented the lessons learnt from the MDPI implementation regarding the infrastructure priorities, procurement and bidding documents.

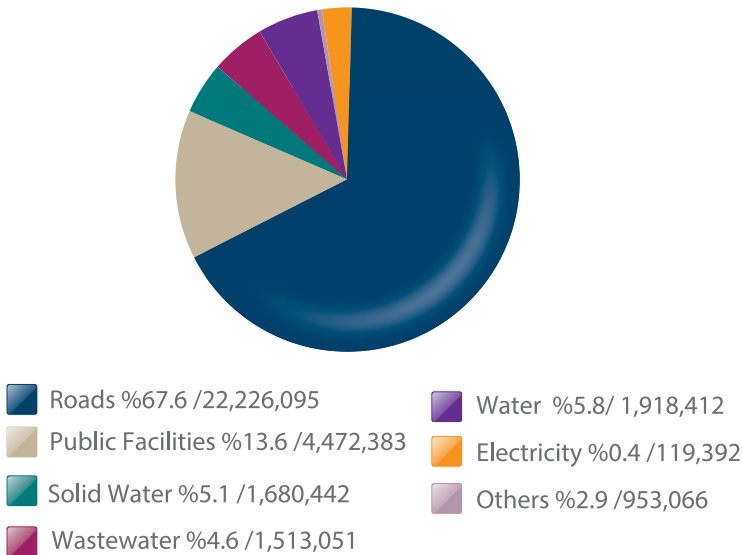
One of the major obligations of MDPII is to conduct site visits to the municipalities during the appraisal stage. A great effort from MDLF was made by conducting such visits on weekly basis. The executed site visits were conducted in the stage of request for application form where MDLF had the chance to meet with the municipalities' representatives, assist the municipalities in filling the standardized application forms, visit the projects sites and document that with photos.





Since October 2013, MDLF had received almost all the filled application forms from all municipalities, the applications/proposals were subject to revision and appraisal from the technical, social and the environmental point views to ensure the compliance with the regulations and guidelines as per the updated operational manual.

Chart 14: Distribution of MDPII-W1 Fund Per Sector (cycle 1)



In the same context, 139 sub-projects proposals were received from 110 municipalities in the West Bank in a total allocation (EUR 18,676,527) and 188 sub-projects proposals from 25 municipalities in Gaza Strip in a total allocation (EUR 14,206,313). A list of sub-projects was sent to all FPs for their review early January 2013.

A quick look into the submitted sub-projects proposals reveals that (about 67%) of the W1 allocated fund is invested in road projects. The second sector is the public facilities (14%) including municipal buildings, libraries, community centers, and public parks. The third needed sectors are (water, solid waste and Wastewater) in a percentage (5%-6%). Chart 14 illustrates the distribution of window 1 allocation by sector.



ESMF Modification and Update

The Environmental and Social Safeguards “ESMF” was subject to modification and update to reflect the needs of having more focus on the environmental aspects in MDPII sub-projects as one of the lessons learned from MDPI as per the following:

- *The ESMF must be included in the tender documents, so that potential bidders are aware of the environmental and social performance standards expected from them and are able to reflect that in their bids.*
- *The bidding documents should have section for ESMF compliance where a breakdown for the cost of noncompliance with mitigation measure should be attached.*
- *The ESMF became essential part of the works contracts upon its conclusion and their implementation is mandatory for the contractors. The Municipality, as an owner of the construction works, will be responsible for enforcing compliance of the contractors with the terms of the contracts, including adherence to the ESMF.*
- *For minor infringements and social complaints, the contractor will be given environmental and social note/ stop and alert to remedy the problem and to restore the environment. If the action done by the contractor is satisfactory to the supervisor engineer no further actions will be taken.*
- *If it is not done during a given time, the Municipality Engineer in cooperation with Local Technical Consultant will stop the work and give the contractor an environmental and social note and financial penalty according to the non-complied mitigation measure depicted in the bidding document. This penalty will be deducted from the contractor final invoice.*
- *If repeating the noncompliance to ESMF penalties approached (3-5) % of the contract value, the Municipality Engineer will raise the formal recorded environmental and social notes and the deduction history to MDLF in order to take a legal action.*



Component / (Window) 2 : Municipal responsiveness – Support to Municipal Innovations and Efficiency.

A: Piloting Innovations

A-1: Introduction of e-governance:

This project will be financed by the WB and will be piloted into four selected municipalities for more citizen-responsive service provision. E-governance will promote knowledge sharing; enhance awareness and accountability in service delivery (specifically e-licensing, e-participation and e-payment) and revenue generation.

It is worth mentioning that this initiative will be implemented in two phases, a preparation phase for 3 months and an implementation phase for 12 months. In this context, MDLF will hire an individual consultant to support MDLF in managing the implementation of the e-governance in the four pilot municipalities, where the level of effort for the consultant will be expanded over the two phases. The TOR for the consultant was prepared and sent to WB and GIZ for clearance and the consultant is expected to be hired in March 2014 after finalizing the procurement arrangements including the advertising, shortlisting, evaluating and contracting.

A-2: Renewable Energy– Solar Photovoltaic Pilot Project “REPP”

This projects will be funded by the WB and will be piloted in 8 municipalities in West Bank and Gaza. The renewable energy pilot project (REPP) aimed to install 100KWp of solar Photovoltaic on municipal buildings roof tops for the pilot municipalities in WB&G, where the piloted system is expected to reduce the municipal building electrical load in range of (20-90)% and minimize the operational expenses in energy. The pilot project is also considered an awareness and knowledge passing for municipalities and citizens.

A feasibility study for this initiative was prepared, its outputs show that the project will be feasible to be conducted in West Bank by connecting the PV system on grid to produce 100KWH of electricity ranges between 5 and 20 KW according to the size of municipality, considering a payback of 6 years based on the best scenario of agreements with the electricity distribution companies, while the worst might exceed 8 years. On the other hand in Gaza Strip, due the current and continuous electricity outage the feasibility study has proved that



Hybrid system (off-grid with option to use the grid as back feed to charge the system batteries when the solar input is offline) is feasible and the payback period of the system would be 8.4 years with RoR of 12.3%.

The project stages and progress

- Feasibility Study: had been accomplished within MDP phase I, and its results had been disseminated for municipalities in August 2013.
- Application form: had been prepared and Municipalities were invited to submit their application until November 25th , 2013. MDLF received 61 applications in west Bank and 11 applications in Gaza Strip.
- Individual Consultancy services to provide the technical support including technical evaluation of the applications, verification of evaluation, design and prepare bidding documents in addition to support municipalities gaining license, etc. Furthermore to provide capacity and awareness for the municipal employees during the project period. This stage of consultancy service in West Bank has started since November 21st , 2013. However, the contract for Gaza hasn't yet signed and expected to be signed end of January 2014.
- The following stages would be the installation, the monitoring and evaluation, and the results dissemination.

A-3: Local Economic Development:

This initiative will be **implemented by the VNG in partnership with MDLF**. In this context, the Memorandum of Understanding (MoU) between VNG and MDLF was signed on July 1st , 2013 which was the milestone to launch the implementation of the LED project. Prior to this step, the Grant Manual, Annexes, and Forms were developed to be used for the LED Grants. The LED support will be piloted in a projected number of 12 municipalities in West Bank. This will be done through various channels:

- Two open Calls for Proposals for municipal grants related to LED pilot projects, including technical assistance in project development and implementation. The two Calls for Proposals will align with the two 18-month cycles of MDPII. Twelve Grants (**six per cycle**) will be awarded to eligible Local Government Units that have submitted a Concept Note with an average value of EUR70,000 (maximum EUR100,000 per grant).





- Regional Orientation Workshops on LED and the Calls for Proposals.
- On-the-job coaching and trainings on LED for target municipalities, including operationalization of LED strategies in line with SDIPs.
- Assistance in stakeholder identification and consultation, community participation, and business needs survey.
- Assistance in development of municipal profiles on the basis of SDIPs.
- Assistance in establishment of multi-stakeholder LED councils (e.g. Chambers of Commerce, MSMEs, civil society).
- Development of technical support packages for Window 3 on the basis of best practices and development of LED Manual / Guidelines. **Cycle 1 will comprise pilot projects in 6 municipalities and include baseline surveys, the development of the Grants Manual, the elaboration of lessons learned during this Cycle, and a LED manual as a practical tool for municipalities on how to apply LED, on the basis of SDIPs and in line with municipal budgets. Cycle 2 will constitute of pilot projects in 6 other municipalities with continued piloting based on lessons learned in cycle 1, baseline surveys in grant municipalities, and at the end of cycle 2 the up streaming of packages into Window 3.**

In this context, 37 municipalities were identified as eligible to apply to apply for the grants. Those municipalities were invited to attend workshops held in



September 2013 to give them orientation and training on the concept and application. Consequently, they were asked to apply for LED concept notes regarding the possibilities of LED in their communities.

Following the concept notes evaluation, a list of 13 municipalities with the highest scores from the technical point of view were subject to organizational capacity check by MDLF and VNG-consultant in November 2013. Those municipalities were invited to a call for proposal where only 6 out of 13 full proposals will be selected for the implementation of LED in cycle 1, which is anticipated to start in February 2014.

B: Strengthening Newly Amalgamated Municipalities :

This sub-activity will be funded by the Multi Donor Trust Fund, particularly (Danish fund) which provides support for post-amalgamation, e.g., for community development, social activities and capacity development in the amount of **(EUR 1.7 million)**. More specifically, **(EUR 1.5 million will be distributed among the newly amalgamated municipalities using the new allocation criteria and EUR 0.2 million will be invested in the capacity development activities for the target municipalities)**

In addition, this activity will provide (EUR 0.4 million) to support communities which were integrated into adjacent municipalities using the population criteria and will be invested in eligible sectors including road safety, sanitation, primary health care, culture and public parks.

9 municipalities will be covered (East Bani Zeid, Baqa Al Sharqeyya, Az-zaytuna, Al Ittihad, Al-Kafriyyat, Al-Muttahida, Al-Yasiriyya, Marj Bin Amer and Janata). Specific projects will be identified for each municipality during the appraisal process under this sub-window. Projects are expected to reduce emergency needs raised during the amalgamation process. Interventions will build upon the experience of MDLF, indicating that citizen satisfaction has improved in line with the performance of amalgamated municipalities. While, in principle, the content of capacity building packages offered to the newly amalgamated municipalities follows the MDLF standard capacity building packages provided to other eligible municipalities, MDLF will provide capacity building support under this sub-activity to match the level of municipal performance.

In this context, MDLF has finalized the calculations for the municipal allocations and intends to inform the target municipalities about their allocations in February 2014.





Component /(Window) 3:

Window 3.A: Capacity Building for Municipalities

This sub-component supports municipalities in improving their performance to graduate to a higher performance category in which they are currently classified; it supports consultant's services, training and equipment for municipalities in both West Bank and Gaza Strip. Applications for capacity building packages were received from municipalities and MDLF conducted the evaluation for the submitted forms along with the supporting documents late 2013. It is worth mentioning that Municipalities were also able to fill and submit their CB applications online. The Capacity packages were identified per municipality and municipalities were notified about the awarded packages.

The capacity building packages for the 1st cycle included:

- Improved financial management through rolling out of Financial Policies and Procedures Manual; Fixed Assets Registration and Valuation; Integrated Financial Management Information System, Training on Financial Management including (revenues generation, external audit, and budgets guidelines).
- Support for improved planning capacity through rolling out Phase 1-3 of the Strategic Development and Investment Planning (SDIP) process to municipalities that do not have SDIPs.
- Support for improved social accountability through establishing of Citizens Services Centers to enhance transparency and responsiveness towards citizens. And developing citizenship, communication and outreach guidelines.
- Support for improving Operations and Maintenance (O & M) would assist municipalities in improving O&M for roads and public buildings.

Table 7 illustrates the distribution of capacity building packages of the 1st cycle by region per donor as well as its implementation status.

Table 7: Distribution of MDPII-W3 Capacity Building Packages

Capacity Building Package	No. of Municipalities	West Bank	Gaza	Financing Partner	Implementation Status during the reporting period	Anticipated Activities
FARV	53	42	11	GIZ	The TOR for a consultancy firm (one in WB and one in Gaza) was prepared and cleared from the FP.	It is anticipated to finalize the procurement arrangements for contracting the consultancy firms by mid of April 2014.
SDIP	2	2	0	GIZ	The related TOR was revised and the EOI was prepared for advertising . MDLF team will conduct and orientation sessions on SDIP phases 4&5.	The procurement arrangements for contracting the consultancy firm will be finalized and the implementation is anticipated to start by end of April 2014
CSC	22	17	5	MDTF, SDC	The TOR for the individual consultant to do the institutional assessment and the business flow model was prepared and cleared by FP (one consultant for WB and one consultant for Gaza). MDLF started working on evaluating the EOIs received from the consultants.	The procurement arrangements for contracting the individual consultants will be finalized and the implementation is expected to start by end of March 2014.



Capacity Building Package	No. of Municipalities	West Bank	Gaza	Financing Partner	Implementation Status during the reporting period	Anticipated Activities
IFMIS	14	11	3	WB & KFW	A concept note was prepared and agreed upon with MOLG. It was sent to FPs for clearance. Moreover, a TOR for merging the preparatory activities for implementing the IFMIS was prepared and sent to FPs for clearance by mid of January 2014. The merge activities included: (Opening balances, Financial assessment for the target municipalities, coaching of the target municipalities on the FPPM – accrual basis) The TOR for the financial software development is in progress. Coaching the target municipalities on the FPPM-accrual basis	Getting the approval from FPs on the concept note as well as the TORs for implementing the IFMIS. The IT assessment for the target municipalities to identify the hardware requirements will be done by MDLF in cooperation with the MOLG MIS department. The procurement arrangements for the hardware and equipment will be finalized
O&M	0	0	0	KFW	The TOR for the individual consultant to prepare the functional requirements for the O&M software was prepared and will be sent to FP for clearance.	The procurement arrangements for contracting the individual consultant will be finalized. The TOR for the computerized software along with the functional requirements will be finalized.
Total Number of Municipalities	91	72	19			

Regarding the Citizenship and Communication and Outreach Guidelines, the TORs for the individual consultant were prepared and cleared by the FP. MDLF started the evaluation of the received EOIs where the implementation is anticipated to start in March 2014.



Component /(Window) 4: Project Management

Local Technical Consultants (LTCs)

To better support the municipalities and build their capacity, the MDLF has utilized the services of LTCs firms to provide the needed technical support to the municipalities in West Bank and Gaza. The main objective of this consultancy service is to provide technical assistance to the municipalities for the implementation of sub-projects approved by MDLF as per the following:

- Assist the municipalities in reviewing and commenting on the designs and estimated costs (priced BOQ).
- Build the capacity of municipalities to implement the sub-projects and assist them in the supervision including reporting on progress, monitoring of indicators.
- Ensure the compliance with technical and fiduciary aspects regarding the procurement, financial, social and environment safeguards (including provision of mitigation measures) procedures.

The local technical consultants were distributed among 4 clusters (North West Bank, Middle West Bank, South West Bank, and Gaza). All the LTCs will be financed by the World Bank fund where the consultants have started their duties and responsibilities since November 2013.

Modification and Update of LTCs TOR

- *In response to the recommendations of technical audit and usability assessment which was conducted for a sample of sub-projects implemented under MDPI/W1, the TOR for the local technical consultant for MDPII-W1 sub-projects was subject to modification having more focus on the design and supervision as per the following:*
- *The LTCs are requested to conduct training to the municipal engineers concerning the following:*
- *Roads evaluation (road conditions, types of distresses, causes, and treatments), so they will be able to prepare the required design, drainage system and the minimum drawings needed for different cases.*
- *Quality Control as well as the technical and administrative issues including: (specifications, testing, interpretation of test reports, taking the proper decision, sampling procedures, the roles and responsibilities of testing labs, shop drawings and as-built drawings) .*
- *The LTCs are requested Prepare detailed supervision formats and templates applicable for all/each project sector(s)) to be used between the municipalities supervision and the contractor during all of stages of projects, namely, (the implementation, the maintenance period and the final handing over of the projects after maintenance period).*
- *The LTCs should conduct site visits for all projects, and should verify the designs, and the quantities and the estimated costs for the proposed projects and ensure the submitted drawings are technically correct, sufficiently detailed for implementation and acceptable.*





2.2.4 Challenges Encountered and Obstacles

Since the beginning of MDPII, the implementation has faced challenges and obstacles which can be listed as follows:

- There is a lack of commitment from the municipalities regarding the submission of the needed documents for MDLF appraisal and verification as requested which lead to such delays.
- The majority of municipalities started working on preparing the design and the needed permissions once they received the allocation letter from MDLF, however, they are capable to do that earlier as the selected sub-projects are all identified in their SDIPs, this lead to such delays prior the appraisal.
- There are still some gaps among the municipalities regarding their capacities especially in the ESMF requirements which lead to further works from MDLF and LTCs to ensure the compliance with standards and guiding procedures according to the MDLF operational manuals.
- There is a delay in signing the financing agreements with some FPs where MDLF is still waiting for signing those agreements to be able to move forward in implementing such activities, in particular window 1 sub-projects.

2.2.5 Lessons Learned and Recommendations

- It is recommended to minimize the gap between municipalities regarding their capacities in procurement and the ESMF by concentrating the effort from the LTCs towards those municipalities with low capacities.
- It is recommended to activate the communication with MDPII stakeholders from the initial stages of the implementation to ensure the effective management and to avoid the miss communication.
- It is recommended to have a unified approach for implementing the pilot innovative under window 2 to maximize the benefit and to ensure the possibility of rolling out these initiatives under window 3 in the future, in particular, the E-governance and the LED.

2.2.6 MDPII Missions

During the period (2nd -6th December, 2013) the first implementation support mission was carried out jointly by the MDPII Funding Partners comprising the Agence Française de Développement (AfD), Belgian Technical Cooperation



(BTC), Danish International Development Agency (DANIDA), the European Union (EU), Deutsche Gesellschaft für Internationale Entwicklung (GIZ), Kreditanstalt für Wiederaufbau (KfW), Swedish International Development Cooperation Agency (Sida), the Swiss Agency for Development and Cooperation (SDC), International Cooperation Agency of the Association of Netherlands Municipalities (VNG International), and the World Bank. The mission objective was to (i) provide implementation support to MDPII; (ii) assess implementation progress under each project component; and (iii) agree on key issues and actions.

The Overall progress was rated as satisfactory by the mission regarding the implementation of all components, however, the mission highlighted some issues related to the implementation approach of window 2, particularly the pilot innovative initiatives concerning the E-governance and the LED.



2.3.1 Background

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, where the new amalgamation policy adopted by MoLG serves these local governance concepts.

In January 2007, MDLF with Danish support implemented a Local Development Program (Phase I & Phase II) in Jenin Governorate targeting the two newly amalgamated municipalities (Al-Muttaheda & Marj Ben Amer). Phase I of the program led to be as a pre-amalgamation phase for the two areas, and the second phase of the program (LDPII) aims to strengthen the requirements of the sustainability of the amalgamation of local bodies in both regions through improving the level of services provided by the municipalities Marj Ibn Amer and Al-Muttahida.

A programme review for LDP was undertaken in April 2011 that recommended, in recognition of the continued need of support to amalgamation, the priority given to amalgamation by MoLG and achievements from the LDP (I-II), to design a new and final phase of Local Development Programme (LDP III) to upscale support for LGU amalgamation in new, needy geographical areas.

A programme identification mission conducted in (June 2011) and a programme formulation mission in (July 2011) subsequently worked with MoLG, MDLF and the Danish Representative Office (DRO) to design a new programme reflected in the present document.

The LDP Review (April 2011) noted many achievements including the formalization of the new municipalities and establishment of various community and joint infrastructures to form a basis for the further development of the two new municipalities and contributing to the improvement of livelihoods in the communities. However, the review also noted some areas that could be improved upon in future support to amalgamation including:

- Clarification of amalgamation procedures and improved communication of these to all stakeholders including LGU staff, politicians and community members.
- The amalgamation process should be more systematic – following a clear plan based on the (updated) Amalgamation Manual,
- Initial step of amalgamation process should be assessment of technical, financial and social viability of the amalgamation,
- An initial plan for the process should be clearly agreed upon with local political leadership and communities and clearly documented/disseminated,
- This should be followed by a planning process for the new Municipality:



outlining the future vision and broad priorities and forming the initial elements of a SDIP prior to investments in infrastructure,

- The identification, selection, and planning of individual projects for funding should be further improved upon to ensure that they contribute to the viability of a new municipal council by providing sustainable joint services,
- Projects in support of local economic development (LED) should be highlighted as a particular relevant area for LGU intervention in their SDIP,
- The governance aspects of the entire process should generally be strengthened – in particular, issues related to women’s and youth’s participation in the interim municipal council structures and later permanent municipal council.

2.3.2 (LDP III) Description

The overall aim of the Local Development Program phase III is to assist the Local Government Units (LGUs) in each of three areas to amalgamate into a municipality and strengthen mechanism for improved local governance through involvement of women, youth and action research on local governance issues. The LGU amalgamation will be achieved through institutional development of the local administrations and through implementation of joint projects (infrastructure and community development projects). The program approach is based on the experiences from support to LGU amalgamation in Jenin Governorate (LDPI and II) that developed a best practice model for the MoLG to promote amalgamation of small local councils into municipalities throughout the Palestinian territory.

The LDP III will support amalgamation of smaller, unviable local government units in three clusters in the West Bank into new municipalities with potential for delivery of more cost effective and sustainable services to its residents. The identified clusters include one in Hebron Governorate (Dura cluster), One in Nablus Governorate (South East Nablus Cluster), and one in Salfeet Governorate (Salfeet cluster).

The overall development objective is **‘Improved service delivery and governance for citizens through LGUs in the West Bank’**.

The immediate objective is **‘Strengthened base for better service delivery of LGUs through sustained processes of LGU amalgamation and improved local governance’**.

The program will be implemented and managed by the MDLF working through the Joint Service Council or joint committees of the LGUs in the **selected three**





clusters. A program Steering committee, chaired by the MoLG will guide implementation on the policy level. The Danish Representative Office (DRO) will follow implementation closely through the program steering committee.

The Steering Committee (SC) is the formal mechanism for joint decision-making concerning LDPIII between the MoLG, MDLF, relevant local stakeholders and the Danish Representative Office (DRO).

2.3.3 Financing Partners Contributions

The Government of Denmark provides a total grant of up to DKK 42 million (approx. USD 7.6 million) in 36 months, the agreement for the LDPIII program was signed in November 16, 2011.

2.3.4 Implementation Status and Progress

Assessment of the development of the national environment, including the strategic framework, since the last report:

As a result of the interaction of citizens with the amalgamation process that have taken place in the year 2010, the Ministry of Local Government reviewed the amalgamation policy and start to establish new strategy for the amalgamation, the policy unit in MOLG finished the strategy paper and submit it to the cabinet for approval, the cabinet did not take a decision yet.

Immediate Objective	Progress since the beginning of the Programme	Progress during the reporting Period	Challenges and Obstacles
Strengthened base for better service delivery of LGUs through sustained processes of LGU amalgamation and improved local governance.	Work has been done regarding the formation of the services councils or local committees for amalgamation representing the target communities. The formation of the services council for Salfeet cluster was accomplished, however the formation of the councils/committees for the other clusters are still in progress.	Two meetings were held in the Directorate of local government / Nablus, followed by a 3rd meeting at the MOLG headquarter regarding the formation of services council for South East Nablus cluster. It was agreed to formulate the joint council for SE Nablus cluster.	The amalgamation strategy has not yet approved by MOLG. Apprehensive of the target communities from the merging process due to the dilemmas faced in the previous experiments of amalgamation.



Output	Output target	Output result (accumulative)	Budget (Accumulative) USD	Expenditure (accumulative) USD	Accomplished Activities	Anticipated Activities for the next six months	Key Challenges
Output 1: Participatory amalgamation process/ Local communities support the amalgamation process	Active participation and interaction of all community groups in the amalgamation process are ensured	Participation of the local councils members and the representatives of the civil institutions as well as the local community in the amalgamation process	456,030	45,953	Study on feasibility and willingness to amalgamate for Salfit & South East Nablus clusters was accomplished	Study on feasibility and willingness to amalgamate for Dura cluster. Communication and awareness raising for three clusters is anticipated to take place in the coming months. The implementation of Joint Social activities (inc local study tours) for the target three clusters is anticipated to take place in the coming months.	The formation of the joint services councils for amalgamation in SE Nablus and Dura clusters.



Output 2: The institutional development of emerging municipalities is technically strengthened	Accomplishment of the institutional arrangements regarding the (SDIPs, Physical plans, asset registration and valuation)	The target is not yet achieved, however all the TORs for these institutional arrangements were all prepared	729,649	-	The TORs for the preparing the SDIPs, physical plans, and the fixed assets registration and valuation were all prepared	The direct implementation of the mentioned assignments is anticipated to take place in the coming months	
Output 3: Joint projects are implemented with a potential for sustainability	Paving 20km of connection & Internal Roads and construct 1500 square meter of public buildings	This target is not yet achieved, The joint projects in Salft & South East Nablus clusters were identified to be implemented during the coming months.	4,742,717	54,133	The joint projects were identified through an investment study. The Expression of interest for the consultancy firm to do the design and supervision was advertised and evaluated.	Preparing the design and the bidding documents for the identified projects and start the implementation accordingly. Identifying the projects for Dura Cluster.	The joint projects are not yet identified for Dura Cluster



Output 4: Local governance (and community empowerment) mechanisms are strengthened (cross cutting component)	Clear and approved amalgamation strategy and manuals are all endorsed.	This target is not yet achieved. However, a new amal- gamation strategy was suggested by the MOLG/ Policy Unit waiting for the approv- al from the Cabinet.	660,332	0	Effective coordination between MDLF and the MOLG/ Policy Unit took place during the reporting period to identify the activities under this output.	Action plan for the activities under this out- put is anticipat- ed. Starting the di- rect implemen- tation of the activities under this output.	Not clear approach and policy for amalga- mation
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Status of outstanding issues and follow-up on decisions made by the Steering Committee (or similar body)

Issue	Decision (incl. timeframe agreed for follow-up)	Responsible	Status on follow-up
The Work plan	The SC approved the work plan for implementation.	MDLF	Start preparation for imple- ment the approved issues.
List of joint projects for Salfit & South East Nablus clusters were	The SC approved 18 joint project for South East Nablus & Salfit Clusters, and bond- ing four projects needs wait- ing for more details from the technical consultant	MDLF	Start preparation for imple- ment the approved issues.
Re allocation Budget	The SC approved the re allo- cation of the budget.	MDLF	Start preparation for imple- ment the approved issues.



2.3.5 Financial Status

Component	Allocated in US\$	Disbursed Amount During 2013	Total Disbursed by end of 2013	% of Disbursement
Output 1: Participatory	456,030	44,435	45,953	10%
Output 2: Institutional Development of New Municipalities	729,649	0	0	0%
Output 3: Joint Projects Implemented	4,742,717	53,627	54,133	1%
Output 4: Strengthened Local Governance	660,332	0	0	0%
5. Programme Management	995,971	0	0	0%
5.1 Technical Assistance (Local/International)	259,025	552	552	0%
5.2 Reviews (mid-term and annual)	200,653	0	0	0%
5.3 MDLF management fee (*)	536,292	10	26	0%
Unallocated (1%)	76,613	0	0	0%
Total	8,657,282	98,624	100,664	1%

2.3.6 Challenges Encountered and Obstacles

- The LDPIII faced challenges and obstacles where the implementation progress was subjected to delays due to the following:
- Problems which have occurred in the amalgamated municipalities and its impact on local communities in the targeted clusters.
- The local election hampered the implementation of the project 6 months due to the preparations for the election process and deliver the elected councils.
- The Ministry of Local Government has not yet finished a clear strategy for the amalgamation process.
- The contradiction between Program documents & MoLG decision for Dura Cluster.

2.3.7 Lessons Learnt and Recommendation

Large participation of communities in the program activities is essential. The communication strategy by the cluster and its citizens should be improved. More efforts should be exerted to coordinate with all ministries involved at the local level.



2.4: Local Government Reform and Development Programme (LGRDP)

2.4.1 Background

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).

2.4.2 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:

The LGRDP has three components supporting five key results as follows:

Component 1 – Support for MoLG Capacity Development

The first component of the intervention is oriented towards capacity development of the MoLG. As described in the previous section, 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.





Result 1 - Selected departments of MoLG capacitated to implement the MoLG strategic plan

Component 2 – Reform and improved capacities and services of smaller LGUs
The programme will support reform and improved capacities and services of smaller LGUs in four selected clusters as shown in table 8 below:

Table 8: LGRDP Targeted Clusters

No.	Cluster	Geographical Area	Governorate	Localities
1	Beita	North “West Bank” Clusters	Nablus	Audala , Beita , Aus-reen , Za’tara
2	Beit liqya	Middle “West Bank” Cluster	Ramallah	Beit liqya , Kharbatha al Musbah Beit seera, Beit nuba
3	Jort esha-ma’	South “West Bank” Cluster	Bethlehem	Jort eshama’ Um salam-ona Wadi ennis , Marah m’ala Marah rabah , Al ma’sar-ah Khalet Elhadad , Al man-sheeyah Wad rahal
4	Karmel	South “West Bank” Cluster	Hebron	Karmel , Main, Khalet saleh Hadedeiyah



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, waste, 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, LED studies, 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 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 will it 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.

Result 2 - Smaller LGUs in selected clusters have developed appropriate joint institutional arrangements for joint services and amalgamation

Result 3 - Capacities of the selected LGUs are enhanced for improved planning, HRM, financial management, service delivery and accountability





Result 4 - LGUs service delivery is improved through sustainable infrastructure development in the four clusters

Component 3 – Support for newly amalgamated municipalities (MDP-aligned)
The aim of Component 3 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 (i.e. Aligned with the modus operandi of Window 1 of the MDP). The Belgian contribution under Component 3 should also be seen as an indication of Belgium's commitment to donor harmonization in this sector, where MDP to date is the only joint donor financed initiative.

More specifically, the Belgian intervention will, from January 2011 onwards, enable newly amalgamated municipalities to access MDP-like funding through its window 1. From January 2013 onwards, an additional financial contribution for newly amalgamated municipalities is planned for. 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.

Result 5 - Newly amalgamated municipalities are continuously progressing their performance

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

Description of Beneficiaries

The following main beneficiaries can be identified at local and national level:

- At the decentralized level:

- Staff and politicians in the selected clusters of LGUs,
- Staff at the district level,
- Residents in the selected clusters of LGUs – on the basis of the initial list from MoLG of six priority areas this amount to approximately 83,000 persons.

- At the national level:

- Ministry of Local Government (MoLG) in its capacity of key actor for delivering policy formulation, providing a regulatory framework, setting quality standards, technical assistance & advice, M&E, and sector coordination. Particular attention will be given to the following units:
 - Complaints Directorate;
 - Internal Control Directorate;
 - Department of Formulation and Merging.



2.4 .3 *Financing Partners Contributions*

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. Table 9 illustrates the budget breakdown.

Table 9: LGRDP Budget Break Down

Component	Allocated Budget (Euro)	Implementing Agency
Component 1: CB of MoLG	1,824,140	MoLG
Component 2: Support for amalgamation in 6 areas (incl.equivalent of 7% management fee)	9,000,000	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	





2.4.4 Implementation Status

During the reporting period, the following activities and accomplishments regarding the 2nd and 3rd components have taken place as illustrated below:

Component 2: Support for reform and improved capacities and services in smaller LGUs.		
Result 2: Smaller LGUs in selected clusters have developed appropriate joint institutional arrangements for joint services and amalgamation	Activity 2.1: An initial survey of the technical and financial viability as well as social acceptability of the proposed future institutional arrangements	Sub-Activity 2.1.1: The 1st and the 2nd phases of awareness campaign assignment were completed whereas the 2nd phase is still in progress. (100% completion) Tasks completed in the 1st phase of awareness campaign : - Revision of the data collected by the consultant. - Revision of the LGUs assessment and the citizen's survey questionnaire. - Conducting a visit to a successfully example of amalgamation "Al-Kafriyyat municipality". - Distribution of brochure. - Conducting a public meetings in each cluster. - Revision of the data collected by the consultant regarding the (post survey after the awareness campaign) - Identifying the social and infrastructure projects. - Revision and approval of the final report for the awareness campaign assignment.



		Tasks completed in the 2nd phase of awareness campaign : - Preparation of Communication Action Plans. - Drafting of 4 communication action plans for the 4 JSCs - Review and revisit of the action plans with the JSCs - Finalizing the contents of the action plans with cost estimates - Preparation of specifications for all the sub activities in the action plans. - awareness Camping implemented - The bidding documents, advertising, RFQ evaluation and the request orders were accomplished regarding the (Supply of Printing and Advertising Materials for JSCs) and the (Supply of Logistic services and Materials for JSCs). - Part of the printing and advertising materials were supplied. - logistic services and materials for social activities were provided. - Completion of Wall Art Painting in Jort eshama' Cluster, including 9 drawings in selected sites. - Awareness Camping was conducted
	Activity 2.2: In cooperation with the LGUs, a valuation will be made of the each local council's assets that would be incorporated in the new municipality	Sub-Activity 2.2.1: - The Fixed Assets Registration and Valuation assignment was completed (100% completion). - Tasks completed: - Technical Proposals Evaluation. - Financial Proposal Opening. - Negotiation with the high ranked firm. - Signing the Contract. - Conduct Kick-off meetings. - Review of Inception report. - Work Plan with LGUs. - Gathering of fixed asset sheets. - Investigation of data. - Carry out physical inspection of fixed assets. - Coordinate with MDLF, MoLG, and local committees for standards and regulations. - Preparation of the final fixed asset register.

**Activity 2.3:**

The LGU will be supported with consultants hired under the project and technical staff from MDLF to develop a comprehensive development plan in line with the national guidelines.

Sub-activity 2.3.1:

The Strategic Development and Investment Plans were completed whereas the physical planning is still in progress. **(100% completion).**

Tasks completed regarding the SDIPs:

- Follow up the diagnosis of the current status.
- Follow up the formulation of the vision and objectives.
- Setting integrated operation plans and evaluation plan.
- Preparation of the draft SDIP.
- Follow up with Municipal Council to Approve the SDIP
- Conduct The Second Public Meeting
- Prepare the final SDIP
-

Tasks completed regarding the Physical Planning:

- Review the planning framework report.
- Determining the possibilities and challenges.
- Supervise the sectoral assessment.
- Approving the Spatial Development Framework Plan SDFP.
- Submission the negative of the aerial photos.
- Final digitized aerial photogrammetry maps were submitted.
- Land Use Plan, zoning & building regulations were prepared and approved by the District Planning Commission .
- Final Report was submitted.



	Activity 2.4: The LGUs will be supported to develop a comprehensive capacity development plan that inter alia will include recommendations for organizational structures staffing, office facilities, training programmes and minor equipment.	Sub-Activity 2.4.1: The institutional capacity assessment and development assignment is in progress. (75% completion) Tasks completed: - Technical Proposals Evaluation. - Financial Proposal Opening. - Negotiation and signing the contract with the high ranked firm. Where the implementation of the assessment is in progress. - LGUs Assessment Questionnaire was prepared - The local government laws were reviewed - Workshops with the concerned communities were conducted. - A draft by-laws was prepared - SWOT analysis was prepared - The municipalities' objectives and main duties were reviewed - The organizational structures proposed by MoLG was reviewed - Jobs descriptions and jobs classifications were prepared. - Departments functions and duties description were prepared - Human resources development plan was prepared - Procedural manual for the municipalities' operations was prepared. <u>Tasks completed regarding the Technical Assistance to the Common Water Department (CWD) "of the Joint Service Council for Planning and Development (JSCPD) / Beit Liqya Cluster.</u> - Technical Proposals Evaluation. - Financial Proposal Opening. - The implementation is progress
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Result 3: Capacities of the selected LGUs are enhanced for improved planning, HRM, financial management, service delivery and accountability	Activity 3.1 capacity development programme will be implemented	Sub-activity 3.1.1: The Equipment and Furniture were supplied within the targeted clusters. (100% completion) <u>Tasks completed:</u> - Supply of IT Equipment for JSCs. - Supply of Furniture for JSCs. - Supply of Total Station for JSCs. - Supply of Stationery for JSCs.
		Sub-Activity 3.1.2: The office building (extension or renovation) activity is in progress. (20% completion) Tasks completed: Assess the current needs for JSCs buildings. Preparing the bidding documents.
		Sub-Activity 3.1.3: The financial support for 12 months initial employment of staff activity is in progress (cancelled) <u>Tasks completed:</u> - JSCs need assessment. - Announcing the vacancies (Secretary, Engineer, Urban Planner and Accountant) for each JSC. - CVs Shortlisting. - Interview shortlisted candidates. - Recruitment and contracting. - Follow up with recruited staff. - Announcing the vacancies (Engineer, Financial & Administrative Officer) for each JSC. CVs shortlisting



Result 4: LGUs service delivery is improved through sustainable infrastructure development in the clusters	Activity 4.1: Provision of funding for infrastructure development that enhance the new institutional status of the LGU (amalgamated into municipal council or as JSC).	Sub-Activity 4.1.1: Engage Consultant or Technical Team to assist LGU's (20%) - Tasks completed during the reporting period: - Preparing the TOR, and finalizing the procurement arrangements to sign the contract with the winner. - Preparing the TOR and starting the procurement arrangements to contract a Local Technical Consultant-Water Network Rehabilitation in Beit liqya Cluster Sub-Activity 4.1.2: - Implementation and follow up of the approved infrastructure sub- projects. (95% completion) - Tasks completed: - Review the infrastructure projects identified with public participation within the awareness campaigns. - Get the steering committee approval on the first phase infrastructure projects (connection roads). - The 1st phase of infrastructure projects was completed. - During the reporting period, and regarding the 2nd phase of infrastructure projects (social infrastructure) as well as the 3rd phase of infrastructure projects, the projects were approved by the steering committee where the implementation is in progress.
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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 through MDP, starting from the 2nd cycle. Noting that, during the reporting period, MDP- 1st cycle was under implementation where the 2nd cycle planning started by the end of 2011. Consequently, the BTC contribution under (MDP-Window 1- 2nd cycle), was distributed among (10) amalgamated municipalities where MDLF informed the municipalities about their allocations and received their projects priorities.

Result 5:
Newly amalgamated municipalities are continuously progressing their performance

Activity 5.1:
Undertake regular assessments of municipalities and provide general oversight and guidance to the concerned LGUs (by MDLF staff)

Sub-Activity 5.1.1:

Municipal Ranking Assessment was completed. (100% completion)

Tasks completed

- Evaluate the new amalgamated municipality to decide their performance category in accordance to the municipal performance criteria used by MDLF.

Activity 5.2:
Provide fiscal transfers to municipalities that is linked to their performance during the assessments. In this manner the municipalities will be provided with incentives for continuous improvements in their performance.

Sub-Activity 5.2.1:

Fiscal Transfers to the amalgamated municipalities is in progress. (90% completion)

Tasks completed

- Inform the municipalities about their allocated budget.
- Nominate projects for implementation according to their SDIPs or by conducting public participation sessions in case they don't have SDIP.
- Projects appraisal phase.
- Bidding documents preparation phase
- The projects were completed.



2.4.5 Financial Status

Component	Allocated in US\$	Disbursed Amount During 2013	Total Disbursed by end of 2013	% of Disbursement
Support for amalgamation in 4 areas (incl. equivalent of 7% management fee)	9,000,000	859,700	2,095,926	23%
MDP Contribution (incl. 7% management fee)	2,900,000	49,601	142,649	5%
Total	11,900,000	909,301	2,238,575	19%

2.4.6 Challenges Encountered and Obstacles

During the reporting period the implementation process was subject to such delays due to the following:

- More than one assignment and activities were carried out in each cluster confusing the targeted clusters.
- The formulation of the Joint Service Councils as well as the clusters identification process were delayed.
- Limited resources in the clusters.

2.4.7 Lessons Learnt and Recommendations

- The awareness campaigns should start before any assignments such physical planning and Fixed assets...etc. Moreover, the awareness should be conducted continuously throughout the programme life cycle.
- The LGRDP technical committee should include the JSCs representatives to compliment and reflect the local needs.
- Having a National Working Group consists of all those in charge of amalgamation such as MoLG/ Policy Unit, MoLG, MDLF/ LGRDP team, MDLF, LDP and the relevant donors will contribute to tackle the issues and current challenges in addition to come up with solutions and mitigation measures if needed.
- The financial planning should be more realistic while the operational plans should cover all the durational activities.





2.5.1 Background

The “Local Government Policy Development Programme” LGPD, aims at supporting the Palestinian National Authority (PNA) policies and programs on its way to state building. This program is funded by the Danish Government and executed through the Municipal Development and Lending Fund (MDLF) on behalf of the Ministry of Local Government MOLG.

This program supports the on-going efforts of the Palestinian National Authority to reform the local government system at the national level. The Local Government Policy Development Programme (LGPD) was formulated in October and December 2010 in close cooperation with the Ministry of Local Government (MoLG) and the Municipal Development and Lending Fund (MDLF). In April 2011 an agreement signed between the MoLG and the Danish Representative Office (DRO) specifying MDLF’s responsibility for the LGPD implementation and the management of the programme.

2.5.2 LGPD Description

The overall objective of the programme is to “support the building of a sovereign, democratically viable Palestinian state, guaranteeing basic human rights and security for its population, creating the framework for economic growth and delivering basic services by contributing to the establishment of a viable strategic framework for municipal development.

The Programme is composed of the following three components:

- **Component 1: Support to Policy and Strategy Unit in MoLG**
- The main objective of this component is for MoLG to have a fully functioning policy and strategy unit, capable of formulating and monitoring MoLG policies and strategies being implemented in the local government sector.
- **Component 2: Support to Municipal Development and Lending Fund (MDLF)**
- The objective of this component is to strengthen MDLF to implement its working programme with enhanced efficiency, effectiveness and quality including implementation of policies for the LG sector.
- **Component 3: Support to the Association of Palestinian Local Authorities**
- The objective of this component is to strengthen APLA in its ability to voice the interest of LGU members in policy issues.



2.5.3 Financing Partners Contributions

The grant of DKK 4.8 million (equivalent to around US\$862,940) was received from the Kingdom of Denmark for the benefit of MoLG, MDLF and APLA where the fund will be managed by MDLF.

2.5.4 Progress of Outputs

<u>Component 1: Support to Policy and Strategy Unit in MoLG</u> Objective: <i>MoLG have a fully functioning Policy and Strategy Unit, capable of formulating and monitoring MoLG policies and strategies to be implemented in the local government sector.</i>	
<u>Output 1.1</u> <u>(MOLG):</u> Support to contracting staff and setting up working stations	<u>Key Achievements</u> - Job descriptions for all six PSU positions are developed. - Announcement of positions for the (Head of Unit and Monitoring and Documentation Director), and head hunting of the secretary. - Selection and hiring of PSU staff to be finalized late February 2012. - Purchasing computers and furniture for the PSU office spaces: three IT tenders were made, and one furniture tender.
<u>Output 1.2:</u> Support to prioritization of key areas for policy and strategy development by PSU	<u>Key Achievements</u> - Conduction of a PSU Work Plan seminar/ work session was made and the PSU was presented for the higher planning council. - A list of prioritized policies were identified by the PC.
<u>Output 1.3:</u> Support to awareness raising and integration of the PSU in MoLG work	<u>Key Achievements</u> - Orientation meetings were made to clarify the roles and duties of the PSU, and to present their work, through the regular meetings of the planning council. - Focal points within different directorates were established.

**Output 1.4:**

Support to development of concrete MoLG policies, strategies and action plans in accordance with the PSU Work Plan

Key Achievements

- A second contract was signed with LGDK to support to plan the process of developing concrete policies, strategies and action plans: LGDK introduced the policy and strategy framework to the PSU, and an inception report and orientation was made, two missions were scheduled of which the first was conducted in Oct-Nov 2011 and Feb 2012.
- Support to the actual development of the selected concrete policies, strategies and action plans: as a first phase two examples were chosen: City beatification and HR Policy framework, which were translated to English, reviewed and discussed with the staff and related departments. The recommendation then was made to work with priority policies of:
 - Municipal fulfilment of their service obligations and other duties: a draft study was made based on a survey conducted among municipalities and several workshops were conducted with municipalities to get their feedback.
 - Amalgamation: several workshops were made and lessons-learned were documented, a draft modified strategy is prepared but yet not endorsed.
 - Decentralization: workshops to assess the current practices started
- Training of PSU staff on specific subjects stemming from the working processes: the first training is 60 hour tailored English Course for four staff members of PSU, policy making, introduction to similar experiences. PMP training, monitoring and evaluation training including the last training for the two researchers in Egypt.



Output 1.5: Support to development of general methodologies, guidelines etc. regarding development of policies, strategies and action plans and regarding monitoring methodologies, approaches and procedures.	PSU with the assistance of LGDK prepared «steps to formalize a policy» Action plan for preparing policies is drafted.
Output 1.6: Development of communication strategy (internal and external).	- The PSU is recognized as the address to coordinate for LG policies and has been participating for the review of the LG cross sectoral strategy, anti-corruption policy, public participation policy, PPP policy, amalgamation etc.
Component 2: Support to Municipal Development and Lending Fund (MDLF) Objective: MDLF strengthened to implement its working programme with enhanced efficiency, effectiveness and quality including implementation of policies for the MD&LG sector.	
Output 2.1 (MOLG): MDLF prepared for implementation of Lean culture	Key Achievements - Introduction meeting to Lean with the MDLF was made by KL team.
Output 2.2. Training and Lean application	Key Achievements - Selection of MDLF staff to be educated as ILCs. - A meeting with Gaza via video conference was made to MDLF employees about “lean”. - Conducting the first lean training in May 2012 - Conducting the second lean training in December 2012 - Conducting the 3d lean training in March 2013 - Conducting the 4th lean training in May 2013 - Conducting 5th lean training in June 2013 - Conducting the 6th lean training in December 2013





Output 2.3: Follow-up and consolidation	Key Achievements - The lean trainers are working on specific cases of work flow with MDLF departments
Component 3: Support to the Association of Palestinian Local Authorities Objective: APLA strengthened in its ability to voice the interest of LGU members in policy issues.	
Output 3: to be identified by APLA	Key Achievements - This component is pending: as a prior requirement is: APLA should have the newly elected mayors and councils on board to insure democratization processes are pursued and the policies formulated included the voice of LGUs. Election of the new executive board was made in June 2013. - The suggested interventions are: • TA (LGDK support) on preparing position papers, lobbying for policies, exposure to KL experience • Seminars among the LGUs regarding LG laws and policies. • Local consultancy: opinion surveys etc. - The suggested interventions are to be discussed in the coming steering committee of the program.

2.5.5 Implementation Status

Component 1: Support to Policy and Strategy Unit in MoLG

The primary purpose of the establishment of a Policy and Strategy Unit (PSU) in MoLG is to enhance the ministry's capability to prepare coherent policies and strategies in the field of the local government sector and to transform these policies and strategies into action plans which can subsequently be implemented. The capacity of the PSU is considered to be much higher than when the Programme started, but PSU is, according to observers, yet to prove its role and expertise in development of policies.



Support to awareness raising and integration of the PSU in MoLG:

The integration of the Policy and Strategic Unit (PSU) to the Ministry of Local Governments (MoLG) is probably the most visible result of the support being provided. From Programme onset, the PSU has been strengthened in its capacity to relate with other departments and to involve them in monitoring. PSU has established links with focal points in other 11 departments (in the MoLG at national level) and 11 directorates (throughout West Bank). The focal points also had the opportunity to participate in two training sessions including monitoring & evaluation and policy formulation. The departments fill in data on progress and submit reports to the PSU. LGDK has also presented information on indicators in the training which has further strengthened and confirmed the importance of having a monitoring system. Some of the indicators from the workshop are being used in the monitoring system.

Support to development of concrete MoLG policies, strategies and action plans

MoLG has prepared a prioritized list of policies to be prepared. It is the intention to initially work with the support of the programme and LGDK with the two policy areas at the top of the list. Initially an 'internal HR policy for MoLG' and 'City beautification' were chosen as concrete examples for study and comments by LGDK; to enable the PSU unit and related departments to fully understand the needed framework for formulating policies and what might be missing in the on-going practise. Then MoLG planning council selected the following policies to be formulated with the programme support:

- Municipal fulfilment of their service obligations and other duties
- Amalgamation
- Decentralization

Among other issues, the Programme has supported training for other MoLG staff on the formulation of working processes for policies, strategies and action plans. In September 2012, LGDK gave training on "identification of indicators for monitoring the strategic framework for MoLG 2010-2014." The presentation points toward possibilities for revising the sectoral strategic objectives and sectoral goals. Likewise, it presents the log frame approach (objectives, results, activities, indicators), in which the MoLG operates using a language of goals, objectives, sub-objectives, initiatives and activities. The PSU has contributed to the update of the MoLG's Strategic Plan and its action plan. The knowledge of-





ferred by the TA being provided has yet to be applied to this process. The MoLG has decided to maintain the present goals and objectives. Likewise, the AP indicates the main department in charge of an activity and the allocated budget. A local consultant, financed by CHF, in coordination with the deputy assistant and the PSU, had reviewed the strategic plan and the overall action plan after consultation with each department. In the future, and under ideal circumstances, the PSU may prepare a review of the strategic plan without having to use a local consultant.

While this case shows that PSU in general has been strengthened in terms of overall coordination, the MoLG has not yet decided to implement LGDK's suggestions of revising objectives/goals. It may be argued that it also would be difficult to adapt the LGDK in the "middle of the 2010-2014 period" when it could be used for future plans.

Development of concrete policies:

Some progress has taken place regarding the actual preparation of policies, particularly, the amalgamation/classification and decentralization process.

The preparatory studies (diagnosis) have been made, and the legal department has identified 18 areas where local governments have their own competences. Likewise, a "reality-check" with municipalities took place, showing that they in fact still



must deal with national regulations even in areas where they have competences. Regarding amalgamation, a gradual process involving several steps has been suggested, as opposed to a more rapid merger of the LGUs.

The PSU is waiting for green light from the Minister and the Planning Council for the considerations spelt out in these diagnoses before they can move forward with the preparation of the policy for amalgamation and classification. The situation of having prepared a diagnosis or working paper shows the need for a "how to make policies" note from the PSU, so that it is clear to everyone – including the Planning Council – exactly where in the process the preparation of a working paper fits in (it is first step before actually preparing any draft policies). It will be important to coordinate with – and support – other departments which are working on strategies linked to amalgamation (e.g. joint service coun-



cil), and to collect and take into account amalgamation experiences from the donor-supported programmes. The policies are very important. Possible impact of such policies would mean that i) conflicts may be avoided if the amalgamation process is carried out according to clear steps; ii) amalgamation may imply better services, because of large-scale advantages for the new municipalities; and iii) municipalities may be encouraged to provide more services through incentives.

During the reporting period, the following activities took place as per the following:

Amalgamation Strategy:

- A Meeting with amalgamated municipalities to discuss outstanding problems and solutions.
- Through the conference of local government: a session on amalgamation was conducted that aim at consolidation of policies and strategies of the Ministry of Local Government.
- A Workshop of the joint councils and ways to support the amalgamation process through the joint councils.

Main observations and recommendations regarding the amalgamation

- *The need for an evaluation study of the merged local bodies and gaps/ problems occurred during the amalgamation process.*
- *Preparation for joint assessment with civil society organizations in the amalgamated areas.*
- *MoLG not to back down and to support the process on the ground and the need for a unified position regarding the merger (a decision or choice).*
- *There is an urgent need to develop a clear law that defines the mechanics of mergers and annexation, elections and representation structures, budgets and debt in the merged bodies.*
- *There is an urgent need for the Ministry of Local Government diagnosis and determine the legal requirements, the financial and service sectors of the merged bodies.*
- *There is need for the Ministry of Local Government to lobby and conduct awareness campaigns about introductory steps before the merger and adopt persuasion rather than imposition of amalgamation*





Decentralization Policy:

The conference of local government that aims at consolidation of policies and strategies of the Ministry of Local Government towards LG sector was held in February 2013 where the decentralization was the main theme of discussions. A workshop to discuss financial policies at the local sector was held in May 2013

Main observations and recommendations regarding the requirements for decentralization

1. *Provide legal environment: the ministry is working in consultation and participation with all the actors in the sector to amend the local authorities Law No. 1 of 1997, with a clear vision of the essence of the required amendments. The ministry is concentrating on the development of regulations and instructions provided by law, the ministry has worked in this direction to:*
 - *Revise the by-laws and LG practices.*
 - *Develop budget call: where standards of budgets were developed with partnership with the local authorities and the ministry's role is clarified as oversight and guidance.*
 - *The development of unified accounting system, which aims at enabling the management of accounts according to international standards and allowing the Ministry to focus on guidance, control and non-interference in detail with the finance of local authority.*
2. *Enable and capacitate local authorities: Decentralization requires the presence of local bodies able and competent to carry out their responsibilities and duties in providing the best services to citizens.*
3. *Sustainable local authorities that are able of development: the requirements of decentralization is the presence of strong bodies that are active both at the level of representation or the provision of services and is able to achieve development: In order to achieve this requirement to move toward decentralization, the ministry embraced a number of policies and strategies, such as: policy of annexation, merger, which aims to build local bodies that are able to function and self sustain.*
4. *Participation and accountability as basis for decentralization: an emphasis in providing the right environment for decentralization, the conviction of the ministry and the best practices of international experience suggest that the development of participation and accountability community is the basis of decentralization, which include to the accountability of LGUs towards the citizens, and the role of the central authority is the oversight and support.*
5. *Expanding the authorities of LGUs in local economic development and investment: the decentralization requires expanding the role of local authorities to include LED tasks in addition to the services.*



public private partnership policy

Workshop on feedback of “public private partnership policy” was conducted with participation of private sector representatives and municipal decision makers to discuss the five pillars of the policy.

Component 2: Support to Municipal Development and Lending Fund (MDLF)

As the “lean approach” is a combination of increased customer value and better quality, increased job satisfaction and improved efficiency. MDLF decided to invest in its staff by introducing them to these concepts through training a group of employees from diverse departments in West Bank and Gaza.

The workshops on indicators and the LEAN methodology have provided inspiration and some of the trained staff members have initiated internal processes where they apply their new skills. The LEAN methodology is intended to increase efficiency, among other issues, by identifying bottlenecks in management (“waste” of procedures, time, etc.).



The General Director clearly stated the institution’s will to use and implement the LEAN methodology. After the first introduction to LEAN, the MDLF staff was organized in four groups, each of which is to visit another department in order to initiate a LEAN process. The second training session has focused on lessons learned from this first exercise. However, due to other workloads, including other donor requirements, the third training session was postponed to early March 2013.

During the reporting period, the third training session was carried out early March 2013, followed by a workshop in Egypt for Gaza staff 13th -16th of May 2013, and a workshop in Ramallah 10th -14th of June 2013 for west bank team concentrating on value stream mapping. A special session for lean to managers was also conducted to evaluate and assess the way ahead for MDLF lean process. Distribution of 15 certificates were made to participants by the end of the last training course.

Finally, the last training session was conducted in December 2013 where the participants had the chance to present their projects and receive feedback from the trainer regarding their case studies.





Component 3: Support to the Association of Palestinian Local Authorities

The objective of this component is “strengthening its ability to voice the interest of LGU members on policy issues” through active participation of Palestinian Local Authorities (APLA), and since election of the executive committee had not taken place in APLA since 2006, the component had deliberately not been finalized, but left “open” until APLA was “ready” to receive support. The main indicator for the component objective is: APLA strengthened in its ability to voice



the interest of LGU members in policy issues. By the end of 2012, there are still considerable frictions between municipalities/LGUs governed by the different political parties, and in particular between municipalities in Gaza and the West Bank. The General Assembly of APLA was held in December 2012 following the local elections in West Bank, and a new executive committee and board of directors are to be elected before February 2013. In any case, within the present Programme the focus could be on involving municipalities and APLA in policy formulation processes and arrangements would be included through the program in 2013 to insure the voice of LGUs included in the policy formulation. Within the present Programme the focus could be on involving municipalities and APLA in policy formulation processes and arrangements would be included through the program in 2013 to insure the voice of LGUs included in the policy formulation. For that reason a meeting with the executive director of APLA was made in the 18th of April 2013 at MDLF with the participation of the policy unit to agree on the program involvement, and after seeking the temporary executive committee of APLA through the executive manager, the following activities were approved:

Item	Intervention
TA support from LGDK (KL)	The TA support to cover but not limited to: How to develop Position Papers on Policies. How to Lobby for certain policies/ policy modifications To be exposed to Denmark Experience in LG (relation between LGDK and municipalities)



Seminars	Specific seminars to discuss (legal aspects of LGUs mandates etc.) Seminars might include seminar logistics, accommodations, printing materials etc. Seminars in the presence of KL experts (to be exposed to LGDK experience-see above comments)- parallel with MoLG – KL missions
Translation & Interpretation	Logistics for seminars in the presence of KL experts
Local consultancies	Hiring advisors, studies/opinion surveys etc.

The election of the executive committee took place on the 8th of June 2013. This was the first time after the last elections of APLA in 2006. yet it's worth mentioning that it included west bank LGUs only with reserving seats to Gaza, and that elections witnessed the withdrawal of Hebron governorate LGUs due to disputes on representation criteria. Although this was partial elections, it still carries out an important factor of the possibility of revitalizing this important LG institution.

During the reporting period, two workshops were organized by APLA. One of them focused on the role of APLA for local government policies development, whereas the other focused on the participatory role of APLA in LG policies development. Another activity under this component during the reporting period is the study tour for the Palestinian mission to Denmark to get the benefit from the Danish experience in the LGUs development.

LGDK Contribution

- *The technical assistance (TA) applied by (LGDK) is based on the learning-by-doing principle combined with coaching and with specific training on selected subjects. LGDK carried out one mission during the reporting period in connection with the programme and the components (3rd -7th March 2013). A report was prepared for this visit, covering all components. LGDK consulted the PSU on information and material needed. Workshops were organized with participation by the PSU, the focal points in the departments and the directorates. A number of Power Point presentations have been prepared, including the following activities:*
- *Amalgamation Strategies: Field visit to Jenin, revision of amalgamation paper*
- *Meeting with joint service councils.*
- *Participation in the preparation for 2013 activities (decentralization policy).*





2.5.6 *Financial Status*

Component	Allocated in US\$	Disbursed Amount During 2013	Total Disbursed by end of 2013	% of Disbursement
Support to Policy and Strategy Unit in MoLG	515,293	247,355	484,076	94%
Support to Municipal Development and Lending Fund (MDLF)	102,391	78,423	105,998	104%
Support to the Association of Palestinian Local Authorities	64,598	19,643	19,643	30%
Mid Term Review	36,000	0	0	0%
Audit	52,200	3,000	10,000	19%
Management Fees	53,934	102	11,771	22%
Contingencies	38,524	0	0	0%
Total	862,940	348,523	622,488	72%

2.5.7 *Challenges Encountered and Obstacles*

- The nature of the programme and its objectives to establish and introduce policy making at the national level for the local government sector, needs high commitment and change management process at the Ministry of Local Government, and APLA. Changes in the interests of MoLG can affect the process of policy making negatively.
- The capacity and the lack of sufficient PSU staff at the start of the programme resulted delays in some activities.
- MDLF is involved in many other programmes and may not be sufficiently involved, thus this might affect the implementation of “lean-six sigma” improvements.
- There are several risks envisaged as follows:



Political:

- The PNA avoids introducing / passing new laws and the Legislative Council is not working. This may affect the Programme's result, as necessary changes to new policies may not take place.
- LGU and PNA lack a democratic mandate, as local and national elections have been postponed (conducted in WB, still pending in Gaza). This may be a risk for Component 3 in particular (the need for APLA to have legitimacy).

Security

- The general security risk on the West Bank and Gaza is a potential risk for the Programme and affects both implementation and coverage (it has materialized in Gaza in November 2012).

2.5.8 Lessons Learnt and Recommendations

- Policy development: It's important to increase ownership of different MOLG departments towards implementing policies and strategies through their yearly plans.
- The importance of strengthening the M&E system at MoLG especially in setting indicators.
- For MDLF to be able to make use of the "lean approach" in enhancing the effectiveness and efficiency. Lean culture techniques should be implemented including periodic Kaizen meetings and Value streaming workshops.





2.6.1 Background

Since its establishment in 1994 the PNA has worked extensively to maintain and develop the education in Palestine. This vital sector was given great attention by successive governments where the PRDP (2008-2010) as well as the NDP (2011-2013) has included such interventions related to schools construction and rehabilitation, furnishing and equipping, expansion of existing schools, in addition to establishing healthcare units in the schools.

In the same context, the Strategic Development Plan (SDP) for Jenin District (2008-2017) included the educational sector as one of the most important fields for development. The SDP put an objective to improve the infrastructure of the educational facilities in the district through construction of new schools or adding classrooms and facilities to the existing ones.

2.6.2 Project Description

This project falls within the context of enabling the environment for learning by supporting the Palestinians in creating a proper learning environment for students through the rehabilitation of schools. More specifically, the project aims at improving the current conditions for students at schools, to create proper learning environment for them through the rehabilitation of class rooms and facilities at three schools in Jenin Governorate.



The project was implemented in Al-Yamun, Arraba and Jabaa municipalities in Jenin Governorate where the Irish Government has already worked. The target schools were selected according to the Ministry of Education and the Ministry of Local Government in accordance to the Strategic Plan priorities for Jenin Governorate regarding the educational sector.

The project included the construction of class rooms, lavatory units, and canteen, in addition to the replacement of windows, and painting,... etc.

MDLF was responsible for the implementation, the supervision, the final acceptance of the works and reporting. The Municipalities of (Al-Yamun, Arraba and Jaba) and the Ministry of Education were responsible for specifying and identifying the needs for these schools and were involved in the projects execu-



tion such as bid evaluation, site visits, and the final acceptance. Table 10 below illustrates a brief description of the implemented sub-projects.

Table 10: list of sub-projects implemented in Jenin Governorate

Municipality	School Name	Project Description	Estimated Cost (\$)
Al-Yamun	Secondary Girls school	Rehabilitation of the secondary girls school	23,950
Arraba	Um Ammara girls school	Rehabilitation of the school and construction of lavatory rooms unit	59,119
Jaba'	Preliminary Boys school	Rehabilitation of Preliminary Boys school (including: lavatory unit, adding 3 class rooms, retaining wall school painting, walls.....)	123,405
Total amount of the three projects:			206,474 \$
MDLF Management fees:			15,400 \$
Contingency cost:			2,580.8 \$
OVER ALL TOTAL OF THE PROJECT			224,454.80 \$

2.6.3 Financing Partner Contribution

This project was financed by the Irish Aid in a total of \$ 224,454.8 where the agreement was signed between MDLF and the Irish Aid in July 2013 to be implemented in 6 months starting from August 1st , 2013 until February 1st , 2014.

2.6.4 Implementation Status

The project began when the Irish Aid signed the agreement with the MDLF to support the rehabilitation of three schools in Jenin Governorate. Following the signing of the agreement, a close communication and coordination with the Ministry of Education and the Ministry of Local Government in Jenin Governorate took place through site visits for the target schools to identify the exact needs and the estimated cost for each.





After that, MDLF would be able to prepare an action plan by identifying the work packages, the procurement plan and the budget break down for each sub-project. In the same context a set of activities were identified including the duration as well as the roles and responsibilities per each activity.



It is worth mentioning the MDLF played a significant role to ensure good communication with different key stakeholders, including, MOLG, the municipalities of “Al-Yamun, Arraba and Jaba”, and the Directorate of Buildings and Projects in the Ministry of Education for better management and to achieve the target outputs as planned without delay.

Regarding the operational manuals used in this project, MDLF used its own manuals including technical, procurement, financial manuals in all stages of the project implementation. In this context, standard bidding documents were prepared at the beginning of the project according to the MDLF procurement manual which is based on the world bank guidelines. The bidding documents contained information for bidders, form of tender, contract form, general conditions, special conditions and technical specifications.

After the completion of all procurement arrangements and following the awarding of the contracts, the direct implementation started in October 4th , 2013 and continued until January 1st , 2014 where MDLF and the municipal engineers conducted the needed supervision of the implemented sub-projects including quality control and intensive follow up making sure the full compliance with standards and technical specifications as planned.

Regarding the financial management of the project, a special account was opened at the beginning and MDLF used its financial procedures for disbursement and payments to the contractors upon the approval from the technical staff on the outputs and the quality of the implemented sub-projects.



The key outputs of the implemented sub-projects are mainly the area of schools rehabilitated in addition to the external works and health units constructed, where the total number of beneficiaries is 1550 students. Table 11 below illustrates the key outputs per project :

Table 11: Key outputs per project

Municipality	School Name	Project Description	No. of students	Outputs
Al-Yamun	Secondary Girls school	Rehabilitation of the secondary girls school	550	4 class rooms were rehabilitated in a total of (200 Sq.m). external works including: (grouting , parapet stone) were accomplished
Arraba	Um Ammara Girls school	Rehabilitation of the school and construction of lavatory rooms unit .	350	77 Sq.m of bath rooms were constructed
Jaba'	Preliminary Boys school	Rehabilitation of Preliminary Boys school (including: lavatory unit, retaining wall school painting, walls..... etc.)	650	42 Sq.m of bath rooms were constructed 630 Sq.m asphalt were constructed. 50 m or retaining walls were constructed. 35 seats were supplied. 50 Sq.m of rain shelters were constructed.



2.6.5 Financial Status

Component	Allocated in US\$	Disbursed Amount US\$	Remaining (US\$)	% of Disbursement
Projects Cost	204,600	204,600	0	100%
Management Fees	15,400	15,400	0	100%
Contingency	4,454.8	1,874 (utilized for the projects cost)	2580.8	42%
Total	224,454.8	221,874	2580.8	98.9%

2.6.6 Challenges Encountered and Obstacles

During the implementation, the project faced challenges and obstacles which can be listed as follows:

The implementation period was very tight where the direct implementation had started in October 2013, i.e two months after signing the agreement. This delay was due to the preparatory arrangements which took more time than expected. There is a lack of communications between the Ministry of Education and its Directorate in Jenin Governorate lead to such delays in the implementation. Noting that all the activities should receive clearance and non objection from the MOE prior the implementation.

There is a lack of allocated funds for the implemented activities in the target schools, where the fund amounts were not sufficient to do all the needed works for rehabilitation and maintenance.

2.6.7 Lessons Learnt and Recommendations

It is recommended to allocate more time and more fund to implement such activities for schools rehabilitation and maintenance.

It is recommended to communicate with the MOE and other stakeholders as early as possible to avoid miscommunication and to ensure the effective management of the project.

It is recommended to have more focus on these types of projects towards changing the learning environments for the Palestinian students.



Annexes

Annex A – (MDP I)

Annex B– (MDPII)



ANNEX A

Municipal Development Program-Phase 1 (MDP I)





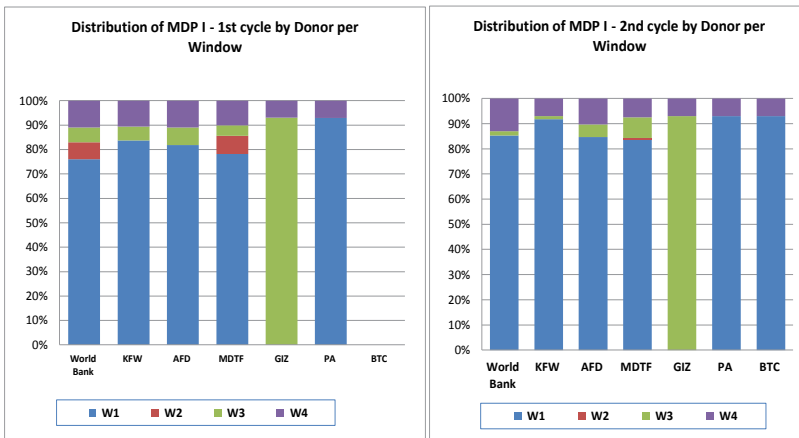
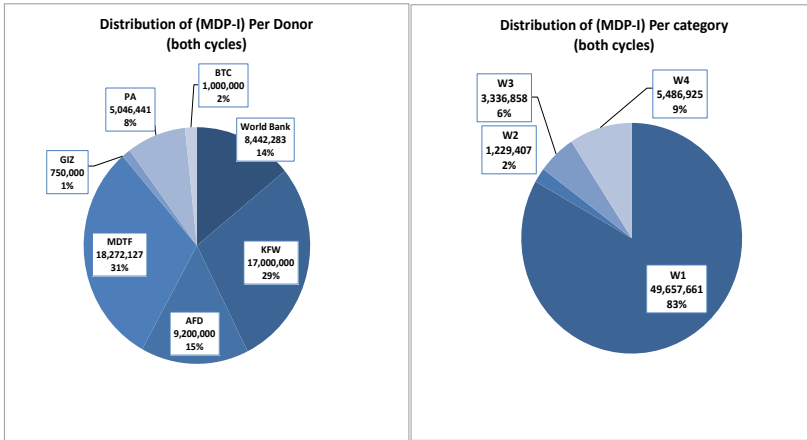
Distribution of (MDP -1) by Donor Per Category

AFD	MDTF		GIZ		PA		BTC		Total
	1st cycle	2nd cycle	1st cycle	2nd cycle	1st cycle	2nd cycle	1st cycle	2nd cycle	
1,419,195	3,047,914	3,988,616	4,449,519	0	0	1,225,129	903,580	0	28,219,228
1,200,805	2,031,942	3,376,744	2,966,346	0	0	1,040,248	1,523,432	0	21,438,433
2,620,000	5,079,856	7,365,360	7,415,865	0	0	2,265,377	2,427,012	0	49,657,661
0	0	699,094	40,803			0			1,229,407
230,000	300,000	409,092	724,976	418,500	279,000	0			3,336,858
350,000	620,144	950,958	665,979	31,500	21,000	171,374	182,678	70,000	5,486,925
3,200,000	6,000,000	9,424,504	8,847,623	450,000	300,000	2,436,751	2,609,690	0	59,710,851
4,576,000	8,280,000	13,477,041	12,209,720	643,500	414,000	3,484,554	3,601,372	0	83,901,187
9,200,000	18,272,127	750,000	5,046,441	1,000,000					59,710,851

Donor	World Bank		KfW		Total
	1st cycle	2nd cycle	1st cycle	2nd cycle	
Category					
WB	2,878,410	741,590	3,401,161	5,234,114	28,219,228
Gaza	2,436,275	494,393	2,878,839	3,489,409	21,438,433
W1	5,314,685	1,235,983	6,280,000	8,723,523	49,657,661
W2	489,510	0	0	0	1,229,407
W3	419,581	24,232	420,000	111,477	3,336,858
W4	769,731	189,061	800,000	665,000	5,486,925
Total (Euro)	6,993,007	1,449,276	7,500,000	9,500,000	59,710,851
Total in USD	10,000,000	2,000,000	10,725,000	13,110,000	83,901,187

Total both cycles (Euro)	8,442,283	17,000,000	59,710,851
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Note: exchange rate for the 1st cycle is (1.43 \$/Euro) and (1.38 for the 2nd cycle)



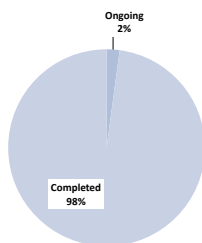


Status of MDP-1 / 2nd cycle / Window-1 / (in terms of allocated fund)

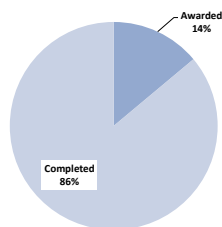
Governorate	No. of Projects	Status in terms of Sub-projects Allocations							Total	
		Pretendering (Documents at PMU)	Pretendering (Consultant PCR)	Pretendering (MDLF Review) PMR	Tendering T	Re-Tendering RT	Awarded A	Ongoing O	Completed C	Euro
Bethlehem	11								1,209,316	1,209,316
Hebron	26							340,097	4,555,623	4,895,720
Jenin	14								1,689,210	1,689,210
Jericho	3								260,622	260,622
Jerusalem	11								946,574	946,574
Nablus	17								2,068,417	2,068,417
Qalqilia	7								742,948	742,948
Ramallah & Albireh	20								1,910,840	1,910,840
Salfit	11								615,021	615,021
Tubas	3								353,835	353,835
Tulkarm	16								1,255,532	1,255,532
Total West Bank	139	0	0	0	0	0	0	340,097	15,607,937	15,948,034
Deir Al-Balah	44						175,971		1,570,251	1,746,222
Gaza	26						624,212		3,062,485	3,686,697
Khan Younis	46						202,087		1,809,936	2,012,023
North Gaza	28						274,691		1,651,638	1,926,329
Rafah	17						246,471		1,330,668	1,577,139
Total Gaza	161	0	0	0	0	0	1,523,432	0	9,434,978	10,948,410
Total WB&G	300	0	0	0	0	0	1,523,432	340,097	25,032,916	26,896,445



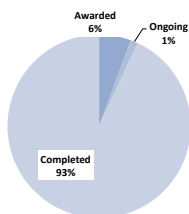
MDP-W1 - Status in terms of Allocated Fund - West Bank
2nd cycle



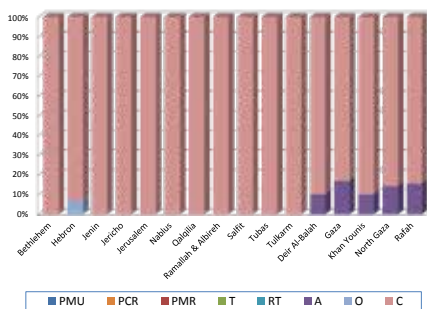
MDP-W1 Status in terms of Allocated Fund - Gaza-
2nd cycle



MDP - W1 - status in terms of Allocated Fund - Consolidated WB&G -
2nd cycle



MDP-W1 - Status Per Governorate (WB&G) in terms of Allocated Fund - 2nd
cycle





Outputs Window 1						
Sector	Sub-Sector	Indicator	Unit	Target	Achieved	% of Achievements**
Roads	(Pavement)	Length of roads rehabilitated	Km	295	310	105%
	Side Walks	Length of Sidewalks rehabilitated	L.m	50,312	49,927	99%
	Retaining Walls	Length of retaining walls rehabilitated	L.m	4,405	6,279	143%
	Street Lighting	No. street lighting units supplied	No.	3,386	3,415	101%
Water	Culverts	Length of storm water drainage rehabilitated	L.m	1,060	740	70%
	Water Network Rehabilitation	Length of water networks rehabilitated	Km	9	11	119%
	Ground Water wells maintenance (Gaza)	# of wells maintained	No.	27	47	174%
	Households connection	No. of households connection installed	No.	142	167	118%
	Pumps	No. of pumps installed	No.	1	1	100%
	Water meters	No. of water meters installed	No.	3,230	3,157 ¹	98%
Wastewater	Wastewater Network Rehabilitation	Length of wastewater networks rehabilitated	Km	50	35	71%
	Households connection	No. of households connected	No.	70	103	147%
	Vehicles	No. of vehicles installed	No.	1	1	100%
Solid Waste	Solid waste Containers	No. of containers supplied	No.	498	498	100%
Public Facilities	Public Buildings Construction	Area of public buildings constructed	Sq.m	17,184	16,783	98%
	Public Gardens	Area of public gardens constructed	Sq.m	27,500	29,000	105%
	Public Buildings Maintenance	Area of public buildings maintained	Sq.m	35,187	35,159	100%
Others	Service Tools	No. of tractors supplied	No.	2	2	100%
		No. of rollers supplied	No.	3	3	100%
		No. of excavators supplied	No.	7	7	100%
		No. of total stations supplied	No.	1	1	100%

** This is a comparison to the targets stated in the application forms. As such, changes in outputs compared to the expected (whether more or less) are mainly due to final contract costs compared to the estimated (i.e. in some cases more could be done with the contract amount than expected, and in other cases less could be done).

Capacity building packages for MDP 1st Cycle

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



Financial policies and procedure manual (FPPM)

No.	Municipalities	Cluster	Donor
1	Arraba	Northern Municipalities / West Bank MDP-CY01- FPPM-01	GTZ
2	Borgin		
3	Az Zababedah		
4	Meithalun		
5	Tubas		
6	Tammun		
7	Atteel		
8	Qaffin		
9	Ba'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	Brugin		
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 Ubaidiyya		
51	Al Khader		
52	Ad Doha		
53	Taqu'a		
54	Za'tara		
55	Janata		
56	AdDaheriyya		
57	Halhul		
58	Idna		
59	Targumia		
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		

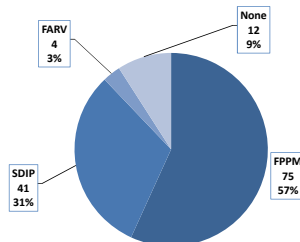
Strategic Development and Investment Plans (SDIPs)

No.	Municipalities	Cluster	Donor
1	Jerin	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		
16	Silwad	MDP-CY01- SDIP-04	AFD
17	Deir Debwan		
18	East Bani Zeid		
19	Jericho		
20	Bedu		
21	As Sawahreh Ash Sharqiyya	MDP-CY01- SDIP-05	MDTF
22	Qatanna		
23	Beit Ummar		
24	Surif		
25	Se'ier		
26	Beit Ula	MDP-CY01-SDIP-06	GTZ
27	Kharas		
28	Dura		
29	Taffuh		
30	Al Samu'e		
31	Beit Awwa	MDP-CY01-SDIP-07	KFW
32	Gaza		
33	Al-Burajj		
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)

No.	Municipalities	Cluster	Donor
1	Ramallah	MDP-CY01-FARV-01	MDTF
2	Al Bireh		
3	Bitunia		
4	Selfeet		

MDP - Window 3 / Capacity Building Packages





Capacity building packages for MDP 2nd Cycle

Summary of the Results	
FPPM	21
SDIP	49
FARV	28
O&M	10
Total Number of Municipalities	134

Financial policies and procedure manual (FPPM)			
	Municipalities	Cluster	Donor
1	Seelet Al Hartheyya	MDP-CY02- FPPM-01	GIZ
2	Seelet Ad Daher		
3	Marj Bin Amer		
4	Aseera Ash Shamaliyya		
5	Agraba		
6	Hableh		
7	Aggaba		
8	Al-Kafriyyat		
9	As Sawahreh Ash Sharqiyya		
10	Deir Al Ghosoun		
11	Al-Yasiriyya		
12	Beit Ula		
13	Kharas		
14	Se'ler		
15	Al Braij	MDP-CY02- FPPM-02	GIZ
16	Gaza		
17	Al Fokhari		
18	Bani Sheila		
19	Abasan Al Jadeeda		
20	Abasan Al Kabira		
21	Al Naser		

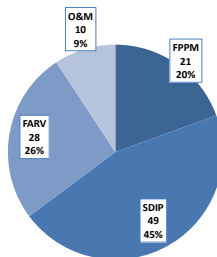
Fixed Assets registration and Valuation (FARV)			
	Municipalities	Cluster	Donor
1	Arraba	MDP-CY02-FARV-01	MDTF
2	Tubas		
3	Zeita		
4	Qaffin		
5	Kufor tholoth		
6	Azzun		
7	Deir Istia		
8	Kefel Hares		
9	West Bani Zeid	MDP-CY02-FARV-02	MDTF
10	Al Ittihad		
11	Al Ram		
12	Al Elzarliyya		
13	Abu Dees		
14	Beit Sureik		
15	Beit Anan		
16	Bir Nabala		
17	Anata	MDP-CY02-FARV-03	MDTF
18	A I Khader		
19	Ad Doha		
20	Al Ubeidiyya		
21	Beit Fajjar		
22	Beit Jala		
23	Ta'qu'a		
24	Za'tara		
25	AdDaheriyya	MDP-CY02-FARV-04	MDTF
26	Idna		
27	Jabalia		
28	Khan Yunis		



Strategic Development and Investment Plans (SDIP)

	Municipalities	Cluster	Donor
1	Az Zababedah	MDP-CY02- SDIP-01	MDTF
2	Borqin		
3	Baqa Al Sharqeyya & Nazlat		
4	Ba'aa		
5	Beit Leed		
6	Kafr Al Labad		
7	Jayyus		
8	Zeta		
9	Kafriyat	MDP-CY02- SDIP-02	AFD
10	Al Zawyeh		
11	Qarawat Bani Hassan		
12	Kufor Al Deek		
13	Bruqin	MDP-CY02- SDIP-03	MDTF
14	Deir Ballut		
15	Beit Foreek		
16	Jammaein		
17	Howwara		
18	Sabastya		
19	Tammun		
20	Khader	MDP-CY02- SDIP-04	GIZ
21	Doha		
22	Za'tra		
23	Al Tayybeh		
24	Al Mazra'a Ash Sharqeyya		
25	Beitunia		
26	Turmosayya		
27	Sinjel		
28	Abwein	MDP-CY02- SDIP-05	AFD
29	Atara		
30	Ne'in		
31	Al Oja		
32	Al Newe'emeh & Diyok	MDP-CY02- SDIP-06	AFD
33	West Bani Zaid		
34	Ash Shoyukh		
35	Tarqumia		
36	Janata		
37	Al Zahra		
38	Al Moghraqa		
39	Um Al Naser		
40	Beit Hanun	MDP-CY02- SDIP-07	GIZ
41	Beit Lahia		
42	Wadi Gaza		
43	Al Zawayda		
44	Al Shokeh		
45	Al Qarara		
46	Al Masdar		
47	An Nseirat		
48	Khaza'aa		
49	Wadi Al Salqa		

Capacity Building Packages - MDP 1 - 2nd cycle



ANNEX B

Municipal Development Program-Phase 2 (MDP II)





✓ MDPII – Financing Agreements

Financing Partner	Committed in M Euro	1 st Cycle Commitment in M Euro	2 nd cycle (commitment / promised) M Euro	Status of Signing
WB (10 M \$)	7.25	5.50	1.75	Signed
KfW (13.5 M Euro)	13.50	13.50	10.00 (promised)	Not yet signed
GIZ (400 K Euro)	0.40	0.40	0.40	Signed
Danida (110 M DKK)	14.30	8.80	5.50	Not yet signed
Sweden (5.8 M \$)	4.20	3.00	1.20	Not yet signed
BTC (1 M Euro)	1.00	1.00	1.00	Signed
AFD	1.00	1.00	6.00 (promised)	Not yet signed
Switzerland (SDC)	2.50	1.20	1.30	Signed
Dutch (VNG)	1.20	0.60	0.60	Signed
EU	7.28	0.00	7.28	Not yet signed
PA - MOLG (20 M NIS)	3.80	3.80	0	
PA (10%)	5.54	3.78	3.40	
Total	61.97	42.58	38.43	



MDPII - 1st cycle estimated cost

		Total - PP	WB	KfW	AFD	Sida	Danish	GIZ	PA-MOLG	PA	BTC	VNG	SDC	Total (Euro)
		Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro	Euro
1	Window 1: Municipal Grants	32,484,000	3,708,000	12,085,000	0	2,536,500	5,892,500	0	3,834,000	3,915,400	930,000	0	498,000	32,484,000
2	Window 2: Support to Municipal Responsiveness and Innovations	4,268,000	600,000	0	700,000	0	2,110,000	0	0	0	0	558,000	300,000	4,268,000
2.1	Pilot Innovations	2,158,000	600,000	0	700,000			0		0	0	558,000	300,000	2,158,000
	2.1.1 Governance	325,000	325,000											325,000
	2.1.2 Renewable Solar Energy	275,000	275,000											275,000
	2.3.3 Local Economic Development	1,558,000			700,000							558,000	300,000	1,558,000
2.2	Post-Amalgamation Support	2,110,000				0	2,110,000							2,110,000
3	Category 3 (W3): Capacity Building	2,127,000	250,000	410,000	230,000	163,500	387,500	372,000	0	0	0	0	320,000	2,127,000
3.1	Capacity Building for Municipalities	1,897,000	250,000	410,000	0	163,500	387,500	372,000	0	0	0	0	320,000	1,897,000
3.1.1	Improved Financial management	866,000	250,000	295,000	0	0	45,000	305,000		0	0	0	0	866,000
	3.1.1.1 Integrated Financial Management Information System (FMIS)	515,000	250,000	265,000										515,000
	3.1.1.2 Fixed Assets Registration and Valuation (FARV)	291,000						246,000						291,000
	3.1.1.3 Internal audit, budgets (PPM manuals)	60,000					45,000	60,000						60,000
3.1.2	Strategic Development and Investment Plans (SDIP)	236,000	0	0	0			66,000		0	0	0	170,000	236,000
3.1.3	Reviewing SDIPs for Municipalities	236,000		0				66,000					170,000	236,000
3.1.4	Urban Service Centre	620,000		0		163,500	356,500						120,000	620,000
3.1.5	Operation and Maintenance	145,000		145,000				0						145,000
	3.1.5.1 Citizenship, communication and outreach guidelines	30,000											30,000	30,000
3.2	Capacity Building for MDPII as of strategic plan	230,000	0	0	230,000	0	0	0	0	0	0	0	0	230,000
	3.2.1 Informative Researches	100,000	0		100,000									100,000
	3.2.3 Coordination on LED and lending initiatives	100,000			100,000									100,000
	3.2.4 MDPII	30,000			30,000									30,000
4	Window 4: Program Management	3,700,600	945,000	1,005,000	70,000	310,000	876,000	21,000	266,000	254,000	70,000	42,000	84,000	3,700,600
4.1	MDPII Management Fee (7%)	2,980,600	385,000	945,000	70,000	210,000	876,000	21,000	266,000	254,000	70,000	42,000	84,000	2,980,600
4.2	Technical Supervision and Assistance (TSA)	460,000	460,000	0	0									460,000
4.3	Monitoring and Evaluation	100,000	40,000	60,000	0			0		0	0	0	0	100,000
4.4	Outreach and communication campaign	160,000	60,000			100,000								160,000
	Total		5,500,000	12,500,000	1,000,000	3,006,000	8,800,000	400,000	3,800,000	3,788,000	1,020,000	600,000	1,200,000	42,580,000



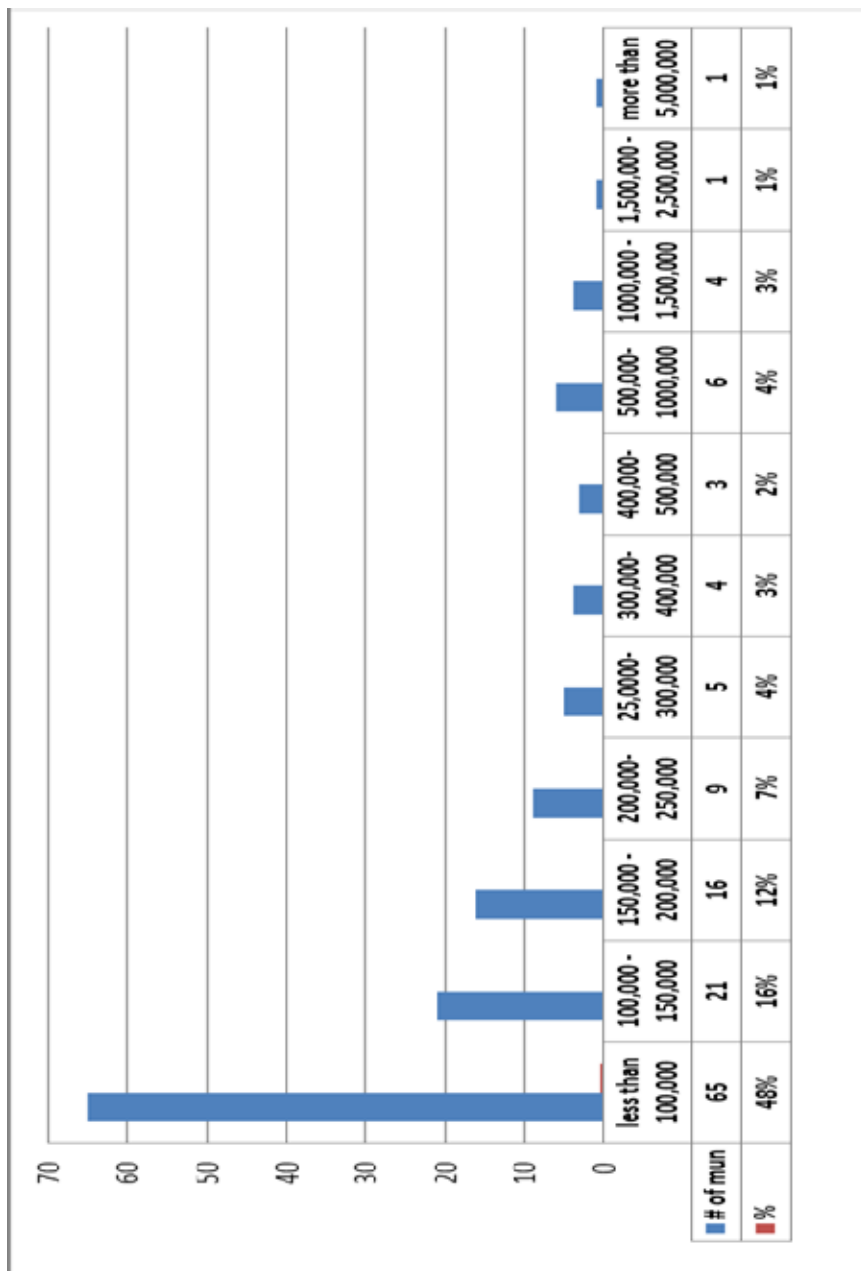
MDPII – 1st cycle – Costing by Donor per window



www.mdpl.org.ps



✓ Classification of Municipalities based on their allocation



Municipal Development and Lending Fund (MDLF)

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