

FINAL REPORT

MUNICIPAL RANKING UPDATE (END OF MDP 3 – Cycle 01)

Submitted to:

Municipal Development and Lending Fund

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To : Dr. Tawfiq Albudarir

Director General
Municipal Development and Lending Fund (MDLF)
Al Bireh, Palestine

Dear Dr. Albudarir

With reference to our contract dated July 16th , 2019, I am sending herewith our final report regarding the Municipal Ranking Update (End of MDP 3 – Cycle 01) assignment.

Yours faithfully,

Mutaz Jabr
Partner

Contents

Executive Summary	4
1. Introduction	5
1.1 Background	5
1.2 Objective of the Assignment	5
1.3 Assignment Deliverables	6
2. Methodology	6
3. Ranking results	12
4. Appeals	36
5. Obstacles Encountered	36
6. Lessons Learned and Recommendations	38
Annex (A) Staff Costs	39
Annex (B) Green Spaces	39
Annex (C) Operation and Maintenance	39
Annex (D) Surplus and Deficit	39
Annex (E) Net Lending	39
Annex (F) Budget Execution	39
Annex (G) Own Source Revenues	39

Executive Summary

This Final report presents the final output and the activities performed during the consultancy assignment on Municipal Ranking Update According to the Grants Allocation Criteria “Transfer Mechanism” for 148 Municipalities in the West Bank and Gaza.

The results of the 2019 ranking reveal that four indicators were achieved by all municipalities, namely:

- having separate bank account for enterprise funds,
- financial accounting policies and procedure,
- the Public disclosure of SDIP, budget, and MDP ranking; and
- Executed Budget Statement for the Previous Financial Year submitted to MoLG in time.

The analysis reveals that only one municipality was ranked A++, 13 municipalities were ranked A+, 2 municipalities were ranked A, 30 were ranked B++, 37 were ranked B+, 11 were ranked B, 39 were ranked C++, 15 were ranked C+ ranked while none of the municipalities were ranked C or D which means major improvement in the ranks achieved by the municipalities. The major improvement is that one municipality achieved the A++ rank which none could achieve it in the 2017 ranking, 13 municipalities are ranked A+ in 2019 compared to only 4 in 2017. Furthermore, more municipalities are ranked B++ in 2019 than those of 2017 (30 municipalities compared to 26 in 2017) and finally, more of municipalities moved from rank B to A in 2019 and from C to B.

As a conclusion, during our work, we noticed that there is insufficient understanding of the calculations of the financial indicators by many municipalities. MDLF should invest more in conducting awareness sessions to overcome such misunderstanding. We understand that MDLF conducted several awareness sessions regarding the ranking criteria and ranking process during the past years, still more workshops are needed with specially focused workshops on the various indicators targeting financial managers, one stop shop managers, SDIP coordinators...etc.

1. Introduction

1.1 Background

The Palestine Liberation Organization (PLO), for the benefit of the Palestinian National Authority (PNA), has received an initial financing of 130 Million Euros from the World Bank (WB)-International Development Association (IDA), Federal Republic of Germany through KfW, Denmark, SDC, VNG, EU, and AFD towards the cost of the 3rd phase of the Municipal Development Program (MDP3).

The MDP 3 is aligned with the Palestinian Authority's (PA) long-term strategy to consolidate and strengthen service delivery in the Local Government (LG) sector towards financially sustainable Local Government Units (LGUs), as specified in the Ministry of Local Government (MoLG)'s Sector Strategy 2017-2022.

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

The MDP3 will consolidate and scale up past gains under MDP1 and MDP2 in municipal performance and accountability enhancement and will start enabling the environment at the central level and municipal partnerships with the private sector to improve the efficiency and sustainability of municipal services.

Agility understands that the grants for MDP-III are based on 50 percent for performance, 20 percent for population, and 30 percent on needs. Municipalities have to be ranked according to MDP3 ranking system with 21 KPIs. The ranking system for MDP 3 is categorized from "rank D" to rank "A++" constituting the highest possible rank. We also understand that this assessment will serve as a medium evaluation for municipal ranking of MDP 3.

1.2 Objective of the Assignment

The aim of the assignment is to assess the fulfillment of good management for sustainable service delivery in all municipalities, conduct onsite inspection (as needed), in accordance to the MDPIII ranking system. i.e., to assess the compliance with MDP3-

21 KPIs. Additionally, the firm will assess the compliance with the basic eligibility criteria for MDP 3.

This final report presents the final output and gives an overview of the various project components, activities, and procedures. It presents also the implemented methodology and the project's work schedule. Finally, it covers the tasks performed by the consulting firm during the consultancy, the barriers faced, lessons learned, and recommendations.

1.3 Assignment Deliverables

This section identifies the milestones for all the deliverables and outputs. The deliverables and outputs of this consultancy were:

- Inception Report.
- Updated ranking of municipalities based on the verification of the supporting documents received from the municipalities, the on-site assessment including description and justification for each municipality's rank.
- Report on the results through Excel formatted files. This includes also the suggested complaints procedures.
- Final report including all the above reports in addition to lessons learned and recommendations for the TM criteria.

2. Methodology

The methodology of this ranking exercise involved the following activities:

i. Desk review of literature:

The team thoroughly reviewed the relevant documents to comprehend the ranking indicators and to understand the contextual applications of the various supporting documents needed to verify the ranking process. All team members read the following documents and discussed them to create common understanding and to unify their interpretation in the ranking process:

- The updated Grant allocation manual (GAM) final draft MDP III,
- Strategic Development & Investment Planning (SDIP) Manual and Toolkit,
- Fixed Assets Registration and Valuation Methodology,

- Financial Policies and Procedures Manual “FPPM” for Cash Based and Accrual Based Accounting,
- Operation and Maintenance guiding principles,
- The minimum standards for auditing reports.
- Review the previous ranking 2017.
- Review MDLF packages.

ii. Meetings

Team members met with Engineer Nizar Samhan the project manager to build common understanding and develop means of effective communication. The team used to meet on regular basis to discuss progress and to resolve work related issues.

The team analyzed 148 files (123 from West Bank municipalities and 25 from Gaza Strip municipalities).

iii. Unified excel sheets

The team developed unified excels sheets for data entry, analysis, and ranking. The sheets were developed to analyze the ranking of the 21 indicators. The sheets were used in both West Bank and Gaza. During this stage, intensive communication among the team in West Bank and Gaza took place to make sure that data is collected properly and progress is achieved according to the plan.

iv. Verification

Data verification was done according to the Transfer Mechanism Manual based on the verifiable indicator and the proper information source of verification (see table 3 below for the 21 indicators). In this regard, the team conducted 26 field visits in the West bank (table1) and 25 in Gaza Strip (table 2).

Table 1
West Bank Field Visits

No.	Municipality	Governorate	No.	Municipality	Governorate
1.	Turmosayya	Ramallah & Albireh	2.	Al Eizariyya	Jerusalem
3.	Jammaein	Nablus	4.	Abu Dees	Jerusalem
5.	Howwara	Nablus	6.	As Sawahreh Ash Sharqiyya	Jerusalem
7.	Aseera Ash Shamaliyya	Nablus	8.	Al Ram	Jerusalem

9.	Sabastya	Nablus	10.	Bir Nabala	Jerusalem
11.	Seelet Ad Daher	Jenin	12.	East Bani Zeid	Ramallah & Albireh
13.	Jaba'a	Jenin	14.	Sorda - Abo Qash	Ramallah & Albireh
15.	A I Khader	Bethlehem	16.	Rawabi	Ramallah & Albireh
17.	Beit Fajjar	Bethlehem	18.	Kobar	Ramallah & Albireh
19.	Surif	Hebron	20.	Atara	Ramallah & Albireh
21.	Tarqumia	Hebron	22.	Kharas	Hebron
23.	Beit Ula	Hebron	24.	Beit Anan	Jerusalem
25.	Anata	Jerusalem	26.	Ramallah	Ramallah & Albireh

Table 2
Gaza Strip Field Visits

No.	Municipality	Governorate	No.	Municipality	Governorate
1.	Al Braij	Deir Albalah	2.	Al Fokhari	Khan Younes
3.	An Nseirat	Deir Albalah	4.	Khaza'aa	Khan Younis
5.	Al Maghazi	Deir Albalah	6.	Al Shokeh	Rafah
7.	Al Zahra - Gaza	Gaza	8.	Al Zawayda - Gaza	Deir Albalah
9.	Al Moghraqa	Gaza	10.	Abasan Al Kabira	Khan Younis
11.	Wadi Gaza	Gaza	12.	Al Qarara	Khan Younis
13.	Jabalia	North Gaza	14.	Bani Sheila	Khan Younis
15.	Beit Lahia	North Gaza	16.	Deir Al Balah	Deir Albalah
17.	Beit Hanun	North Gaza	18.	Rafah	Rafah
19.	Um Al Naser - Gaza	North Gaza	20.	Khan Yunis	Khan Younis
21.	Gaza	Gaza	22.	Al Naser	Rafah
23.	Al Masdar - Gaza	Deir Albalah	24.	Abasan Al Jadeeda	Khan Younis
25.	Wadi Al Salqa	Deir Albalah			

The main purpose of these site visits was to collect objective evidence of the data provided by the municipalities and to collect additional needed information to complete the ranking process.

Table 3
MUNICIPAL GRANT SYSTEM UNDER MDP III

1. Basic Grant allocated based on population and needs				
Eligibility Conditions	i. Annual Budget approved by the Municipal Council and submitted to MoLG on a timely basis ii. SDIP prepared according to new Guidelines (from year 3)			
2. Performance Grant. Grant allocated to municipalities based on performance according to KPIs				
Categories	D	C	B	A
No. of KPIs	3 KPIs	6 KPIs	6 KPIs	6 KPIs
Graduation	Compliance of 3 KPIs	C: compliance of 2 out of 6 C+: compliance of (3,4) out of 6 C++: compliance of 5,6 out of 6 In addition to the KPIs in rank D	B: compliance of (2) out of 6 B+: compliance of (3,4) out of 6 B++: compliance of (5,6) out of 6 In addition to the KPIs in rank D & rank C	A: compliance of (2) out of 6 A+: compliance of (3,4) out of 6 A++: compliance of (5,6) out of 6 In addition to the KPIs in rank D & rank C and rank B
Performance Areas	Key Performance Indicators Matrix			
Financial Performance and Sustainability			7. At least 10% of the budget execution for O&M a) O&M expenditure > 10% of total operational expenditure in last complete FY	1.O&M Plan in place a) Computerized plan in line with manual b) Annually updated c) Plan consistent with assets registry and new works and services d) Plan includes instit. development
		13. Year on year increase or > 50 NIS own source revenues (excluding enterprise revenues) a) Own source revenues (see manual) have increased compared to previous FY or reached 50 NIS per capita	8. Operational Surplus achieved a) Operational expenditures are below operational revenue of the last complete FY	2. Staff Costs <45% WB <70% GZ of Operational and Capital expenditure a) Total staff expenditure operational budget <45% (WB) or <70% (Gaza) of total expenditure operational budget in last complete FY
	19. Separate bank Accounts for Enterprise revenues established a) Bank statements showing that separate bank accounts are opened and in use.	14. Separate financial accounting for enterprise revenues and expenditures established a) Executed enterprise budget of last FY with income statement and bank reconciliation (if any enterprise activities)	9. No increase in net lending a) No increase in net lending according to MoF data b) Administrative reduction of net lending has not been counterbalanced by an increase in net lending	3. Cost Accounting Systems set up a) financial statement for each fund in last complete FY b) report for each cost center of enterprise fund in last complete FY c) documented and justified overhead allocation in last complete FY

Institutional Performance	20. Financial Accounting Policies and Procedures in place a) two last quarterly reports available and conforming with minimum content according to manual	15. Executed Budget Statement for the previous FY submitted to MoLG on time a) Executed budget covering complete fiscal year (January – December) available b) MoLG informs MDLF	10. Unqualified Audit Opinion from Annual external audit a) Audit report totally satisfactory with regard to items listed in the manual b) Audit follows up previous management letters and municipality has addressed issues raised adequately	4. IFMIS implemented a) system is conforming to minimum requirements (see main manual) b) timely issuance of last two quarterly reports within one month after the end of reporting period
		16. Fixed Asset Register in place and updated a) Fixed asset registry set up according manual b) Fixed asset registry has been updated annually	11. At least 70% Budget Execution a) Operational revenues executed > 70% of budget plan b) Operational expenditure does not exceed planned operational revenues, except covered by executed revenues	5. Green Spaces implemented a) maintained green areas, sport areas, play grounds and parks (source PCBS) > 0.5 m ² per capita in WB urban and > 0.3 m ³ in WB rural and Gaza
Transparency, Accountability and Participation	21. Public Disclosure of annual budget, SDIP and MDP performance ranking a) Information disclosed in line with public disclosure procedures b) (second cycle) Annual budget plan disclosure done in the readable budget format	17. Public Disclosure of executed budget and executed SDIP a) Council decision approving executed budgets (see manual) b) Council disclosed executed budget and executed SDIP according to disclosure procedures by March 31 of the following year c) (second cycle) Budget disclosure done in the readable budget format	12. Audit opinion disclosed to citizens and stakeholders a) External Audit in the last complete FY b) Disclosure of audit opinion by foreseen means	
		18. Municipal Complaint System established a) Complaint process posted on homepage / Facebook or bulletin's board		6. Functional Municipal Complaint System following MoLG guidelines a) (still to be specified)

Source: Dr. Verena Pfeiffer, updated 2017 Grant Allocation System and ranking of municipalities based on financial management performance, implementation manual

Out of the twenty-one (21) KPIs identified, 3 KPIs relate to the expected basic performance (Rank D), while 6 KPIs relate to each of the next performance ranks Rank C, Rank B and Rank A (the highest rank). Nine of the KPIs cover the area of Financial Performance and Sustainability (FPS), seven cover the area of Institutional Performance (IP) and five cover the performance area of Transparency, Accountability and Participation (TAP).

v. Ranking

The ranking process was based on the information gathered from the files, field visits, and/or phone call inquiries. The ranking for each municipality was done by team members according to their specialization (financial expert, organizational development expert, strategic planning expert, and the team leader).

3. Ranking results

i. 2019 Municipalities Ranking (21 indicators)

The analysis of results is based on the questionnaire that was sent by MDLF to all of the 148 municipalities for the purpose of developing a ranking database for their performance. The answers to the survey were verified as explained above by gathering objective evidences to the provided answers. The corresponding evidence for each of the ranking indicators is described and already defined in the above section.

Table 4
2019 Ranking Results
21 Indicators

KPIs-21 2019	Total Yes	% of yes	Total No	% of No	Total
Operational and Maintenance Plan in Place and Updated (Computerized)	45	30%	103	70%	148
Staff cost < 45% (West Bank) or < 70% (Gaza) of Operational and capital expenditures	135	92%	13	8%	148
Cost Accounting Systems set up	3	2%	145	98%	148
IFMIS Implemented	34	23%	114	77%	148
Green spaces implemented	65	44%	83	56%	148
Functional municipal Complaint system following MoLG guidelines	113	76%	35	24%	148
At least 10% of the budget execution for operation and maintenance	121	82%	27	18%	148
Operational surplus achieved	76	52%	72	48%	148
No increase in Net lending	80	54%	68	46%	148
Unqualified External Audit report)	107	72%	41	28%	148
At least 70% Budget execution	47	32%	100	68%	148
Audit Opinion disclosed to citizens and stakeholders	116	78%	32	22%	148
Year on year increase or more than 50 NIS own source revenues (excluding enterprise revenues)	126	85%	22	15%	148
Separate financial accounting for enterprise fund established	143	97%	5	3%	148
Executed Budget statement for the previous Financial year submitted to MoLG in time	148	100%	0	0%	148

Fixed Assets Register in Place and updated	132	89%	16	11%	148
Public disclosure of executed budget and executed SDIP	140	95%	8	5%	148
Municipal complaint system established (complaint process publicly on their homepage / Facebook and / or on the municipality's bulletin board).	130	88%	18	12%	148
Separate bank Account for Enterprise revenues established	148	100%	0	0%	148
Financial Accounting policies, Procedure and reports in Place	148	100%	0	0%	148
Public disclosure of SDIP, budget, MDP ranking (Large municipalities > 50,000 in newspaper or radio.	148	100%	0	0%	148

RANK A Key Performance Indicators

1. Operation and Maintenance Plan in Place and Updated: The computerized plan shall be established by a software in line with the O&M Manual (guiding principles see Annex C). If the O&M Plan has been established since more than one year, it has to be updated annually according to the provision of the O&M manual. The plan must fulfil the following minimum criteria set by MoLG/MDLF:

- The maintenance plan has to be consistent with the asset's registry and the foreseen new public works and services.
- The maintenance plan shall include the foreseen institutional development, including TA and training.

The results indicate that 45 municipalities of the 148 municipalities have achieved this indicator. This means that 45 municipalities have the chance to be ranked A++ if they meet four of the other requirements of the A rank and all indicators of B, C and D. Additionally, 103 municipalities still have the chance to be ranked A++ if they meet the other five indicators in A (Staff cost < 45% (West Bank) or < 70% (Gaza) of Operational and capital expenditures, Cost Accounting Systems set up, IFMIS implemented, green spaces implemented, and Functional municipal Complaint system following MoLG guidelines) and all indicators of B, C and D.

2. Staff cost < 45 % (West Bank) or < 70% (Gaza) of Operational and Capital expenditure: Total staff expenditure of combined executed operational and capital budgets does not exceed 45% of total expenditure of the combined budgets for West

Bank municipalities and does not exceed 70% for Gaza municipalities. Means of verification are executed municipal budgets (2018 for the first cycle and 2019 for the second cycle).

The results indicate that 135 municipalities (92%) of the municipalities have achieved this indicator. This means that those 135 municipalities have the chance to be ranked A++ if they meet the other requirements for the A rank and all indicators of B, C and D. The other 13 municipalities still have the chance to be ranked A++ if they meet the other five indicators in A (Operation and maintenance plan in place and updated, Cost Accounting Systems set up, IFMIS implemented, green spaces implemented, and Functional municipal Complaint system following MoLG guidelines) and all indicators of B, C and D.

3. Cost Accounting Systems set up: A costing system is designed to monitor the costs incurred by the municipality. The system is comprised of a set of forms, processes, controls, and reports that are designed to aggregate and report to management about revenues, costs, surplus and deficit. Costing systems also help municipalities determine the cost of a service related to the revenue it generates. Therefore, municipalities should use either the traditional costing system or the activity-based costing system to allocate and assign its overhead based on the volume of a cost driver or based on the activities needed to conduct a service. The indicator is fulfilled, if the municipality is

- Applying the fund accounting method and provide a full set of financial statement for each fund for at least one preceding financial year;
- Using cost centers for its enterprise funds and able to provide a one-year report for each cost center for the preceding financial year.
- Using an appropriate allocation method to allocate its overhead such as direct labor hours.
- Able to have proper segregation of direct costs from indirect costs.

The results show that only 2% of the municipalities (3 municipalities) have achieved this indicator. This means that those 3 municipalities have the chance to be ranked A++ if they meet four of the other requirements of the A rank and all indicators of B, C and D. The other 145 municipalities still have the chance to be ranked A++ if they meet the other five indicators in A (Staff cost < 45% (West Bank) or < 70% (Gaza) of Operational and capital expenditures, Cost Accounting Systems set up, IFMIS implemented, green spaces implemented, and Functional municipal Complaint system following MoLG guidelines) and all indicators of B, C and D.

4. IFMIS implemented: Refers to the use of an integrated financial management system introduced with MDP support or an equivalent system based on the Financial Policy and Procedures Manual (Modified Accrual). An equivalent system must comprise at least:

- A unified chart of accounts, an electronic general ledger, accounts receivable, accounts payable and a budget reporting system;
- Human resources management system (salary policy, job descriptions) and payroll information system;
- A procurèment management information system ;
- A revenue management information system and a debt management system;
- A fixed assets module and register (or an appropriate interlinkage with a separate fixed asset register);
- An internal control system and internal audit function.

The use of the IFMIS means that the system provides in within one month after the end of the reporting period quarterly (or monthly) financial reports to municipal management and councils. Municipalities only need to submit evidence to MDLF of their actual scope of IFMIS and the timely issuance of the last two quarterly reports.

As table 4 reveals, 23% of the municipalities (34 municipalities) have implemented an integrated financial management information system and have the chance to be ranked A++ if they meet four of the other requirements of the A rank and all indicators of B, C and D, while the other 114 municipalities still have the chance to be ranked A++ if they meet the other five indicators in A (Operation and Maintenance Plan in Place and Updated, (Staff cost < 45% (West Bank) or < 70% (Gaza) of Operational and capital expenditures, Cost Accounting Systems set up, green spaces implemented, and Functional municipal Complaint system following MolG guidelines) and all indicators of B, C and D.

5. Green Spaces implemented: The indicator is related to the quality of urban livelihood and defined as follows:

- The municipality provides and maintains public green space (green areas, sport areas, play grounds, parks) of > 0.5 m² per capita in West Bank urban municipalities and > 0.3 m² per capita in Gaza and West Bank rural municipalities.

Results indicate that 44% of the municipalities (65 municipalities) have provided and maintained public green space (green areas, sport areas, play grounds, parks) of > 0.5 m² per capita in West Bank urban municipalities and > 0.3 m² per capita in Gaza and West Bank rural municipalities and have the chance to be ranked A++ if they meet four of the other requirements of the A rank and all indicators of B, C and D. This means that 83 municipalities of the 148 still have the chance to be ranked A++ if they meet the other five indicators in A (Operation and Maintenance Plan in Place and Updated, (Staff cost $< 45\%$ (West Bank) or $< 70\%$ (Gaza) of Operational and capital expenditures, Cost Accounting Systems set up, IFMIS implementation, and Functional municipal Complaint system following MolG guidelines) and all indicators of B, C and D.

6. Functional Municipal Complaint System following MoLG guidelines: The municipality has the ability to produce data on grievances by type and by level of resolution, and providing appeals process to the MOLG grievance process as stated in the MOLG guidelines. The means of verification used by the team was looking for statistical reports (monthly, annually) of the complaints received, managed and handled, and solved by the municipality.

The results revealed that 76% of the municipalities (113 municipalities) have functional complaints system. This is attributed to the fact that a large number of municipalities have one stop shop responsible for managing and handling the citizens' complaints electronically. This means that 113 municipalities have the chance to be ranked A++ if they meet four of the other requirements of the A rank and all indicators of B, C and D. Additionally, the other 35 municipalities of the 148 still have the chance to be ranked A++ if they meet the other five indicators in A (Operation and Maintenance Plan in Place and Updated, Staff cost $< 45\%$ (West Bank) or $< 70\%$ (Gaza) of Operational and capital expenditures, Cost Accounting Systems set up, IFMIS implementation, and green spaces implemented) and all indicators of B, C and D.

Results based on the above indicators: The analysis revealed that few municipalities could achieve all of the 21 indicators. More analysis revealed that out of the few, only one municipality was ranked A++ since all the stated requirements above were fully met. Additionally, 13 of the municipalities tested were ranked as A+, and only 2 were ranked A.

RANK B Key Performance Indicators

7. At least 10% of the Budget Execution for Operation and Maintenance: The Operation and Maintenance Expenditure shall be at least 10% of the Total Operational Expenditure for the last complete fiscal year (see annex D). The means of verification is the executed municipal budget.

As shown in table 4, 82% of the municipalities (121 municipalities) have achieved this indicator and can be ranked B++ if they meet another 4 requirements of this rank and all indicators of C and D. This implies that only 27 municipalities of the 148 still have the chance to be ranked B++ if they meet all other requirements of this rank and B+ if they meet minimum 3 out of 6 indicators from B indicators and all indicators of C and D or rank B if they meet 2 out of 6 from B indicators and all other C and D indicators.

8. Operational Surplus achieved: The Operational Expenditure of the last fiscal year is below the Operational Revenue of the last fiscal year. The means of verification is the executed municipal budget.

The results reveal that 76 municipalities (52%) achieved operational surplus in the last fiscal year and can be ranked B++ if they meet another 4 requirements of this rank and all indicators of C and D, while the other 72 municipalities still have the chance to be ranked B++ if they meet all other requirements of this rank and B+ if they meet minimum 3 out of 6 indicators from B indicators and all indicators of C and D or rank B if they meet 2 out of 6 from B indicators and all other C and D indicators.

9. No Increase in net Lending: the assessment of net lending will be based on the information provided by the **Ministry of Finance** on the evolution of net lending. Any administrative reduction of the net lending by the Ministry of Finance will not be considered in favor of the municipality. The indicator is achieved, if no increase in net lending has taken place. The means of verification are the net lending data of the Ministry of Finance.

The results presented reveal that 54% (80 municipalities) were able to maintain the net lending without any increase and can be ranked B++ if they meet another 4 requirements of this rank and all indicators of C and D. The other 68 municipalities witnessed an increase in net lending which still have the chance to be ranked B++ if they meet all other requirements of this rank and B+ if they meet minimum 3 out of 6 indicators from B indicators and all indicators of C and D or rank B if they meet 2 out of 6 from B indicators and all other C and D indicators.

10. Unqualified External Audit Opinion from Annual External Audit: An audit has been conducted in the previous fiscal year according to the requirements of the terms of reference provided by MoLG/MDLF (in perspective to be harmonized with SAACB).

An unqualified audit also has to follow up on previous management letters and state that the municipality is addressing issues raised in past qualified or adverse audit reports adequately. The municipality must submit the corresponding evidence of this accomplishment to the central government – either, to MOLG, or directly to MDLF. Evidence, in this case, constitutes a copy of the actual unqualified audit report.

The results show that 72% of the municipalities (107 municipalities) received unqualified opinion from the external auditors and can be ranked B++ if they meet another 4 requirements of this rank and all indicators of C and D, while the other 41 municipalities did not achieve this indicator, but still have the chance to be ranked B++ if they meet all other requirements of this rank and B+ if they meet minimum 3 out of 6 indicators from B indicators and all indicators of C and D or rank B if they meet 2 out of 6 from B indicators and all other C and D indicators.

11. At least 70 % Budget Execution: the executed operational budget revenues are at least 70% of the operational revenues in the budget plan. There is no overrun of operational expenditure beyond planned operational revenues, except if the additional expenditure is covered by additional operational revenues. The means of verification are the planned and the executed municipal budgets.

The results show that 32% of the municipalities (47 municipalities) were able to achieve actual operational budget revenues at least 70% of the planned operational revenues in the budget and can be ranked B++ if they meet another 4 requirements of this rank and all indicators of C and D, while the other 101 municipalities still have the chance to be ranked B++ if they meet all other requirements of this rank and B+ if they meet minimum 3 out of 6 indicators from B indicators and all indicators of C and D or rank B if they meet 2 out of 6 from B indicators and all other C and D indicators.

12. Audit opinion disclosed to citizens and stakeholders: This indicator refers to whether an external audit of the municipal financial statements and related financial processes has been conducted in the last completed fiscal year and the resulting audit opinion has been disclosed by the foreseen means of public disclosure.

The results indicate that 116 of the 148 municipalities (78% of the municipalities) have achieved this indicator as they disclosed the audit opinion to their citizens. From the

field visits, municipalities used different method to disclose the audit reports including their Facebook, their web sites, and /or their bulletin boards in the municipalities. This means that 116 municipalities can be ranked B++ if they meet another 4 requirements of this rank and all indicators of C and D. The other 32 municipalities still have the chance to be ranked B++ if they meet all other requirements of this rank and B+ if they meet minimum 3 out of 6 indicators from B indicators and all indicators of C and D or rank B if they meet 2 out 6 from B indicators and all other C and D indicators.

Results based on the above indicators:

1- 30 Municipalities were ranked B++.

2- 37 Municipalities were ranked B+.

3- 11 Municipalities were ranked B.

RANK C Key Performance Indicators

13. Year on Year Increase or more than 50 NIS own source revenues (excluding enterprise revenues): The own revenue generation in the sections “Licences, Permits and Privilege Fees” and “Charges for Services” (including the solid waste fees) has increased in the last complete fiscal year compared to the previous fiscal year or attains at least 50 NIS per capita.

The results show that 85% of the municipalities (126 municipalities) have achieved an increase in their own revenue generation in the sections “Licenses, Permits and Privilege Fees” and “Charges for Services” (including the solid waste fees) increased in the last complete fiscal year compared to the previous fiscal year or attained at least 50 NIS per capita can be ranked C++ if they meet another 4 requirements of this rank and all indicators of D. The other 22 municipalities still have the chance to be ranked C++ if they meet all other requirements of this rank and C+ if they meet minimum 3 out of 6 indicators from C indicators and all indicators of D, or rank C if they meet 2 out 6 from C indicators and all other D indicators.

14. Separate financial accounting for enterprise revenues and expenditure established: The municipality has established a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. Under enterprise accounting, the revenues and expenditures of services are separated into separate funds with its own financial statements, rather than commingled with the revenues and expenses of all other government activities. The following requirements are met:

- Having an enterprise fund budget which includes both revenue and expenditure estimates.
- Having the ability to determine the total cost of providing a service.
- The ability to determine the surplus or deficit generated by the operation of the enterprise fund.
- Having a bank reconciliation for its bank accounts.
- The ability to generate an income statement for one year.

The results show that 97% of the municipalities (143 municipalities) have achieved the requirements of this indicator can be ranked C++ if they meet another 4 requirements of this rank and all indicators of D. The other 5 municipalities still have the chance to be ranked C++ if they meet all other requirements of this rank, and C+ if they meet minimum 3 out of 6 indicators from C indicators and all indicators of D or rank C, if they meet 2 out of 6 from C indicators and all other D indicators.

15. Executed Budget Statement for the Previous Financial Year submitted to MoLG in time: This indicator refers to whether the municipality has completed its financial statement for the full financial year 2017 or 2018 (cycle one) or 2019 (cycle two) and submitted the executed budget statement to MoLG in time.

Table 3 shows that 100% of the municipalities (148 municipalities) have completed its financial statement for the full financial year and submitted the executed budget statement to MoLG in time. This means that all municipalities get a rank of C++ if they meet all of the other C and D indicators.

16. Fixed Assets Register in Place and Updated: Registration and valuation of municipal physical assets has to follow the Fixed Assets Valuation and Registration Manual according to MoLG norms and procedures. If the asset register has been set up since more than one year, the register must be updated at least annually according to the procedures foreseen in the manual with new assets acquired or erected and assets sold or depleted.

The results show that 89% of the municipalities (132 municipalities) have achieved the requirements of this indicator and can be ranked C++ if they meet another 4 requirements of this rank and all indicators of D, while the other 16 still have the chance to be ranked C++ if they meet all other requirements of this rank and C+ if they meet minimum 3 out

of 6 indicators from C indicators and all indicators of D or rank C, if they meet 2 out of 6 from C indicators and all other D indicators.

17. Public Disclosure of Executed Budget and Executed SDIP: The municipal council has approved the executed budget for the completed budget year 2017 or 2018 (cycle 1), and 2019 (cycle 2) and disclosed the executed budgets and the annual SDIP execution according to the Public Disclosure Procedures latest by March 31 of the following year.

The results show that the municipal councils of 95% of the municipalities (140 municipalities) have approved the executed budget for the completed budget year 2017 or 2018 and disclosed the executed budgets and the annual SDIP execution according to the Public Disclosure Procedures achieved and can be ranked C++ if they meet another 4 requirements of this rank and all indicators of D while the other 8 municipalities still have the chance to be ranked C++ if they meet all other requirements of this rank and C+, if they meet minimum 3 out of 6 indicators from C indicators and all indicators of D or rank C, if they meet 2 out of 6 from C indicators and all other D indicators.

18. Municipal Complaint System established: The municipality has posted the complaint process publicly on their homepage / Facebook and / or on the municipality's bulletin board.

The results show that 88% of the municipalities (130 municipalities) have posted the complaint process publicly on their homepage / Facebook and / or on the municipality's bulletin board and can be ranked C++ if they meet another 4 requirements of this rank and all indicators of D while the other 18 municipalities still have the chance to be ranked C++ if they meet all other requirements of this rank and rank C+, if they meet minimum 3 out of 6 indicators from C indicators and all indicators of D or rank C if they meet 2 out of 6 from C indicators and all other D indicators

Results based on the above indicators:

1- 39 Municipalities were ranked C++.

2- 15 Municipalities were ranked C+.

3- 0 Municipalities were ranked C.

RANK D Key Performance Indicators

19. Separate bank Account for Enterprise revenues established (particularly electricity and water) in conformity with the national policy (cabinet decision). The means of verification are bank statements showing that the separate bank accounts are opened and in use.

Results reveal that 100% of the municipalities (148 municipalities) have achieved the requirements. It is worth noting that out of the 148 municipalities, 15th municipalities do not have an electricity or water funds; therefore, they were considered as complying with this indicator. Finally, all municipalities get a rank of D if they meet all of the other D indicators.

20. Financial Accounting Policies, Procedures and Reports in place: The Financial Policy and Procedures Manual (for Cash Based or Accrual Based Accounting) is in place and the municipal administration produces quarterly financial reports for the current fiscal year or the last complete fiscal year with the minimum content according to the manual.

Means of verification are the annual reports (budget variances report, report of receipts and disbursements, report of cash payments from a third party, report on foreign aid and grants), verification of segregation of duties based on the monthly bank reconciliation to be signed by another person than the person who carries out depository.

Results reveal that 100% of the municipalities (148 municipalities) have achieved the requirements. This means that all municipalities get a rank of D if they meet all of the other D indicators

21. Public Disclosure of annual budget, SDIP and MDP performance ranking: The municipal administration has disclosed the information to citizens in line with the public disclosure procedures as per the communication and outreach manual developed by MDLF to be used by the municipalities. In the second cycle, the disclosure shall be done by the readable budget format from MoLG once the MoLG endorses the format at the municipal level. At that time, it will be considered if at least one public meeting shall be included in the KPI.

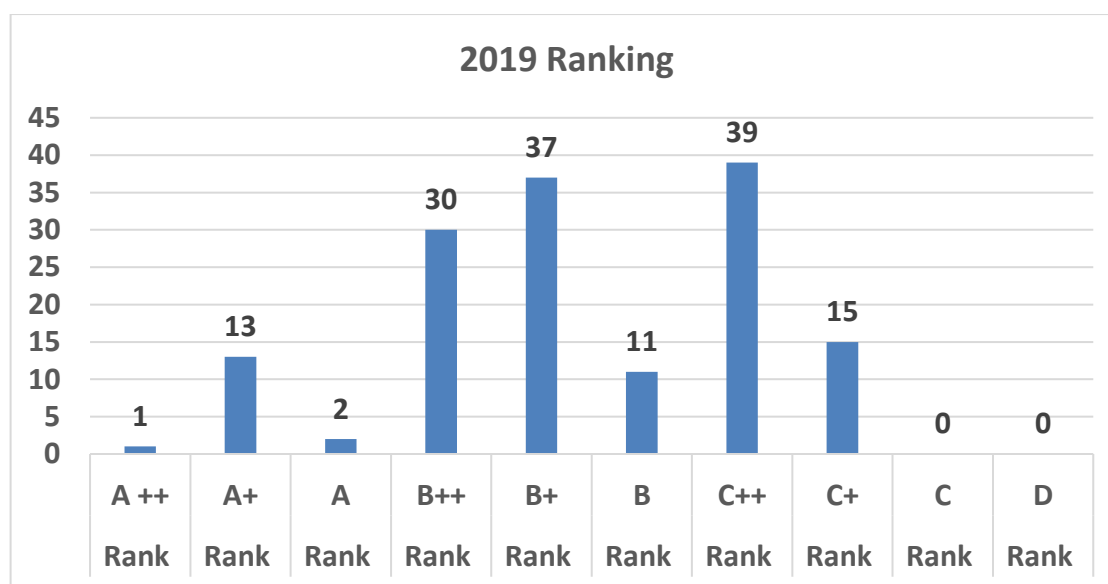
Results reveal that 100% of the municipalities (148 municipalities) have achieved the requirements. This means that all municipalities get a rank of D if they meet all of the other D indicators.

Results based on the above indicators:
1- None of the municipalities was ranked D

ii. Analysis results

In conclusion, 1 municipality was ranked A++, 13 municipalities were ranked A+, 2 were ranked A, 30 were ranked B++, 37 were ranked B+, 11 were ranked B, 39 were ranked C++, 15 were ranked C+ ranked while none of the municipalities were ranked C or D. Figure 1, illustrates the ranking of municipalities over the 10 possible ranks. As seen from the figure 1, 11% of the municipalities (16 municipalities) achieved an A rank, 53% of the municipalities (78 municipality) are B ranked, while the remaining 54 municipalities (36%) are ranked C.

Figure 1: Municipalities by Rank 2019



In addition, figure 2 shows the number of municipalities according to their compliance with each indicator.

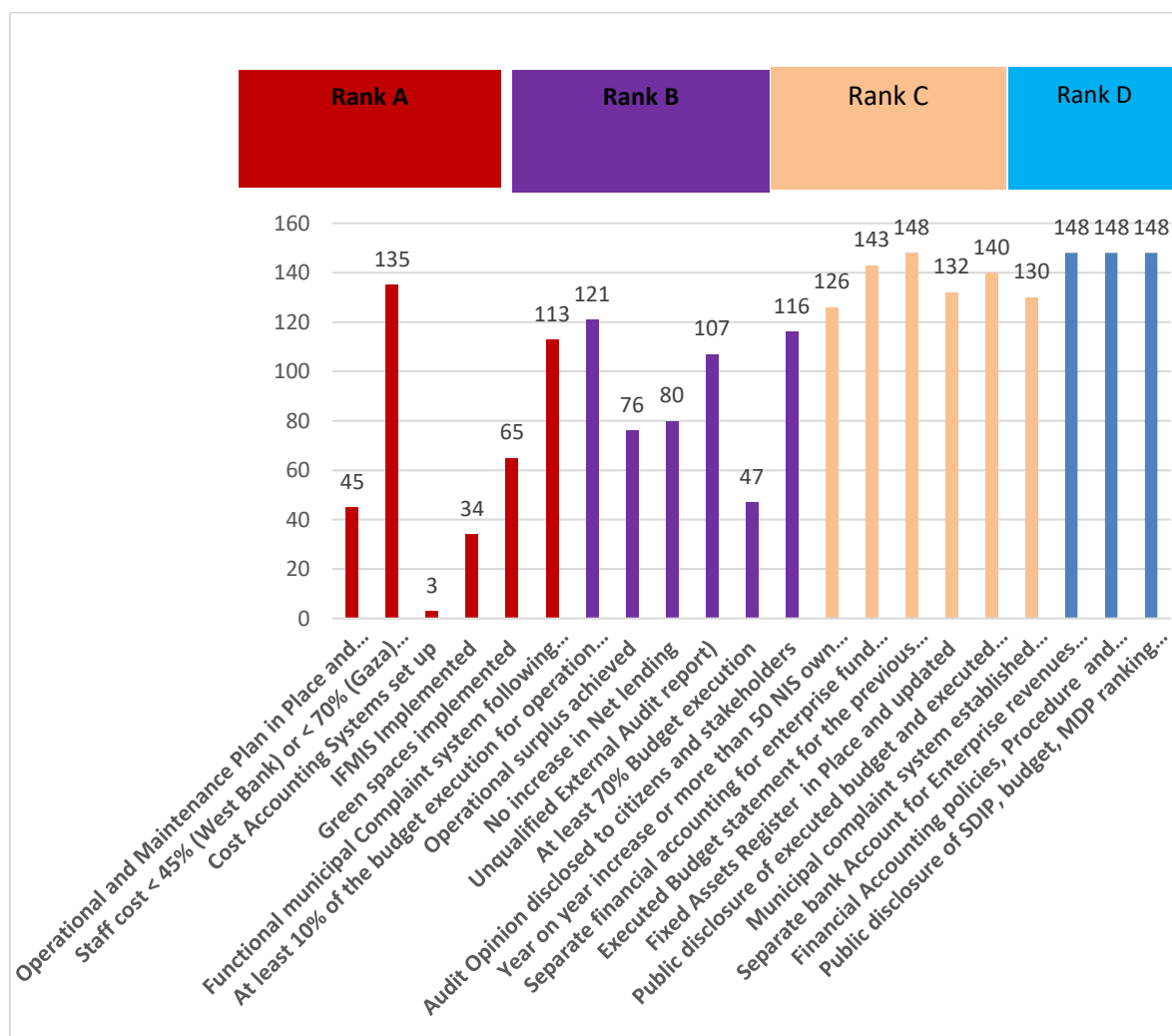
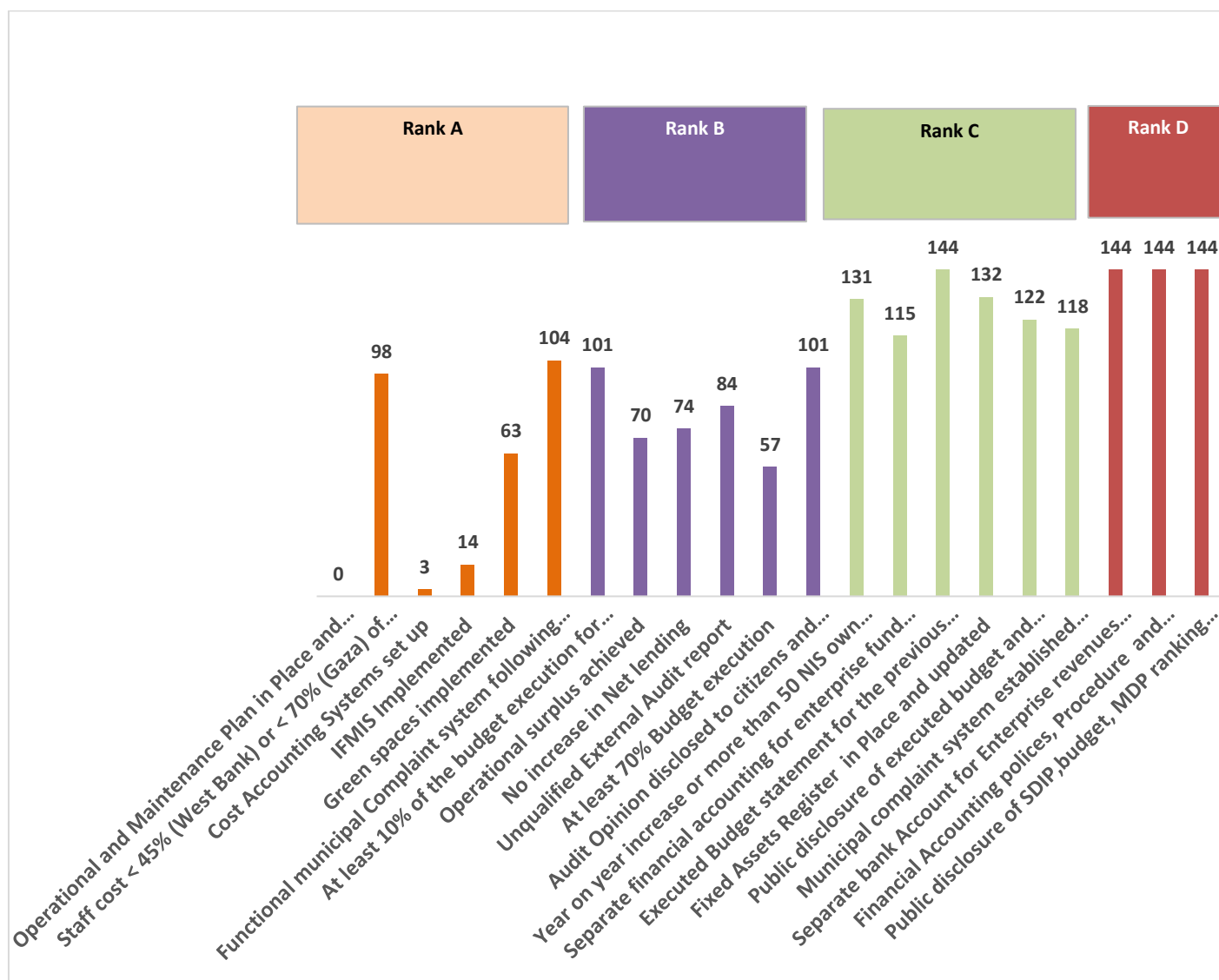
Figure 2: Compliance of Municipalities with the 21 KPIs - 2019

Figure 2 reveals the main indicators that a big number of municipalities struggle in achieving them, namely, the cost accounting system, the implementation of IFMIS, the operations and maintenance plans, the percentage of budget execution, and the green spaces. This should be addressed by the MDLF in future capacity building activities.

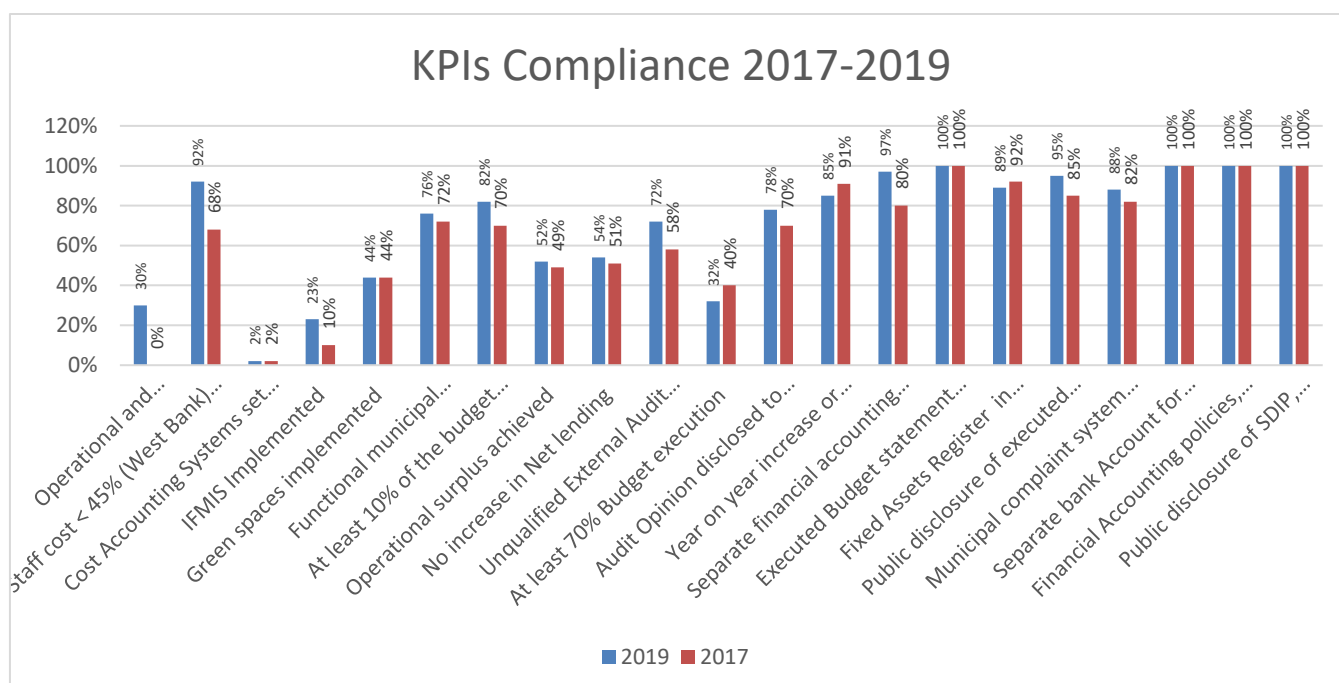
Comparing this level of compliance with the 2017 (figure 3), reveals that the same indicators were the main obstacles for many municipalities to achieve better ranks. Although, improvements in the operations and maintenance plans have been achieved, still cost accounting system, IFMIS implementation, green spaces, and budget execution represent the main obstacles for municipalities to improve their ranking.

Figure 3: Compliance of Municipalities with the 21 KPIs - 2017



However, comparing the percentage of municipalities complying with the indicators requirements indicates an improvement in the percentage, hence the number, of municipalities in 2019. This can be attributed to the capacity building packages provided to the municipalities. Yet more capacity building interventions are required as pointed out earlier.

Figure 4: Percentage of municipalities in compliance with the KPIs



iii. Comparative ranking results of 2017 base year and the results of 2019

The results of the 2019 ranking reveal major improvement in the ranks achieved by the municipalities. As shown by figure 5, a major improvement is that one municipality achieved the A++ rank which none could achieve it in the 2017 ranking, 13 municipalities are ranked A+ in 2019 compared to only 4 in 2017. Furthermore, more municipalities are ranked B++ in 2019 than those of 2017 (30 municipalities compared to 26 in 2017). More of municipalities moved from rank B to A in 2019 and from C to B as evident in Figure 6, which shows that the percentage of municipalities ranked A in 2019 is 11% compared to 4% in 2017 and less municipalities ranked C in 2019 than in the 2017.

Figure 5: 2017 vs 2019 Ranking Results

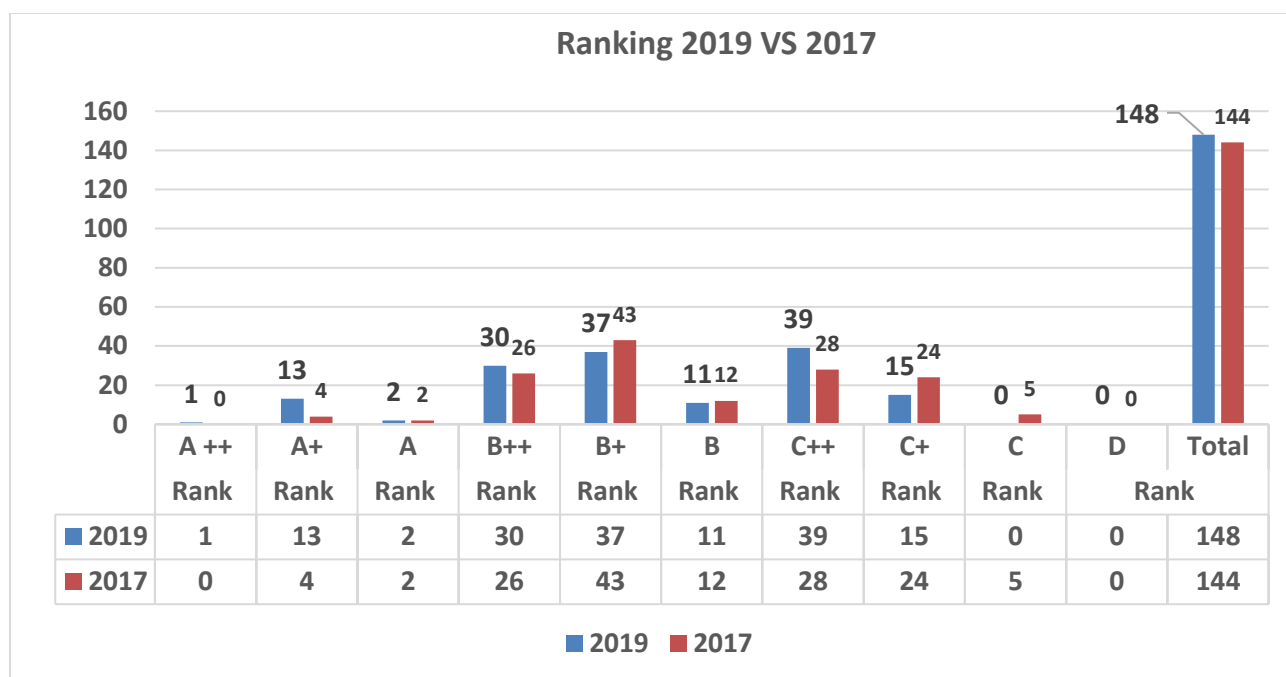
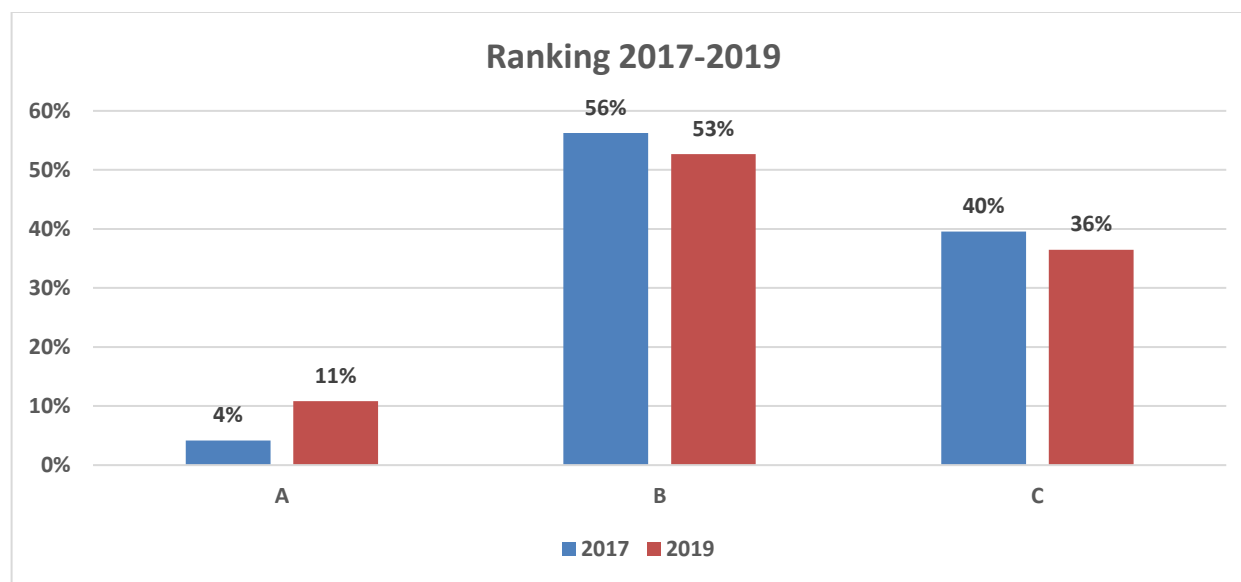


Figure 6

Percentage of municipalities per rank (2017 vs 2019)



The improvement of the ranking of the municipalities can be seen in table 5, which shows the 61 graduated municipalities in 2019 and compares their ranks.

Table 5: Improved municipalities ranks

Comparison between 2017 and 2019

Municipalities	2017 (KPI 21)	2019 (KPI 21)	Final Result
Al Tayybeh	C+	C++	Graduated
Al Masdar - Gaza	C	B+	Graduated
Al Newe'emeh	C+	C++	Graduated
Atara	B+	B++	Graduated
Al Zahra - Gaza	C+	C++	Graduated
Bruqin	C++	B+	Graduated
Kefel Hares	C++	B	Graduated
Az Zababedah	B++	A+	Graduated
Turmosayya	C	C+	Graduated
Qarawat Bani Hassan	B+	B++	Graduated
Beit Anan	B	A	Graduated
Baqa Al Sharqeyya	B+	B++	Graduated
Al Oja	C+	C++	Graduated
Al Mazra'a Ash Sharqeyya	C+	B++	Graduated
Birzeit	B++	A+	Graduated
Al Zawyeh	B	B+	Graduated
Beit Leed	C	B+	Graduated
East Bani Zeid	B+	B++	Graduated
Sinjel	B+	B++	Graduated
Janata	C+	C++	Graduated
Al Fokhari	C++	B+	Graduated
Seelet Ad Daher	C	C+	Graduated
As Sawahreh Ash Sharqiyya	C	C+	Graduated
Silwad	B++	A+	Graduated
Za'tara	C++	B+	Graduated
Al Naser	C+	B++	Graduated
Aqqaba	B+	B++	Graduated
Bedu	B+	A+	Graduated
Anabta	B+	B++	Graduated
Beit Liqia	C++	B+	Graduated
Beit Awwa (Al-Yasiriyya)	C+	C++	Graduated
Aqraba	B	B++	Graduated
Deir Al Ghosoun	C++	B+	Graduated
Qaffin	C+	C++	Graduated

Ash Shoyukh	B+	B++	Graduated
Taqu'a	C+	C++	Graduated
Seelet Al Hartheyya	C++	B+	Graduated
Beit Foreek	C++	B++	Graduated
Al Shokeh	C++	B++	Graduated
Al Yamun	B++	A+	Graduated
Al Eizariyya	C+	B+	Graduated
Se'ier	C++	B+	Graduated
Qabatya	C+	B++	Graduated
Al Ram	B+	A+	Graduated
Halhul	B+	A+	Graduated
Al Maghazi	C++	B+	Graduated
Bethlehem	B+	A+	Graduated
Ramallah	A+	A++	Graduated
Dura	B+	B++	Graduated
AdDaheriyya	C++	A+	Graduated
Jenin	C++	B	Graduated
Yatta	B++	A+	Graduated
Rafah	B+	B++	Graduated
Hebron	B++	A+	Graduated
Gaza	B+	B++	Graduated
Noba	C+	C++	Graduated
Kofor Dan	C+	B++	Graduated
Al- Karmel	C+	B	Graduated
Barta'a	C+	B++	Graduated
Kofor Aqab	C++	B+	Graduated
Bateer	C+	B+	Graduated

Table 6 lists the 48 municipalities which sustained their 2017 and achieved the same rank in 2019.

Table 6: Municipalities with the same rank of 2017 in 2019

Municipalities	2017 (KPI 21)	2019 (KPI 21)	Final Result
Sabastya	B+	B+	Same
Um Al Naser - Gaza	C+	C+	Same
Wadi Gaza	C+	C+	Same
Abwein	C++	C++	Same
Deir Istia	C++	C++	Same
Deir Ballut	B+	B+	Same
Kufor Tholoth	C++	C++	Same
Kafr Al Labad	B+	B+	Same
Kufor Al Deek	C+	C+	Same
Ne'lin	B+	B+	Same
Bir Nabala	B++	B++	Same
West Bani Zeid	C++	C++	Same
Borqin	B+	B+	Same
Hableh	C++	C++	Same
Abasan Al Jadeeda	C++	C++	Same
Allar	B	B	Same
Al Moghraqa	C+	C+	Same
Bal'aa	C+	C+	Same
Kharas	B+	B+	Same
Meithalun	C++	C++	Same
Qabalan	B+	B+	Same
Aseera Ash Shamaliyya	B++	B++	Same
Azzun	B+	B+	Same
Jaba'a	C++	C++	Same
Salfit	A	A	Same
Atteel	B+	B+	Same
Beta	B+	B+	Same
Ad Doha	A+	A+	Same
A l Khader	B++	B++	Same
Arraba	B	B	Same
Taffuh	B+	B+	Same
Al Ubeidiyya	B++	B++	Same
Abu Dees	B++	B++	Same
Beit Ula	B+	B+	Same
Beit Sahur	B++	B++	Same
Ya'bad	B+	B+	Same

Al Zawayda - Gaza	B++	B++	Same
Jericho	B++	B++	Same
Idna	C++	C++	Same
AL Samu'e	B++	B++	Same
Beitunia	A+	A+	Same
An Nseirat	C++	C++	Same
Khan Yunis	B+	B+	Same
Al-Kafriyyat	C+	C+	Same
Marj Bin Amer	C++	C++	Same
Qusra	C++	C++	Same
Ajja	B+	B+	Same
Hizma	C+	C+	Same

However, 33 municipalities were ranked worse in 2019 than their rank in 2017 as shown in table 7 and 8. This is mainly attributed to the indicator related mainly to the collection efficiency with 15 (45%) municipalities failed to comply with this indicator, the execution of the budget 10 (30%) municipalities failed to comply with this indicator, unqualified opinion of the auditor's report and surplus achievement 6 (2%) municipalities failed to comply with these indicators, and the updating of the fixed assets with 4 (1%) municipalities failed to comply.

Table 7

Municipalities	2017 (KPI 21)	2019 (KPI 21)	Final Result
Zeita	A	B++	Back
Jayyus	B	C+	Back
Beit Sureik	B++	B+	Back
Wadi Al Salqa	B+	C++	Back
Deir Debwan	B++	B+	Back
Howwara	B++	B+	Back
Jammaein	B+	C+	Back
Qatanna	B	C++	Back
Kufor Ra'ie	B++	B+	Back
Bedia	B+	B	Back
Khaza'aa	B	C+	Back
Tammun	B++	B+	Back
Beit Fajjar	B+	C++	Back
Beit Jala	B++	B+	Back

Anata	B++	B+	Back
Surif	B	C++	Back
Beit Ummar	B+	C++	Back
Tarqumia	B+	C++	Back
Tubas	B++	B+	Back
Abasan Al Kabira	B+	C++	Back
Al Qarara	B++	C++	Back
Bani N'eim	B	C++	Back
Bani Sheila	B+	C++	Back
Al Braij	B	C++	Back
Beit Hanun	B+	C++	Back
Al Bireh	A+	B	Back
Qalqilia	B+	B	Back
Tulkarem	B+	B	Back
Deir Al Balah	B++	C++	Back
Beit Lahia	B++	C++	Back
Jabalial	B+	C++	Back
Nablus	B+	B	Back
Sorda - Abo Qash	C++	C+	Back

Table 8: Reasons of back ranking results per municipality

					Reasons							
No.	Municipalities	Governorate	2017 (KPI 21)	2019 (KPI 21)	Collection efficiency	70% of executed budget	Fixed assets updates	Unqualified opinion	Disclosure of the audit report	At least 10% of the budget execution for operation and maintenance	Public disclosure of executed budget and executed SDIP	Operational surplus achieved
1	Zeita	Tulkarm	A	B++								✓
2	Jayyus	Qalqilia	B	C+			✓				✓	
3	Beit Sureik	Jerusalem	B++	B+		✓						
4	Wadi Al Salqa	Deir Albalah	B+	C++	✓	✓						
5	Deir Debwan	Ramallah & Albireh	B++	B+				✓				
6	Howwara	Nablus	B++	B+		✓						✓
7	Jammaein	Nablus	B+	C+			✓				✓	
8	Qatanna	Jerusalem	B	C++	✓							
9	Kufor Ra'ie	Jenin	B++	B+		✓						
10	Bedia	Salfit	B+	B						✓		
11	Khaza'aa	Khan Younis	B	C+	✓		✓					
12	Tammun	Tubas	B++	B+								✓
13	Beit Fajjar	Bethlehem	B+	C++	✓							
14	Beit Jala	Bethlehem	B++	B+		✓		✓				
15	Anata	Jerusalem	B++	B+		✓						
16	Surif	Hebron	B	C++	✓							
17	Beit Ummar	Hebron	B+	C++	✓							
18	Tarqumia	Hebron	B+	C++	✓							
19	Tubas	Tubas	B++	B+								✓

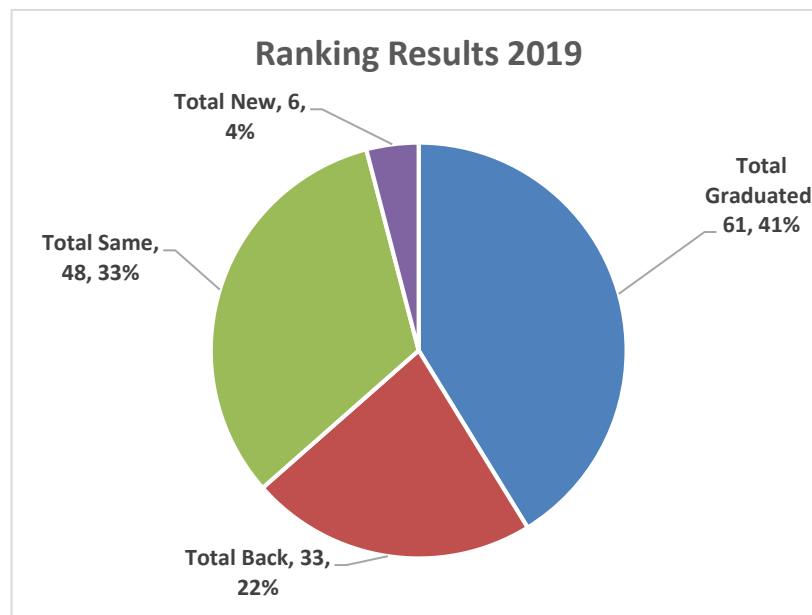
20	Abasan Al Kabira	Khan Younis	B+	C++	✓	✓						
21	Al Qarara	Khan Younis	B++	C++	✓	✓				✓		
22	Bani N'eim	Hebron	B	C++			✓	✓	✓			
23	Bani Sheila	Khan Younis	B+	C++	✓							
24	Al Braij	Deir Albalah	B	C++	✓							
25	Beit Hanun	North Gaza	B+	C++	✓							
26	Al Bireh	Ramallah & Albireh	A+	B		✓		✓	✓			✓
27	Qalqilia	Qalqilia	B+	B		✓		✓				
28	Tulkarem	Tulkarm	B+	B				✓				
29	Deir Al Balah	Deir Albalah	B++	C++	✓							
30	Beit Lahia	North Gaza	B++	C++	✓							✓
31	Jabalia	North Gaza	B+	C++	✓							
32	Nablus	Nablus	B+	B						✓		
33	Sorda - Abo Qash	Ramallah & Albireh	C++	C+							✓	
Total Back					15	10	4	6	2	3	3	6

And finally, 6 new municipalities were added to the list of municipalities and ranked as follows:

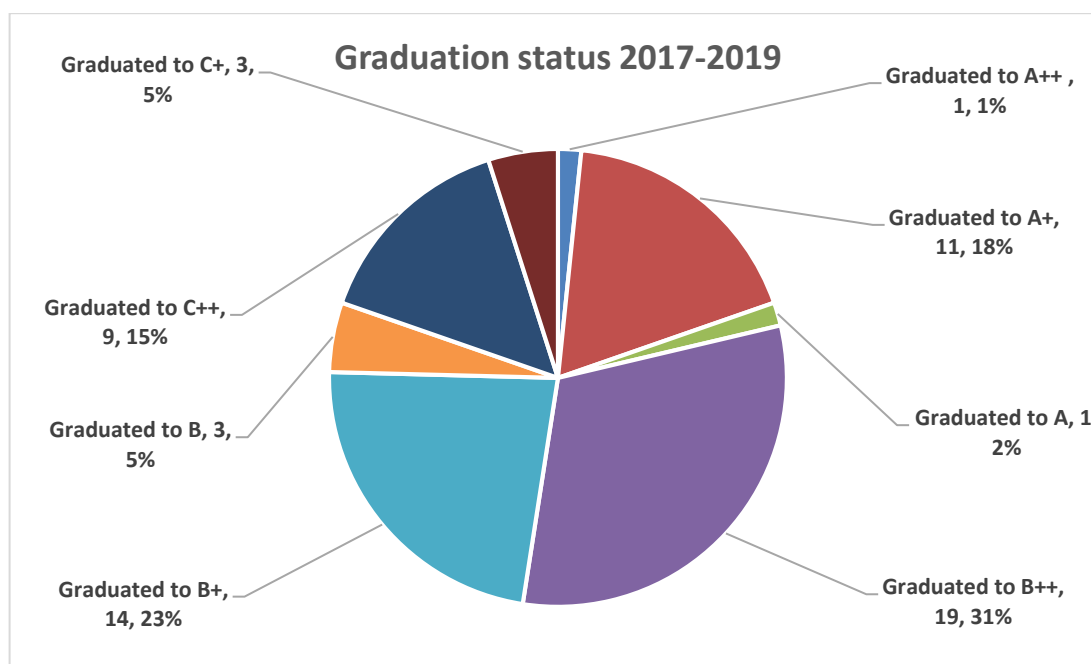
Municipalities	2017 (KPI 21)	2019 (KPI 21)	Final Result
Kobar		C++	New
Nahalin		C++	New
Beit Haneena		B	New
Deir Samit		C+	New
Rawabi		B++	New
Beit Kahil		C++	New

To summarize, figure 6 shows the distribution of the municipalities according to their graduation status based on the comparison between the results of 2017 and 2019. The figure shows the number of graduated municipalities, remained in the same rank, and those which got worse ranking. In total 61 municipalities graduated, 48 municipalities kept their same rank, and 33 municipalities lost their rank and got a worse rank.

Figure 7: Graduation Status 2017-2019



Finally, the distribution of the 61 graduated municipalities according to the ranks is presented in figure 8. The figure reveals that only 1 municipality graduated to A++, another 11 municipalities graduated to A+, 1 municipality graduated to rank A, 19 municipalities graduated to rank B++. 14 municipalities graduated to B+, 3 graduated to B, 9 municipalities graduated to C++, and 3 municipalities graduated to C+.

Figure 8: Distribution of the 61 Graduated municipalities according to ranks

4. Appeals

In total 75 valid appeals received, 17 from Gaza strip and 58 from the West Bank. These appeals were thoroughly reviewed and analysed. As a result, 28 appeals were rejected and 47 appeals were studied of which 12 appeals were closed without changing the ranks of the appealing municipality, while 35 appeals were closed with a change in the ranks of the appealing municipalities.

5. Obstacles Encountered

The assignment faced the following obstacles:

- It was apparent that the municipalities do not understand the meaning, importance, and the improvement context of the KPIs in general and the financial indicators in particular. This was evident in the way many municipalities calculate and measure the indicators.
- Inaccurate financial information posted at the MoLG's budget portal due to the lack of follow up by the ministry to the municipalities to update their financial data after September 30 (should be until December 31st) in this regard:

- Most municipalities do not post the actual projects' activities which affects the accuracy of their financial data.
 - In addition, most of the municipalities do not post and allocate the salaries and administrative expenses according to the appropriate budgets.
- There is immature and incomplete understanding of the concept and importance of updating the fixed assets. They believe it is updated since the updating process implemented by MDLF, therefore, they do not calculate depreciation or consider the addition in fixed assets made annually. In addition, there is no communication with the engineering department to accurately calculate the updates for the fixed assets.
- Most municipalities' accountant does not understand the meaning of the external auditor's opinion. Previously, the indicator was fulfilled by having audited report, but for this round, the indicator required unqualified auditor's opinion which is not clear for many of the accountants.
- There is a need to clearly state what do we need to assess regarding the complaint management system. Announcing the system to the citizens is not enough if the effectiveness is the target. It was found that most municipalities do not have an effective system due to the fact that the one stop shop is not effective and/ or not in place. For those municipalities which don't have the one stop shop, they need to consider the following sequence of steps to have a functional complaint system:
 - record corrective actions
 - Identify the action required
 - Record the action taken
 - Analyze the effectiveness of the action taken
 - Document and reply to citizen
- There was no clear and final deadline to submit all the needed data for ranking purposes. This was evident in many cases where municipalities submitted the required documents for some KPIs during the appealing period. This affected the ranking results as they were guided and coached by the consulting firm during the ranking and appealing periods. This doubled the ranking efforts by working on the file whenever new documents are provided.
- These difficulties caused the number of appeals to increase which in turn required new packages of data files that required reworking the files again
- Following up and getting files ready to be verified proved to be time consuming. More than 5 calls to get the required data.

6. Lessons Learned and Recommendations

Based on the experience gained and lessons learned during the course of implementation, the following recommendations are suggested to be taken into consideration:

1. Based on our review and validation process, we noticed that some municipalities still do not understand the idea behind ranking process since they still fill their questionnaires based on what they have rather than following MDLF packages and requirements. Therefore, MDLF is recommended to conduct awareness sessions to overcome such misunderstanding. We understand that MDLF conducted several awareness sessions regarding ranking criteria and ranking process during the past years, still more workshops are needed with specially focused workshops on the various indicators targeting financial managers, one stop shop managers, SDIP coordinators...etc.

2. To overcome the issues related with the financial data accuracy, we recommend a comprehensive training package targeting mainly the accountants and occasionally the engineers to address the issues related to:

- The meaning of each financial indicator and how it is calculated
- The classification of budgets and the allocation of salaries and administrative expenses
- Updating the fixed assets
- The external auditor's report.

3. We recommend working on explaining all the needed assessment aspects of the other indicator to develop common understanding among all parties (MDLF, the municipalities, and the consultant).

4. The Ministry should endorse the budgets after all activities are posted by the municipalities up to 31/12 of each year to guarantee up to date and accurate financial data.

5. MDLF should develop a clear ranking process agenda with a starting date and a deadline for each milestone.

Annex (A) Staff Costs

Annex (B) Green Spaces

Annex (C) Operation and Maintenance

Annex (D) Surplus and Deficit

Annex (E) Net Lending

Annex (F) Budget Execution

Annex (G) Own Source Revenues