

TECHNICAL & FINANCIAL FILE

SUPPORT TO LOCAL GOVERNMENT REFORM AND DEVELOPMENT PROGRAMME (LGRDP)

PALESTINIAN TERRITORY

DGD CODE: NN 3007129
NAVISON CODE : PZA 09 024 11



THE BELGIAN
DEVELOPMENT COOPERATION **.be**

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Abbreviations

AFD	Agence Française de Développement
APLA	Association for Palestinian Local Authorities
BTC	Belgian Technical Cooperation
CFAA	Country Fiduciary Accountability Assessment
CSO	Civil Society Organisation
DANIDA	Danish International Development Assistance
DGD	The Belgian Directorate-General for Development
EIA	Environmental Impact Assessment
EMSRPII	Second Emergency Municipal Services Rehabilitation Project
EUR	Euro
FAD	Finance and Administration Department
FMS	Financial Management System
FP	Funding Partners
FTE	Full-Time Equivalent
FY	Financial Year
GAM	Grant Allocation Mechanism
GDP	Gross Domestic Product
GIA	Grant Implementation Agreement
HRM	Human Resources Management
IBRD	International Bank for Reconstruction and Development
IDA	International Development Agency
IT	Information Technology
JSC	Joint Service Councils
JSCPD	Joint Service Councils for Planning and Development
KfW	German Bank for Development
LDR	Local Development Reform
LGUs	Local Government Units
LICP	Local Infrastructure and Capacity Building Programme
LGCBP	Local Government Capacity Building Project
MDLF	Municipal Development and Lending Fund
MDP	Municipal Development Program
MD & LG	Municipal Development & Local Government
MIS	Management Information System

M&E	Monitoring and Evaluation
MoF	Ministry of Finance
MoLG	Ministry of Local Government
MoPAD	Ministry of Planning & Administrative Development
MTR	Mid Term Review
MOU	Memorandum of Understanding
NCB	National Competitive Bidding
NGO	Non Governmental Organisation
ODA	Official Development Assistance
OECD-DAC	Organization for Economic Cooperation and Development (Development Assistance)
oPt	Occupied Palestinian Territory
PA	Palestinian (National) Authority
PAD	Project Appraisal Document
PCA	Procurement Capacity Assessment
PCN	Project Concept Note
PFM	Public Financial Management
PIU	Project Implementation Unit
PLO	Palestinian Liberation Organization
PMA	Palestinian Monetary Association
PRDP	Palestinian Reform and Development Plan
QCBS	Quality and Cost Based Selection
SDIP	Strategic Development and Investment Planning
SWAp	Sector Wide Approach
SWG	Sector Working Group
TFF	Technical and Financial File
TFGA	Trust Fund Grant Agreement
TFGWB	Trust Fund for Gaza and West Bank
TOR	Terms of Reference
USD	United States Dollar
UNDP	United Nations Development Program
VAT	Value Added Tax
WBGS	West Bank and Gaza Strip
VC	Village Councils

Executive summary

The overall importance of the Municipal Development and Local Governance (MD&LG) sector in the occupied Palestinian Territory (oPt) is widely acknowledged. As one of the oldest existing levels of public authority, local governments form the backbone of public administration with a large potential and role to play in the on-going state building efforts. Even in times of political and economic crisis, they have proven to be very resilient and viable institutions and continuously striving to deliver basic services and governance to the citizens. Recently, the Palestinian Authority has strengthened its policy guidance through the Strategic Plan (2010) of the Ministry of Local Governance (MoLG) as well as the Cross-Sector Strategic Plan and the overall Programme of the Government “Palestine: Ending the Occupation, Establishing the State” (2009).

Belgium has accepted to support this reform by a 5 year programme. The general objective of the programme is to strengthen institutional and management capacities of the local government system. The specific objective of the programme is to support institutional reform through improved capacities and services of selected clusters of smaller LGUs and improve the institutional capacity of MoLG.

The programme will support the Government's decentralisation 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 programme will support institutional development of selected departments of MoLG and contribute to the financing of the joint donor funded Municipal Development Program (MDP).

The programme will be administrated according to the principles of partnership and joint implementation. The Municipal Development and Lending Fund (MDLF) will play an important role in implementing the programme.

Analytical record of the intervention

DGD intervention number	NN 3007129
Navision code BTC	PZA 09 024 11
Partner institution	Ministry of Local Government (MoLG)
Duration of intervention	5 years (validity of Specific Agreement : 6 years)
Estimated starting date of intervention	January 2011
Partner's contribution	160,000 EUR
Belgian contribution	15,000,000 EUR
Intervention sector	Local government sector DAC Code: 15112 decentralisation
General objective	To strengthen institutional and management capacities of the local government system
Specific objective	To support institutional reform through improved capacities and services of selected clusters of smaller LGUs and to improve the institutional capacity of MoLG
Results	<p>Component 1 : MoLG capacity development Result-1 Selected departments of MoLG capacitated to implement the MoLG strategic plan</p> <p>Component 2: LG joint Services and Amalgamation Result-2: smaller LGUs in four to six clusters are facilitated for provision of joint services and amalgamation</p>

	<p>Result-3: the capacities of these LGUs are enhanced for improved planning, financial management, HRM and accountability,</p> <p>Result 4: the services of these LGUs are improved through provision of sustainable infrastructure development</p> <p><u>Component 3:</u> Support for newly amalgamated municipalities (MDP-aligned)</p> <p>Result 5: newly amalgamated municipalities (merged smaller LGU's) are continuously progressing their performance</p>
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1 Situation analysis

1.1 General Context¹

The overall importance of the Municipal Development and Local Governance (MD&LG) sector in the occupied Palestinian Territory (oPt) is widely acknowledged. As one of the oldest existing levels of public authority, local governments form the backbone of public administration with a large potential and role to play in the on-going state building efforts. Even in times of political and economic crisis, they have proven to be very resilient and viable institutions and continuously striving to deliver basic services and governance to the citizens.

The Palestinian Reform and Development Plan 2008 – 2010 (PRDP) presents the Palestinian Authority's (PA) vision for Palestine as an independent state. The PA sets out its commitment to bringing government closer to the citizens by ensuring that local government is both empowered and accountable through increased decentralisation. In particular, it identifies greater administrative and fiscal autonomy as essential to realizing the potential of local government to be more responsive to the needs of its citizens. The "Accountable Local Government Program" developed in the PRDP commits the establishment of a policy framework, which promotes fiscal autonomy and accountability at the local level.

In accordance with the responsibilities and mandate of the PA, local governance arrangements and administration are part of latter's core business. The PA's overall mission in this field is defined in the PA's 13th Government Programme as "to promote capacity and efficiency of local government units (LGUs), enabling them to provide high quality and cost-effective services to citizens at the local level through phased decentralisation. Local government units will be enabled to exercise their role, carry out assigned tasks and obtain entitlements in accordance with provisions of the law". More specifically the PA's oriented its goal-setting in this policy field towards

- streamlining LGUs,
- consolidating democratic processes at the local government level,
- improving the status of infrastructure throughout local government units,
- and strengthening the LGU's administrative capacity.

Priority activities include the development of mechanisms and standards to carry out mergers of LGUs and the implementation of merging LGUs.

Belgium has accepted local governance as a priority sector for the Belgian-Palestinian Cooperation, and as illustrated in the subsequent chapters, the intervention presented here neatly fits with the PA's overall strategic priorities.

¹ Main sources: <http://en.wikipedia.org/wiki/Palestine> and analytical background to the document: Project Appraisal Document on a Proposed Trust fund Grant in the amount of 10 million USD to the PLO for the benefit of PA for Support to a Municipal Development Program in West bank and Gaza, World bank August 2009.

1.2 Sector Context

1.2.1 Key Policy Documents of the Local Government Sector²

The Programme of the Thirteenth Government “Palestine: Ending the Occupation, Establishing the State” (August 2009) commits to the principle that “Achieving national goals depends on the adoption of the basic principles and practices of good governance...”. Moreover, “The Government is committed to developing the capacities of local government units, promote their participation in the development process, and help them attain financial and administrative independence. The Government will also promote accountability of local government units by developing oversight systems within relevant central institutions.” As stated in section 1.1, an updated report of August 2010 ‘Homestretch to Freedom – The Second Year of the 13th Government Program’ emphasises the importance of further support to local governance and LGUs,

At sector level, the MoLG synthesised its challenges and achievements (June 2010) in:

- the Ministry’s cross sector strategy plan, or Local Government and Administration cross-cutting Sector Strategy (in process of adoption),
- the Ministry’s Strategic Plan (in process of adoption),
- the National Strategy for Solid Waste Management (endorsed by Cabinet on May 16th, 2010),
- the Joint Service Councils Strategy (endorsed by the Minister of Local Government on May 13th, 2010).
- policy documents related to the Ministry’s amalgamation strategy, including also a procedures manual and bylaw.

The Update of the Diagnostic Report on Local Governance System in the oPt and Action Plan (June 2009) have been issued and presented to the Municipal Development and Local Governance Sector Working Group (MD&LG SWG). The report summarised a full account of the main challenges in the sector and proposed different options for interventions. For the development partners, including BTC, this report presents the most comprehensive and updated analysis and suggestions for interventions in the sector. It constitutes a major analytical guide for Belgian decisions on appropriate programming in the sector.

The Local Government and Administration Cross-cutting Sector Strategy, March 2010 is intended to address the challenges in the sector and feed into the upcoming Palestinian National Plan 2011 - 2013. While the strategy thoroughly analyses the complex challenges facing the sector, it could be further strengthened with respect to the comprehensiveness of its approach and the strategic choices to be taken.

² Referred to in this document as the Municipal Development and Local Government sector (MD&LG Sector).

1.2.2 Key Local Government Sector Stakeholders

The Palestinian local government system comprises two main levels: the central level with the MoLG and its Directorates (in the governorates and districts) and the local level, comprising the Local Government Units (LGUs),

Other stakeholders also play a role such as the Municipal Development and Lending Fund (MDLF), Governors, the Association of Palestinian Local Authorities (APLA), central ministries that deliver key services at the local level such as health and education, NGOs and Community-based organisations and the private sector. These bodies are governed by different legislative frameworks, and their roles and relationships in supporting local governance have not always been clearly defined (Diagnostic Study, op.cit).

1.2.2.1. MoLG has the following objectives:

Empower LGUs and build their institutional capacities through:

- Developing consolidated administrative structures, administrative manuals and financial policies, and a computerized, integrated accounting system.
- Finalizing the modernization of spatial planning, developing policies and guidance for land use, and upgrading the capacity of the Higher Zoning Council.
- Developing strategic and developmental planning capacity at the local level.
- Establishing staff training centers at local government units.
- Merging local government units, where necessary, in order to facilitate better service delivery.
- Developing laws, regulations, and procedural manuals on local government.

Build the MoLG's capability to oversee the local government sector through:

- Developing a strategic plan for MoLG capacity development.
- Developing a new organizational structure, administrative manuals and computerized systems to enhance the performance of staff.
- Developing a training plan for staff and developing monitoring and performance evaluation methods.

Promote democracy, transparency and civil society participation in the local government sector through:

- Conduct elections at local government units in a regular fashion.
- Monitor and evaluate the performance of local government units.
- Raise public awareness of the concept of local government and promoting partnership between MoLG, local government units and citizens.

Promote the concept of partnership between local government units and public and

private sectors to promote local development and fiscal independence through:

- Promoting participation of local government units in local and national development.
- Generating opportunities to increase the financial resources of local government units.
- Encouraging adjacent municipalities to work jointly in launching and implementing development projects.
- Encouraging the private sector and civil society organizations to cooperate with local government units to implement development projects.
- Promoting partnership with the private sector to help deliver and manage services cost effectively.

The relationship between MoLG and LGUs was assessed in a Diagnostic Report of 2005 and updated in 2009 (see Palestinian National Authority - Government of Denmark – UNDP, June 2009). The report emphasized the level of centralization in the legislative provisions which enables MoLG to control LGUs. However, it noted that in practice the control exerted over the large LGUs could be fine-tuned, whereas smaller LGUs were subject to substantially higher levels of control. Further development of proper structures and competent staff to carry out these duties in the ministry could attenuate these observations, as would a decrease of the number of LGUs. The report recommended amending MoLG's organizational structure and building the Ministry's capacity to serve as a policy maker, technical advisor and regulator of the local government system, and to shift the MoLG's focus solely from exercising control to providing necessary support to LGUs through strong and independent district offices. In response to these comments MoLG has developed a new organisation chart for the ministry. It remains yet to be fully operational and details regarding critical issues such as e.g. the precise role of district offices and their mandates vis-à-vis the MoLG HQ and the Governorates are still to be clarified. One of the most critical elements in the new MoLG structure is a proposed Policy Unit. Debate on its precise structure and type of staffing has not been concluded.

The National Strategy for the Palestinian Local Administration has identified possible models for strengthening the role of Governors and ensuring they are better integrated into the local governance system as a whole. However no decision has been made about the adoption of these models (Diagnostic Study 2009).

In summary, the current unfinished process of transforming MoLG into a stronger and more policy oriented institution with a clear mandate for each of its departments and its district offices makes efforts for capacity building a challenging exercise.

1.2.2.2. Local Government Units (LGUs)

LGUs include municipalities, village councils, project committees and the Joint Service Councils (i.e. LGUs that are organized in a joint set-up aiming to facilitate service delivery or projects).

Municipalities have long played a critical role in local service delivery and remain the

major reference point for citizens. 74 percent of the Palestinian population is urban, living in 132 municipalities, many of which predate the establishment of the PA. Under Jordanian and Egyptian rule, central government exercised tight administrative and financial control over LGUs, allowing municipalities and village councils to only provide very basic services to the population. Their role was that of maintenance rather than development. The specific political situation in the oPt, led to the confinement of the role and mandate of LGUs, limiting them to the provision of minimal basic services. Palestinian local affairs continued to be controlled by the Israeli military through its Civil Administration units until the establishment of the PA in 1994. From 1995 onwards, municipalities came under the mandate of MoLG. The Local Councils Law No. 1 of 1997 mandates them to provide some 27 different services typically performed by local governments around the world: electricity and water, solid waste treatment, roads, parks and recreation, markets, building schools and health clinics.

The number of municipalities in the West Bank and Gaza jumped from 30 to 132, and village councils (VC) from 109 to 251 following the establishment of the PA in 1994. This increase can be linked to political factors, rather than solely being inspired by considerations of economic and service delivery needs. Hence many of these LGUs – specifically village councils – are not viable in economic terms. Municipalities are classified into four main categories (A through D), depending on population size and when they were established.

MoLG has initiated a process to reduce the number of LGUs by transforming a large number of small and not viable village councils and other small LGUs into sustainable municipalities by amalgamation or clustering. A policy framework and an implementation strategy for ‘amalgamation’ have been developed.

In addition to LGUs with a proper legal status, there are currently 86 Joint Service Councils (JSCs). These JSCs represent collaborative arrangements between LGUs for a more effective provision of basic services. They have come into existence in the second half of 1990s emerging from the so-called Micro Region Planning Committees (MRPC). The MRPC concept was developed in the context of the Local Rural Development Programme, a pioneering programme that started in the 1990s aimed at the improvement of living conditions in the under-privileged rural areas of the West Bank and Gaza through decentralizing development activities to local authorities. While it is fair to say that MPRCs then and a certain proportion of JSCs at the moment are clearly aiming to improve the performance of LGUs, the lack of a clear vision and institutional framework on the one hand and their dependence on one-off external donor funding on the other, has undermined their sustainability.

A significant proportion of JSCs is estimated to be (partially) inoperative. MoLG conducted a baseline survey of JSC in the PA (January 2009) and has recently developed a JSC Strategy and Action Plan that confirms the Government ambition of consolidating smaller LGUs into larger more viable units in the form of Municipal Councils based on amalgamated smaller LGUs (March 2010).

In the 1990s, JSCs were perceived as semi-permanent structures mainly for planning purposes and service provision. At the moment, a large majority of them is seen as collaborative arrangements between LGUs that will further transform into municipalities.

The strategy referred to above will inform us on the restructuring as well as functions to be performed by JSCs in future.

1.2.2.3. Municipal Development and Lending Fund (MDLF)

The Municipal Development and Lending Fund (MDLF) is in charge of implementing policies developed by MoLG. It is a semi-government institution that manages funds to enable LGU to provide quality services and achieve sustainable development in harmony with national plans and policies. The goal of MDLF is 'to assist municipalities in fulfilling their mandates as front line service providers to their communities by providing them with a transparent and efficient channel of financing and technical assistance'. Its Board of Directors is chaired by the Minister of Local Government.

MDLF was established by a decision of the Council of Ministers in 2005 as 'an autonomous entity to accelerate Palestine's drive toward self-sustained, decentralized, prosperous, and creditworthy local government'. MDLF carried forward the functions of the Project Coordination Unit and the Project Technical Secretariat (PCU/PTS), previously operating within and under the auspices of the MoLG to support LGUs.

In partnership with six funding partners, MDLF has developed the Municipal Development Programme (MDP). The MDP contributes to the PRDP's goal of strengthening local governments by enhancing their efficiency and effectiveness and by moving them towards fiscal stability. MDP is a multi-phase national program, which provides LGUs with a combination of technical assistance, and annual performance based grants for sub-projects that improve service delivery. It is the only joint donor financed programme in the sector and therefore widely regarded as a key element in the development of a future more coherent system of donor support in the sector.

1.2.2.4. Local Authority National Development Centre (LANDC)

The MoLG established LANDC in cooperation with JICA in 2006, to set a clear strategy for capacity building for the MoLG's and LGU's staff. The objective is to provide training that will increase the capacities of the local authorities. The Centre is a focal point that aims at 'developing a national base for capacity building of the local authorities through cooperation with local and Arab experiences. This aims to form a national strategy for training in a Palestinian form that correlates with the possibilities, needs and local capacities'.

JICA's funding is concluding in 2010 but it is not clear whether this institution will be able to operate afterwards.

1.2.2.5. Association of Palestinian Local Authorities (APLA)

APLA was founded in 1997 in cooperation with MoLG as an independent organization aiming to represent and lobby for the collective interests of LGUs by bringing support to capacity building, facilitating exchange and knowledge, and serving as vehicle for dialogue between the central government and a large number of LGUs.

APLA was formally established by presidential decree in 2002 to take an advocacy role and represent the interests of the municipalities and village councils in dealing with the MoLG and other central line agencies. The Diagnostic Report (2009) recognized the importance of APLA as a vehicle for dialogue between local and central government and highlighted the need for APLA to play a significant role in the implementation of any reform initiative in the local governance sector. Since 2004 several Donor-funded programmes have provided support for the Institutional Strengthening of APLA, including GTZ and UNDP. Although initiatives are in place to support institutional strengthening, APLA is not achieving its full potential as a strong and credible body representing the interests of LGUs. Its status has not yet been confirmed in Law; and its internal management and leadership could be further reinforced. The 2009 Updated Diagnostic report concluded that “Supporting APLA to assume its role remains a key issue for developing the local governance sector”.

1.2.3 Recent Key Achievements the Local Government Sector

Major recent achievements in the sector include:

1. The availability of an overall PA strategy emphasising the vision of local governance and decentralisation.
2. MoLG and other key authorities have during the past year started discussions and taken key steps towards addressing important systemic structural and policy issues in the sector.
3. The commencement of the joint-donor Municipal Development Programme is a promising, robust MD&LG intervention that demonstrates donor harmonisation with the full support by the Ministry of Local Government and the potential to becoming the national MD&LG framework (SWAP) in future. The MDP moreover seeks to address disparities between municipalities as it provides funding through a performance-based formula – rather than the often applied ad-hoc allocations that categorise most other approaches.
4. A well-functioning MD&LG Sector Working Group led by the Ministry of Local Government, which seeks to provide coordination, harmonisation and aid effectiveness in the sector. The MD&LG Sector Working Group is moreover the key discussion forum in the sector ensured by the active participation of the Ministry of Local Government and the key players in the sector.
5. LGUs through PA assistance and assistance from EU member states and other donors continue to improving service delivery at local government level and community level, an achievement that when maintained facilitates and sustain municipal development and local governance for present and future state building efforts.
6. Key sector strategies have recently been developed including an amalgamation strategy and draft amalgamation bylaw, the policy on development and investment planning at local level, as well as a physical planning framework and the development of a strategic development and investment planning system (SDIPs).

7. A strengthened MDLF as the primary source of capacity building assistance to municipalities and development-linked assistance to municipalities including support to essential administrative and financial management reforms at local government level. A strengthened MDLF with secured financial multi-annual support, which continues to work internally on its institutional capacity development.

1.2.4 Key Challenges for the Local Government Sector

The MD&LG sector is also characterised by a number of challenges in need of reform to advance local government and local governance. The challenges to be addressed include:

1. In general, the overall political vision to reform the sector needs to be more clearly defined, including the clear mandates, roles and responsibilities of MD&LG partners including MoLG, APLA, line ministries and civil society organisations (CSOs).
2. A strategy to address and reform the complex issues in the MD&LG sector and its structural organisation and responsibilities (including the entire “administrative pyramid” - central, governorate, municipal, and village levels) has been issued in the beginning of 2010 by the MoLG. While the strategy thoroughly analyses the complex challenges facing the sector, it only partially provides the comprehensive framework and bold strategy needed to address the challenges.
3. Donors continue to fund capacity building, service provision and systems’ development in a large number of LGUs, many of which will remain financially and administratively unsustainable due to the lack of an overall financial and administrative reform. The huge difference in capacity and economic and administrative volume among LGUs further demands a targeted capacity building response.
4. Donors continue to undertake e.g. capacity building, MD&LG studies including legal framework assessments. However, the political decision on the setup, structure and planned reform, which these undertakings should address, are not in place, including a plan to address the particular issues pertaining to East Jerusalem.
5. Non-coordinated support to LGUs sustains the large disparities between LGUs in terms of capacity, resources and performance.
6. The (480+) number of local government units is too high to ensure a viable local government and administration and efficient local governance. The present scope of amalgamation policy and initiatives by MoLG and donors are insufficient to address the problem. While we might have fewer village councils the number of municipalities may continue to grow.
7. The MoLG continues its involvement in project implementation aspects, which implicates its capacity to fulfil its policy and regulatory functions.
8. The LG elections that were scheduled to take place on 17th July 2010 have been postponed.

9. The local governance sector in oPt currently operates in the context of a Palestinian Authority with limited control over its territory state due to the political context.

1.3 Donor Support to the Sector

1.3.1 General overview of Donor Support

A large range of bilateral and multilateral donors, including World Bank, USAID, UNDP, JICA, KfW, GTZ, the Italian and French development agencies and the Netherlands are active in the sector. Donor coordination mechanisms have until recently been weak but a Sector Plan and a Local Government and Administration Cross-cutting Sectoral Strategy (LGASS) (March 2010) should enhance effectiveness of aid to the sector.

In addition, in 2008 a Municipal Development and Local Government Sector Working Group (MD&LG SWG) was set up, chaired by MoLG. Four 'synergy groups': have been set-up: Amalgamation, Legal Framework, MoLG Institutional Development and LGU Level Capacity Building and Decentralization.

1.3.2 Belgian Support

Belgium has been active in the local government sector through the Local Infrastructure and Capacity Building Programme (LICP) which ran from 2003 to 2009 in the West Bank. The programme aimed to improve local services provided by small LGU (mainly village councils and joint councils) through the strengthening of their capacity and the provision of small-scale physical infrastructure. Improved governance and participation in planning and budgeting procedures and transparency in the financial management were key features of the support to the local government units.

The program supported thirty-seven LGUs in the West Bank. By the end of 2007, ninety-two infrastructure projects were carried out and completed in thirty-seven communities of the West Bank. And over 500 staff from the MoLG, municipalities, village councils, and JSCPDs participated in various training events based on their identified needs.

LICP worked with a committee from the MoLG, the Ministry of Planning and the Ministry of Finance, to develop fiscal transfer mechanism based at the Ministry of Finance to provide budget support to LGU. However, because of the overall political situation in 2006, the mechanism was abandoned and an ad-hoc arrangement was made to channel funds in support of capacity building directly to LGU concerned.

The current new programme will build on and take into account lessons learned from the LICP, as well as from other projects in the sector.

1.3.3 Other Donor Support

Denmark: The Local Development Programme (LDP) (2008 – 2010, possibly phase II 2011-2013)

The LDP (5 million USD), financed by Denmark and carried out by MDLF in the Jenin Governorate, is supporting the MoLG on its process of amalgamation of small and inefficient LGUs into integrated municipalities through institutional development of the local administrations as well as physical and social infrastructure projects for the benefit of the local communities. A major output of the LDP will be the development of a best practice model that will feed into the future MoLG amalgamation policy.

Denmark/World Bank: The Local Government Capacity Building Project (LGCBP)

Implemented by MDLF in cooperation with the World Bank, LGCBP (9.9 million USD) supports the on-going efforts of the PA to reform the local government system in the West Bank and Gaza. The overall development objective of the project is to improve local governance and accountability thereby fostering an efficient and sustainable economy, and the social and physical development of the urban and rural areas in WBG. The specific objectives of the project are to improve the accounting, financial management and budgetary control capabilities of MoLG Finance and Budget Department, and of the LGUs as well as the capacity of the MDLF. The LGCBP works in 8 select municipalities to develop and try out the procedures, systems and technologies developed over the project. The project has developed a unified Code of Accounts and unified budget forms that are now approved by MoLG. A fixed assets valuation methodology and manual has been developed and they are now applied in the eight selected municipalities.

At the institutional level of MoLG, the LGCBP has carried out: an assessment of the skills and training plan for the staff of the budget/financial departments, an IT equipment needs assessment for MoLG headquarters, Gaza and district offices, an information strategy and MIS (Management Information System) for project grants and a SWOT analysis of the Ramallah district office. A network server training and other IT training for over 160 staff was carried out together with installing the MIS for project grants and upgrading Internet equipment and connections and videoconference facilities.

Germany (GTZ and KfW)

The Solid Waste Management Project is supported by the German Government and in cooperation with the World Bank aims at the development and management of solid waste management in Palestine. A survey of current solid waste conditions in the West Bank was implemented, in order to develop a strategy for solid waste management. A decision was made to establish a solid waste-dumping site in the centre of the West Bank. The project also includes a training component of non-technical workers in the area of solid waste management, a strategy of establishment, and support Joint Councils for solid waste management services.

GTZ is also providing technical assistance in the context of the Local Governance and

Civil Society Development Programme (4.7 million EUR) the first phase of which was implemented in the period 2007-2009. The programme framework for the next, 2010-2012, will focus on local governance issues. Related civil society issues will be worked out in partnership between PA institutions, GTZ and German Foundations. The second phase programme framework has three main components:

- Development of a regulatory framework for local government
- Strategic Development and Investment Planning
- Development of clear communication protocols between central and local level

A small component will focus on developing a Gender Unit within MoLG dealing with the role of women in local government.

Japan: Improvement of Local Government System in Palestine

The project aims at improving the Palestinian Local Government System and the development of the role of joint councils in the reform process through the establishment of a working group of local experts and stakeholders that would formulate a vision and a strategy for joint councils. The project has a second component for supporting local councils with machinery and equipment with a value of up to 8 million USD. A third component of the project is to develop a uni-service project in the Jericho and Jordan Valley region into a multi-service council and implement various infrastructure and community participatory projects. The fourth component is to continue the training of staff and employees of the MoLG and the JSCPDs, as well as joint councils in the area of solid waste both locally and abroad in addition to various specialized training courses and workshops for the Department and Joint Council.

Under the overarching goals of strengthening administrative capacity of the PA, promoting economic development and improving livelihoods in Palestine, JICA has been assisting the MoLG as part of its aid package to the PA through several programs including the Jericho Regional Development Program in Jericho and Jordan Rift Valley.

UNDP: Participatory Rural Development and Planning Project (PRDPP)

Funded by Irish Aid, the PRDPP is located in Jenin District in the north of the West Bank, covering 87 localities. It aims to institute participatory local democratic governance at the regional level through strengthening the planning capacity for authorities and organizations at national, regional and local levels in undertaking participatory strategic development planning.

USAID: Local Democratic Development Reform (LDR)

LDR – locally known as Tawasol – is a 21 million dollar 4 year program implemented by CHF International. LDR aims to develop an enabling environment and operational

framework for an effective, empowered, and democratic local governance system in Palestine through enhancing the capacity of MoLG and strengthening Local Government institutions. At the national level, LDR assists MoLG in effectively assuming a leading role towards the development of a vision and institutional framework for a democratic local governance system in Palestine by helping to streamline policies and regulations and build internal institutional capacity. At the local level, LDR strengthens LGUs to effectively and transparently assess and prioritise needs, implement integrated strategic planning and performance monitoring processes, and deliver and manage infrastructure and basic services.

World Bank: Village and Neighbourhood Development Program (VNDP)

The VNDP is a 10 million USD program financed by the World Bank designed to assist neighbourhoods, village communities and refugees within the West Bank and Gaza to use a community-driven development model of implementation to manage and target resources within the context of a program coordinated by their government. The program aims to bring government closer to the people by ensuring that local government is both strengthened and accountable, better economies of scale in service delivery, and the building of social capital. The VNDP is implemented within the West Bank and Gaza, and is administered and managed by MoLG.

The Municipal Development Program (MDP) at MDLF

MDLF has developed, with the help of key donors in the sector, the Municipal Development Programme (MDP), supported by Denmark, Germany (GTZ and KfW), France (AFD), Sweden, the Netherlands and the World Bank. With a committed budget of 62 million USD, MDP's first phase (2009-2012) aims at improving municipal management practices for better transparency in West Bank and Gaza. The PA has committed to contribute 10 percent of the total donor financing.

MDP builds on the MDLF's experience and become its overarching program. There are four windows through which funds will be dispersed:

- **Window 1: Municipal Grants for Capital Investments.** This window provides grant allocations to municipalities for capital investments and service provision. This 'window' addresses two key constraints for municipalities: severe municipal deficits and poor municipal management. MDP will provide eligible municipalities with performance-based grants for investments in service delivery, using an allocation formula designed to incentivise better management practices. The resource allocation formula determines the distribution of funds through weighting population (40%), needs (20%), and performance (40%). Municipalities are ranked for the first two years and from then on an annual basis, from levels 1 to 6, using 12 key indicators of good municipal management, and will receive higher or lower allocations based on their rank. Eligible sectors are (i) water and waste water services if provided by the municipality for the purposes of ensuring continuous

supply; (ii) solid waste management; (iii) roads; (iv) public facilities (v) street lighting and (vi) electricity services not provided by a utility. The interventions could include rehabilitation, reconstruction, construction, or the supply of equipment and spare parts to sustain municipal service provision.

- **Window 2: Support to Municipal Innovations and Efficiency.** Through this window the MDP encourages municipal innovations and efficiency by promoting amalgamation, energy savings and responsiveness to citizens. This component will promote learning and innovation in municipal development, including implementation of the MoLG's policy decisions. The two main areas of intervention envisaged are: i) strengthening amalgamation of local governments; and ii) piloting innovations that promote municipal revenue generation or cost savings.
- **Window 3: Capacity Building.** Through this window MDP provides capacity building to municipalities and MDLF. This component will support municipalities to graduate to higher performance categories in the performance ranking system used to assign investment funds; MDP will provide technical assistance to municipalities to improve their (i) financial management, including revenue enhancement for municipal service delivery, (ii) planning capacities, with a specific focus on community participation, and (iii) technical capabilities, in particular for operations and maintenance. The technical assistance packages will be demand-driven and training targets are determined by the number of municipalities within each rank.
- **Window 4: Program Management.** This window covers MDP management including monitoring and evaluation, audits and technical assistance to municipalities in implementing sub-projects. All financing partners pay a 7% administration fee on their grants to MDLF. The financial audit assignment will be covered by the MDLF's management fees.

A key component is to enhance public participation to promote more demand driven, acceptable, and sustainable reform measures, better accountability, and a stronger social contract between municipalities and citizens.

MDP lays the groundwork for a future SWAp in Palestine. Although a considerable amount of donor resources have been invested in support to local government development, these have been uncoordinated. A recent review of the implementation of the Reform Action Plan by UNDP on behalf of the MoLG has revealed a multitude of initiatives attempting to accomplish the same objectives with limited impact to cohesively impact local government development. Donor coordination among partners working with MDLF marks a significant departure from the past. The MDP builds on this legacy of coordination and in its first phase, tests tools for donor harmonization such as commonly used performance based grant allocation formula, fiduciary systems and agreed criteria for sub-project selection. This will contribute towards a SWAp in the future, as the MoLG develops a clear strategy and vision for supporting municipal development.

2 Strategic orientations

2.1 Programme Approach

The programme will in particular address one urgent key priority of the Government's decentralisation efforts by strengthening the smaller and unviable local governments into more sustainable and effective structures through the Government policy of LGU amalgamation and creation of joint service arrangements for LGUs. In addition, the programme will support institutional development of selected departments of MoLG and contribute to the financing of the joint donor funded MDP with an aim of possibly later a larger joint MDP-funded intervention.

The proposed program will have three components supporting five key results further discussed in section 2.2. The programme will be guided by one overall steering committee but also retain specific institutional arrangements for each of the three components as further elaborated in Chapter 5.

Component	Key results
1. Support for MoLG Capacity Development	1. Selected departments of MoLG capacitated to implement the MoLG strategic plan
2. Support for reform and improved capacities and services in smaller LGUs	2. Smaller LGUs in selected clusters are facilitated for provision of joint services and amalgamation
	3. The capacities of these LGUs are enhanced for improved planning, financial management, HRM and accountability
	4. The services of these LGUs are improved through provision of sustainable infrastructure development
3. Support for newly amalgamated municipalities (MDP-aligned)	5. Newly amalgamated municipalities (merged smaller LGUs) are continuously progressing their performance

In accordance with the Paris Declaration on Aid Effectiveness, the programme is based on the following principles:

- Belgian aid contributes support to activities fully integrated within the PRDP and the Palestinian local government policies
- Capacity development activities and infrastructure projects will be demand- and community- driven – but subject to strict technical appraisal to ensure cost-effectiveness and sustainability.
- Coordination with other donors will be sought, and resources pooled where relevant. A sector Wide Approach (SWAp) is encouraged.

The programme needs to maintain a degree of flexibility, to reflect the complexities of the environment in which it will operate. It builds on the experiences and lessons learnt of previous programmes in this field, notably LICP.

Ownership is necessary for the Palestinians to make a successful transition from externally assisted emergency rehabilitation and post-conflict reconstruction to sustainable social and economic development, greater self-reliance, and confident competitiveness in global markets. Currently, some LGUs in the West Bank are too small to be able to deliver services effectively to the communities they serve.

Strengthening the ability of LGUs to meet the needs of the communities will require capacity building and may necessitate structural reform (through merging, clustering or amalgamation into bigger units). The process of local government reform and development must be driven by ownership (central and at the level of the relevant communities as this is a process that may fuel suspicion if not handled in a transparent manner). Donors must ensure that their interventions are well-coordinated and contribute to the larger reform process.

The MoLG leads the amalgamation reform process. Within the ministry, the Department for Joint Councils (DJCspd) is the focal point. This programme is based on the Local Government Action Agenda; on sector policies related to Strategic Development and Investment Planning, Local Government Finance, Solid Waste Management and others; and on policies (and draft policies) relating to restructuring of LGUs.

A top-down reform is unlikely to be successful in sensitive areas such as restructuring LGUs, and certainly the LGU's representatives need to be willing participants in the process. LGUs have upward linkages to other levels of government (regional and national) on the one hand, and downward linkages to the community within their territorial boundaries on the other. This makes LGUs key players in terms of communication, representation and accountability in both directions.

The programme therefore proposes to strengthen the MoLG's leadership of the process, in core areas such as setting the policy and regulatory framework, developing implementation strategy and planning, supporting and facilitating implementation and overseeing and coordinating the reform process at all levels, and building the capacity of the ministry and governorates to ensure that LGUs function well.

The programme will also support the involvement of local communities in the work of the LGUs, such as information on the role of local government, participation in municipal development planning, and in supporting the maintenance of public services (including

through holding LGUs to account). The programme has an infrastructure component, which will support infrastructure projects to LGUs which have either successfully reformed or are in the process of reforming, in order to provide both an incentive for reform and to increase the sustainability of infrastructure projects.

2.2 Main lines of Action

2.2.1 Component 1: Support for MoLG Capacity Development (Result 1)

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 organisational 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 organisational structure is highly desirable to engraft a coherent and sustainable capacity development plan could upon.

Phase 1 (2011-2012)

Taken into account this challenge, this first component will start with a 'fading-in' strategy where a targeted approach is applied, oriented towards support for three identified entities, being

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

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

Phase 2 (2012-2015)

It is aimed for that this first phase will be followed by a second phase (2012-2015), focusing on a more broad-based capacity development plan (preferably joint-donor funded) with a focus on organisational & institutional strengthening (i.e. beyond individual training & equipment). Assistance to the Ministry for the development of such a plan will be provided through this intervention (provision of expertise) and will build upon ongoing initiatives (e.g.. Tawasol – USAID; UNDP's Capacity Development Plan of MoLG). If the development and implementation of a well-prioritised capacity plan at MoLG's level with joint-donor support turns out to be over-ambitious in the short run, an alternative line of action will have to be developed for this component in year 2. In such case, alternatives

will be searched for in coherence with the MoLG's strategic priorities and in coherence with the Government Program 'Ending the occupation, establishing the State'.

2.2.2 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 six selected clusters (see map and list in annex). The LGUs will receive four broad areas of support:

1. Institutional development: studies, information campaign and consultations for facilitation of appropriate amalgamation process including development of SDIP and physical plans,
2. Capacity Building of LGUs through temporary support for staff employment, training, equipment, manuals, software etc as well as support for office construction. Temporary payment of salaries will only be made based on needs and sustainability assessments and only be provided for a 12-month start up period.
3. 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
4. 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 formalisation of their new LGU-status as Municipal Councils.

Figure 1: Expected Change of LG status in the six selected areas

	Year 1	Year 2	Year 3	Year 4	Year 5
Area 1	Villages and PCs		Merged municipality / LGU		
Area 2	Villages and PCs		Merged municipality / LGU		
Area 3	Villages and PCs		Merged municipality / LGU		
Area 4	Villages and PCs		Merged municipality / LGU		
Area 5	Villages and PCs			Merged municipality / LGU	
Area 6	Villages and PCs			Merged municipality / LGU	

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.

2.2.3 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 harmonisation 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.

3 Intervention framework

3.1 General objective

The general objective of the programme is to strengthen the institutional and management capacities of the local government system.

3.2 Specific objective

The specific objective to be achieved during the project period is: to “support institutional reform through improved capacities and services of selected clusters of smaller LGUs and improve the institutional capacity of MoLG”.

This reflects MoLG’s priority assigned to the transformation of smaller not viable LGU units into larger more viable structures and the need for strengthening the overall management of the reform process through a reinforced MoLG as regards its policy-making capacity, and its institutional and organisational performance.

The proposed program will have three components supporting five key results:

Component	Key results
1. Support for MoLG Capacity Development	1. Selected departments of MoLG capacitated to implement the MoLG strategic plan
2. Support for reform and improved capacities and services in smaller LGUs	2. Smaller LGUs in four to six clusters are facilitated for provision of joint services and amalgamation
	3. The capacities of these LGUs are enhanced for improved planning, financial management, HRM and accountability
	4. The services of these LGUs are improved through provision of sustainable infrastructure development
3. Support for newly amalgamated municipalities (MDP-aligned)	5. Newly amalgamated municipalities (merged smaller LGUs) are continuously progressing their performance

3.3 Expected results

3.3.1 Result 1

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

Phase 1 (2011-2012)

The Complaints Directorate (currently 6 FTEs), established in 2009, has a direct link with other units within the MoLG and the districts (11 persons). The Directorate, in close collaboration with the district level has the mandate to declare complaints admissible, to report, file and treat them. These complaints can deal with a wide range of issues such as licensing matters, engineering related concerns or solid waste related problems. Being a recently established unit, the expected result is a gradual increase of successfully treated complaints, both in quantitative and qualitative terms (time-bound responsiveness, updated filing system, adequate communication strategy etc.).

The Internal Control Directorate (currently 6 FTEs) was established in 1995 by the PA (for all ministries) and directly works for the Minister. Support for the Internal Control Directorate is oriented towards a better performing internal control system of the Ministry, fostering transparency, predictability, accountability and procedural compliancy of the Ministry's Directorates and departments, as well as the enhancement the Ministry's learning capacities through identification and communication of good practices related to the previously stated objectives.

The Department of Formulation and Elections (currently 3 FTEs) within the General Administration for Formulation and Joint Councils, is a newly created entity, awaiting formal approval by Cabinet, and reflecting the Ministry's policy priority regarding its support for merging exercises and joint services initiatives of LGUs. Within this Department, the division dealing with amalgamation will receive particular attention, with a special focus on improved data collection, analysis and communication regarding amalgamation processes, both within the Ministry and between the Ministry and decentralised entities.

Next to support for these three units, this first phase for Component 1 will also include some cross-cutting support to the ministry and selective support to MoLG at district level. Activities related to such cross-cutting support will explicitly seek the enhancement of the communication and information flow between the centralised and decentralised level.

Phase 2 (2012-2015)

The results for Phase 2 will be defined during the first half of 2012, as mentioned in section 2.2.1. By putting a national expert in capacity development within MoLG, a continuous debate on institutional and organisational strengthening, in preparation of Phase 2, will be facilitated.

3.3.2 Result 2

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

Small LGUs join larger units through voluntary merging, clustering or amalgamation. The special focus on small LGUs is motivated by the non-viability of many LGUs in service provision and performance of core functions like planning, financial management, and economic development.

MoLG has recently announced its intention to speed up the process of institutional reform of smaller LGUs with the ambition of rapidly transforming them into amalgamated LGUs with status as municipal councils³. This is probably for most of the smaller LGUs the ultimate best institutional solution for development of more effective and sustainable LG service delivery. However, it assumes that it is possible to identify sufficient common ground among the various smaller LGUs proposed for amalgamation and joint service delivery.

MoLG has very recently developed a Joint Service Councils Strategy (March 2010) that sought to:

- (1) Develop Clustering Arrangements: Identifying clusters of LGUs that can be the bases of sustainable JSCs. The Clustering Arrangement of LGUs aims at defining the “optimum area of services,” where JSCs could provide better services to its residents with less financial and human resources. These clusters, also would serve as the basis of further discussions for LGU amalgamation (i.e. merger) purposes, as they have been demarcated based on a solid experience of the needs and aspirations of the local inhabitants.
- (2) Prepare an Action Plan: Preparing a step-by-step action plan for the Department for JSCspd /MoLG to guide the establishment, activation or strengthening of the JSCs (i.e. identified Clusters). This designated step-by-step action plan for the Department for JSC/MoLG is prepared to provide guidelines and orientation for the implementation of the LGUs Clustering Arrangements. It also includes all the related organizational and institutional pre-requisites for the JSCs Strategy implementation. The action plan basically entails deciding who will be responsible for each task, the timetable of each action, and in what order they will be carried out in order that the Department for JCspd/MoLG is able to reach its Mission.

Based on the above document, MoLG has started to solicit external support for institutional reform of priority clusters and provided a list of priority areas/clusters, in the

³ This is partly reflected in the below mentioned Joint Councils Strategy of 2010 but the specific emphasis on the objective of fairly rapid formal amalgamation of smaller LGUs into municipal councils were foremost communicated verbally by the Minister and deputy Minister at the time of the mission.

governorates of Bethelém, Nablus, Ramaalah, Qalqelyah, and Hebron for Belgian support. The cluster selection will be confirmed by the Steering Committee (see chapter 5), after confirmation of the technical, social and political feasibility and viability of the proposed clusters. Each cluster will primarily focus on the development of joint services and/or amalgamation of the smallest LGUs (being village councils and/or project committees).

Selected clusters of LGUs will be supported in a dialogue on appropriate institutional arrangements including possible merging into amalgamated municipal councils. The specific activities in support of this process are further detailed in section 3.4.1 below.

3.3.3 Result 3

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

A programme for capacity building will be developed and implemented for each cluster of LGUs once the initial steps of development of joint institutional arrangements for the LGUs in each cluster is agreed upon. Focus will be on the core functional local government areas such as improved planning, HRM, financial management, service delivery and accountability.

The particular capacity building interventions for each cluster of LGUs will be based on an initial need assessments and the particular activities will be developed by MoLG/MDLF in consultation with the respective LGUs to ensure that capacity development is need based and demand driven. The proposed capacity building plans will be appraised and approved by the Steering Committee before funding.

The support for each LGU may entail

- Provision of equipments such as office furniture,
- Provision of office building for the new administrative areas where no other suitable building are in place,
- Temporary employment of staff on a need basis – e.g. where new joint councils have not yet been put in place as interim step towards amalgamation and where specific staff are deemed central for the operation of the new local governments. This would typically include at a minimum: one engineer, one planner, one financial manager and a secretary. The intervention's support will be restricted to payment of salaries for a one year period after which the financial responsibilities have to be taken over by the new local government structure.
- Training of staff in various aspects such as planning, HRM, financial

management, service delivery and accountability.

- Brief orientation of the local politicians and other local stakeholders on the roles and responsibilities of the new LGUs and ways whereby they can hold it accountable,

Standard packages and approaches for capacity building have been developed by MoLG and MDLF in areas such as planning and financial management. Recently a standard package has been developed (with GTZ support) for capacity development in solid waste management. And MoLG, MDLF and several donors are also developing and implementing participative approaches for engaging citizens more actively in local government activities related to planning and service delivery. The intervention will, whenever possible, use such standardised approaches rather than “re-invent the wheel”.

Keeping in mind that the MDP initiative explicitly focuses on performance-based financial allocations to municipalities in order to provide incentives for better municipal management - so that they can provide better services to citizens - capacity development in areas such as budgeting, accounting and financial reporting will be given particular emphasis.

3.3.4 Result 4

Result 4: LGUs service delivery is improved through sustainable infrastructure development in the four to six clusters

As LGUs join larger units and improve their planning and management abilities, they can apply for public service/infrastructure projects within their mandate by demonstrating need (through community-driven planning approach) and improved planning and management capabilities.

The programme will make funds available for infrastructure projects for smaller LGUs participating in the amalgamation process to provide an incentive for reform and meeting genuine community needs.

The projects to be financed will be identified on the basis of a Strategic Development and Investment Plan (SDIP), developed with support (see result 2) and approved by the Steering Committee (see chapter 5).

The eligibility criteria set out in MDLF's Operations Manual will be applied as these have been used over a long and consultative method and are considered appropriate on a national scale for all municipal councils. All sub-projects have to prove that they are demand driven (meet local needs), and can be managed by the local government in a sustainable way.

While the LGUs are responsible for the technical design, when necessary they will be assisted, through MDLF, by a team of Local Technical Consultants to ensure sound quality standards.

A proposal for allocation of funds will be submitted by the technical committee to the Steering Committee (see chapter 5). The selection criteria will be based on:

- Assessment of whether all basic eligibility criteria are met (as per MDLF Operations Guide),
- The extent to which the services that are to be provided are truly joint services - serving all smaller LGUs in the cluster rather than just smaller communities,
- The number of people served compared to the investment,
- The quality of operation and maintenance plans and strategies.

3.3.5 Result 5

Result 5: newly amalgamated municipalities are continuously progressing their performance

Once the smaller LGUs have completed the amalgamation process as intended by MoLG, they will acquire status as municipal councils and qualify for support under the Municipal Development Programme. The MDP allocates funds for services to municipalities in accordance to a transparent formula that includes basic data on needs (e.g. population) and data on the performance of the municipality. The MDP in this way provides an incentive for municipalities to continuously enhance their performance. The performance measures include 12 key indicators of good municipal management (with particular emphasis on sound financial management)⁴.

Funds are allocated based on rank; cities with higher rankings will be eligible for more funding than those with lower rankings. During Phase 1, municipalities are ranked for the first two years; after that, they will be ranked on an annual basis. The MDP works closely with municipal leaders to help those in the lower levels move up to a higher ranking

The rankings are from A to F, with A constituting the highest possible rank. They are based on 12 criteria encompassing planning, management and financial accountability (see annex 7.1.6.)

The intervention will enable new municipalities to integrate into the MDP's grant allocation scheme, as the modus operandi for Component 3 will operate according to the same allocation principles and hence, will facilitate the incorporation of municipalities in the MDP. This will provide an extra incentive for the smaller LGUs to complete the institutionalization process and also enable BTC/Belgian support to work closer with other donors active in the sector.

4 Details of the criteria are available in the MDP Programme Document pages 50- 52. Updated information on the ranking of the municipalities according to this scoring system is available at: <http://www.mdlf.org.ps/etemplate.php?id=116>

Other municipalities with similar take off needs, or existing municipalities in the start up stage of amalgamation may also be considered subject to the approval of the Steering Committee (see chapter 5).

3.4 Activities

3.4.1 Activities under Result 1

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

Phase 1 (2011-2012)

A.1 Execute a quick scan (needs assessment) for the Complaints Directorate, the Internal Control Directorate and the Department of Formulation and Merging

A.2 Implement support activities for the Complaints Directorate, the Internal Control Directorate and the Department of formulation and Merging and the district level

Facilitated by a national Capacity Development Expert (see section 4.2.) and where appropriate by external consulting expertise, the needs assessment will focus on the intended results as specified under section 3.3.1. Special attention will be given to improved interaction and communication of the central units with the district level, and how the role of the district vis-à-vis the LGUs can be reinforced (especially with respect to the 'complaints' and 'formulation & merging' dimensions). For the three units and the district level, equipment can be part of the support provided, but primary focus will be on training initiatives related to the mandate of each actor and focusing on skills and aptitudes, increased policy-making capacity (especially for the Department of Formulation and Merging) and facilitating networking and exchange opportunities among the actors concerned here. Moreover, two temporary staff members to support and enhance the amalgamation-process can be financed within this cluster of activities, upon approval by the Steering Committee of clear ToR, prepared by the Technical Committee for Component 1 (with a focus on policy-making capacity, and without overlap with the mandate of the Policy Unit that is currently 'under construction' within MoLG), as well as one temporary communication officer (ToR to be prepared by the Technical Committee for Component 1 and approved by the Steering Committee)..

A.3 Accompany the MoLG in the development of a broad-based capacity development plan

In close collaboration with other ongoing donor initiatives and in coherence with the policy priorities of the MoLG, activities implemented here will support the (prerequisites for) the development of a broad-based capacity-development plan at the level of the Ministry. A Capacity Development Expert (national expert, see section 4.2.) recruited for an (initial) 2-year based period, will ensure a facilitating role in this respect. As mentioned in section 2.2.1., alternative activities in order to prepare Phase 2 for this first Component (i.e.

alternative intervention strategy in case a ministry-wide capacity development turns out to be overambitious), can be financed here as well.

Phase 2 (2012-2015)

The activities for Phase 2 will be defined during the second year of the programme, as mentioned in section 2.2.1.

3.4.2 Activities under Result 2

Result 2: Smaller LGUs in selected clusters are facilitated for provision of joint services and amalgamation

The programme will be implemented by MDLF and follow the guidelines and procedures of MDLF as currently piloted with Danida support under the Local Development Programme (LDP) in Jenin (2008-2010) as further summarised below.

LGUs will be provided with technical support to decide on appropriate arrangements for joint services and/or amalgamation. This includes

A.1: an initial survey of the technical and financial viability as well as social acceptability of the proposed future institutional arrangements. In case of a negative assessment (e.g. if the citizens are non-supportive or if the newly proposed LGU is with too small a revenue base or otherwise unviable), then further support will either be re-directed to another cluster or alternative arrangements for joining the concerned LGUs will be considered (e.g. by adding other LGUs / excluding some LGUs etc).

A.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. An assessment will be made of the administrative and management capacity available among council staff in each of the selected clusters and the capacity and infrastructure needs of amalgamated administrative and management systems will be identified. This will be based on locally developed plans that are submitted to the technical committee (see chapter 5) for approval.

A.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. This will include a prioritised list of proposed infrastructure projects for funding (result 4). The LGUs will be provided with preliminary indicative budget figures (based on the totally available funds and the populations of the concerned LGUs). However, decisions on actual budget allocations will be made by the Steering Committee based on a prioritised plan of action for supply of infrastructure and any related equipment and systems, including training and capacity development for operation and maintenance of the systems.

A.4: The LGUs will be supported to develop a comprehensive capacity development plan that inter alia will include recommendations for organisational structures staffing, office facilities, training programmes and minor equipments.

3.4.3 Activities under Result 3

Result 3. The capacities of these LGUs are enhanced for improved planning, financial management, HRM and accountability

A. 1 A capacity development programme will be implemented for each of the selected clusters of LGUs once the initial needs assessment and local planning processes have been completed. MDLF will engage consultants/technical teams to assist the LGUs/MoLG in development of these capacity development needs (result 2).

The exact nature of the capacity development programme will depend on these exercises but are expected to include support for:

- Equipment, such as computers, software (for e.g. accounting, mapping/simple GIS etc) filing cabinets, safe etc
- Office buildings for new administrative headquarters (renovation of extension),
- Financial support for 12 months initial employment of staff – typically one planner, one accountant, one engineer and a secretary as a basic minimum. Decisions on provision for funding for temporary employment of staff will be based on prior assessment of the expected LGU revenue generation and the affordability of staff payments. The staff will enter into employment with the LGUs (and not the project),
- Training of staff and elected politicians in key areas such as financial management, planning, human resource management
- Provision of general awareness campaigns to citizens in the concerned areas about the LGU restructuring process, about the planning process etc in order to encourage wider citizen engagement

3.4.4 Activities under Result 4

Result 4: Services of these LGUs are improved through provision of sustainable infrastructure development

The intervention will immediately start implementation in four clusters. Activities in the other two will be subject to a decision by the Steering Committee (see chapter 5) based on budget status and planning once such information is available.

Once the overall development planning exercise is complete (result 2), then the various clusters of LGUs will be supported with

A.1: provision of funding for infrastructure development that enhance the new institutional

status of the LGU (amalgamated into municipal council or as JSC).

A participative planning process at the level of the LGUs will be a condition sine qua non for identifying activities eligible for support under Result 4.. Propositions of the LGU-clusters will then be transmitted to a Technical Committee (including – but not limited to - representatives of MoLG and MDLF), which will transfer a proposition of activity planning to the intervention's Steering Committee for formal approval (see section 5.3.2. – Institutional arrangements for Component 2 for further details).

MDLF will facilitate the timely implementation of the approved activities - according to the agreed planning and quality checks – by providing support and follow-up (i.e. procurement support, technical support, administrative and financial follow-up & overall reporting), in close collaboration with the LGUs and their JSCs. The LGU-clusters will have particular responsibilities in the areas of participative planning and exchange with the local population, preparatory and follow-up activities related to design & tendering and construction supervision.

3.4.5 Activities under Result 5

Result 5. Newly amalgamated municipalities (merged smaller LGUs) are continuously progressing their performance

The activities under Result 5, will be in line with MDP's performance-based financial allocation mechanism, including:

A-1 undertake regular assessments of municipalities and provide general oversight and guidance to the concerned LGUs (by MDLF staff) and

A-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.

In the ongoing phase of MDP, the windows that are mutually supporting consist of this consists of:

Window 1 -- Providing 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. (See box for more information on the Grant Allocation Mechanism).

Window 2 – Promoting learning and innovation to facilitate municipal development, including implementation of national policy directives. The MDP supports the PA 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 -- Helping municipalities to improve their performance rankings and built designed to complement the Grants Allocation Mechanism. Provides technical assistance to improve financial management, planning capacities and technical capabilities, particularly in operations and maintenance.

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

3.5 Indicators and means of verification

The logical Framework (annex 7.1) presents the proposed key indicators and means of verifications.

The guiding principle is to use existing national systems wherever possible for monitoring of progress. Thus the overall Local Government Administration and Sector Strategy (LGASS) will be the basis for monitoring the wider progress in the sector. For results 1-4 it is necessary with project specific indicators as indicated in annex, whereas the normal MDP benchmarks can be used as indicators for achievements of result area 5.

3.6 Description of beneficiaries

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

At the decentralised 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 (see details in annex 7.5).

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.

4 Resources

4.1 Financial resources

The program will be implemented over a five-year period within the following budget framework provided by Belgium.

Component	EUR
Component 1: CB of MoLG	1,824,140
Component 2: Support for amalgamation in 6 areas (incl. equivalent of 7% management fee)	9,000,000
Component 3: MDP Contribution (incl. 7% management fee)	2,900,000
General Means (International TA salaries, administrative and financial officer, reviews, etc) and budgetary reserve	1,275,860
Total	15,000,000

The detailed budget is provided in 7.2.

It is foreseen that the PA contribution mainly will be in-kind (staff, offices etc), more specifically, MoLG will contribute for a total amount of 160,000 EUR to the intervention, through:

- o running costs for 2 field vehicles (fuel, insurance, maintenance etc.) : 98,000 EUR
- o office space for the national development expert: 2,000 EUR
- o national staff (for reporting, M&E, participation in activities) both at the level of MoLG and the district level (where LGU-clusters will be supported) over a period of 5 years: 60,000 EUR.

4.2 Human resources

MoLG and LGUs' staff, paid by the PA, constitute the major human resource inputs for implementation of programme activities. However, the programme will also be supported by two technical advisors (one national, one international) and by an administrative and financial officer. More specifically the human resource inputs for the programme can be summarised as:

Within MoLG:

The ministry will assign a focal person for coordination (i.e. National Director for the intervention) and relevant technical staff to implement activities as trainers/ facilitators. Belgium will support the implementation by financing a national Capacity Development Expert (see 7.3).

Within MDLF:

MDLF will receive a lump sum in order to assure the timely implementation a of component 2 and 3 according to quality standards as agreed upon, and approved by the Steering Committee. In line with practices agreed upon by other donors, the MDLF lump sum will be the equivalent of 7% of the activities planned and executed under component 2 and 3 This will enable MDLF to recruit additional staff, including one Senior Coordinator and expertise in the areas of engineering, socio-economics, local planning and capacity development (non-exhaustive list).

Within selected LGU clusters:

Experiences from previous amalgamation processes have demonstrated the importance of timely establishment of a small and effective secretariat to support the new joint services. Thus for those clusters of LGUs that do not yet have such adequate staff, the programme will support (in each cluster: one planner, one engineer, one secretary and one accountant (for one year). Temporary funding of staff costs will be provided only if it is deemed viable that the LGU can take the full responsibility for financing these staff within 12 months and only when the LGUs have signed up for a commitment to do so.

Additional Intervention Staff ('support unit'):

One international Technical Advisor & one Financial and Administrative Officer.

4.3 Material resources

The material resources included for Component 1 (to be detailed after a needs assessment as stated in Section 3.4.1) can include

- small equipment (office supplies and/or ICT etc.) to facilitate the work of the 3 units at the central level (Complaints Directorate, Internal Control Directorate, Department of Formulation and Merging);
- small equipment (office supplies and/or ICT etc.) to facilitate the work of the district level and its communication with the central level and the local level;
- 2 vehicles (to facilitate exchanges between the central and decentralised level).

5 Implementation modalities

The programme will be administrated according to the principles of partnership and joint implementation. Each of the 3 programme components will have its own institutional arrangements and management rules. The management processes to be followed for each domain of programme management are described further in the following chapters.

5.1 Legal framework and administrative responsibilities

The present TFF is part of the Specific Agreement between the Palestinian Authority and Belgium, determining the legal framework of the intervention.

For the Palestinian Party:

- The Ministry of Local Government (MoLG) is the administrative body responsible for the implementation of the programme.

MoLG designates a high official (Minister or his representative) as the responsible for the overall implementation and follow-up of the Programme.
- MDLF is the implementation agency for Component 2 and 3 of the programme.

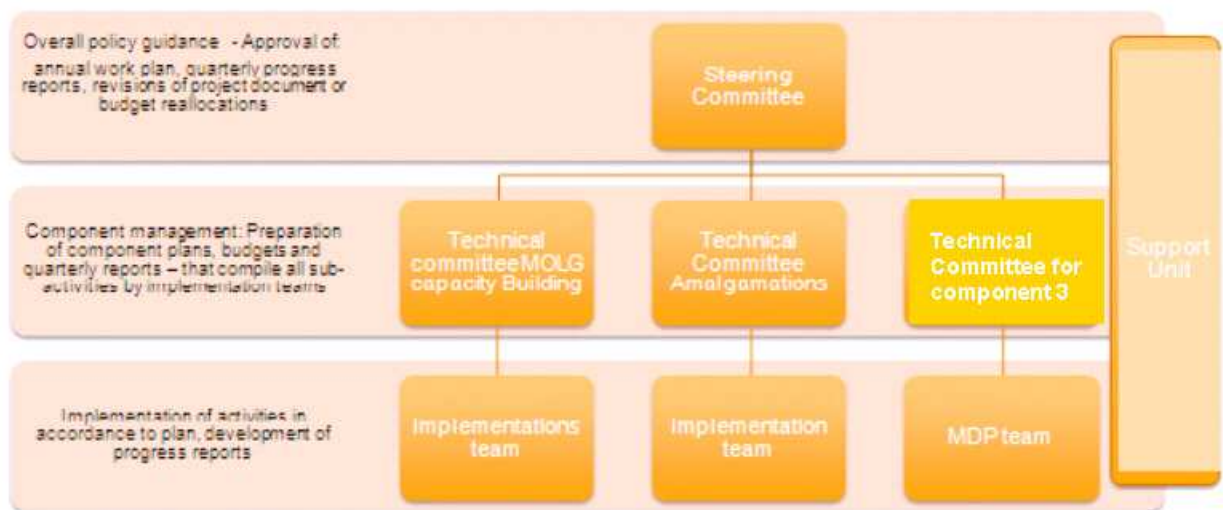
For the Belgian Party :

- The Directorate-General for Development (DGD), under the “Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation” of the Government of Belgium is the Belgian administrative entity responsible for the financial contribution to the programme.
- The Belgian Technical Cooperation (BTC) is the Belgian entity responsible for the follow up and implementation of the programme. BTC is also responsible for the disbursement of the funds of the Belgian contribution and for monitoring all expenditures made from the Belgian budget.

5.2 Institutional Arrangements

The intervention will be guided by one overall Programme Steering Committee that will ensure coherence between the different components and make budget adjustments across the three components if necessary. However, each of the three components will have its own specific institutional arrangements for management of component-specific issues as further elaborated below.

The responsibilities and procedures as well as the risks related to them are described further in the following chapters of the present TFF.



5.2.1 Institutional Arrangements for Component 1

The Implementation Team which is responsible for daily management of this component will be composed of the national Director of the intervention and the national capacity development expert.

During the first year of implementation, efforts will be made to pursue the development of a comprehensive and preferably joint-donor funded capacity development strategy for MoLG. The institutional arrangements for component 1 will in that case be revised if necessary.

The management of component 1 will be supported by a Technical Committee composed of representatives of MoLG (National Director of the intervention, Representative of the Financial and Administrative Directorate, Representative of the Directorate of Projects, a Representative of the Projects Unit which directly falls under the Deputy Minister, and additional representatives of beneficiary units if relevant) and the national capacity development expert. The international policy advisor can also attend the meetings of the Technical Committee.

The meeting frequency will be monthly and as needed.

Key responsibilities of the Technical Committee will include the strategic planning of Component 1, as well as its follow-up.

5.2.2 Institutional Arrangements for Component 2

Component 2 will be implemented by MDLF and managed within the overall institutional framework of MDLF and the Belgian co-management modality, with ultimate policy guidance from the Board chaired by the Minister of MoLG.

A Technical Committee on Amalgamation/Joint Services will be established, composed of:

- MoLG (Director DJCspd, national director for the intervention),
- MDLF Team - led by Senior Coordinator,
- BTC's International Policy Advisor.

Representatives of the selected LGU-clusters will be invited to provide input and participate in discussions. Recommendations by the Technical Committee to the Steering Committee will be consensus-based.

The meeting frequency will be monthly and as needed.

Key responsibilities of this Technical Committee will include work planning and preparation of technical proposals for endorsement by the Steering Committee.

The equivalent of the standard 7% management fee of MDLF will cover all costs associated with MDLF management of the component including a dedicated team to lead the implementation of component 2. This will include one senior coordinator, next to expertise in the areas of engineering, socio-economics, local planning, capacity development and monitoring and evaluation (non-exhaustive list). Existing MDLF staff working on related technical issues will support the team, just as the existing financial management and procurement staff will support the overall financial management of the implementation of this component .

As the management fee transfer will be based on the effective disbursements done during the previous quarter, a budget line within the component 2 will allow initial recruitment of the adequate personnel as mentioned in the above paragraph; this amount covers four salaries for a start-up period

The MDLF Implementation Team will liaise with the Support Unit of the intervention in order to ensure technical and financial consistency within the intervention's overall management.

Every payment has to be submitted to the BTC Resident Representative or his/her delegate (confirmed in writing) for a signature of "no objection". All original-supporting documents needed prior to signing must be attached to the payment request.

5.2.3 Institutional arrangements for Component 3

As regards to the planning and follow-up of Component 3, a Technical Committee will be composed of MDLF staff, one MoLG-representative and the international Policy Advisor..

Once the steering committee has approved budget allocations, the management of this component will follow the overall MDP institutional arrangements relying on the MDLF as implementation agency as for component 2.

5.3 Implementation and follow-up bodies

5.3.1 Support unit

A Support Unit will be established to facilitate and manage the implementation of the intervention

The support unit will be responsible for the overall coordination and follow-up of the intervention operating in close coordination with the Palestinian Partner i.e. the Director of DJSCspd, national Director of the intervention. It will be located in BTC's office in Ramallah and composed of the International Policy Advisor, a Financial and Administrative Officer and a driver.

The Support Unit will liaise on a permanent basis with the national Capacity Development Expert and the Implementation Team within the MDLF (see above).

The Support Unit will be responsible of gathering and consolidating information regarding progress on Component 1, 2 and 3. This will enable the Support Unit to establish the planning and reporting of the whole intervention and ensure the coherence of the results framework.

Coordination by the Support Unit regarding the different components of the intervention and its overall coherence will comprise the following activities:

- Overall planning of the programme activities and adjustments on a quarterly basis
- Organizing, coordinating and supervising the implementation of programme activities in accordance with the approved programme work plans
- Providing timely compilation of progress reports and budgeted work plans for the following period for consideration by the Steering Committee
- Ensuring the secretariat of the Steering Committee (dissemination of reports, proposal of agenda, drafting of minutes of Steering Committee meetings etc)
- Compilation of the programme final report at the end of the programme
- Coordination and networking with other national and international partners, in order to obtain synergies and to avoid overlaps and gaps between interventions.

5.3.2 Programme Steering Committee (PSC)

The **Programme Steering Committee** (PSC) represents the highest management level of the programme. It is responsible for providing the necessary strategic guidance to all programme implementers and assures that programme objectives are timely achieved.

The composition of the Steering Committee is as follows:

- The Minister of Local Government or his/her representative – chair of the Steering Committee;
- The representative of the Minister of Planning and Administrative Development;
- The BTC Resident Representative,
- The MDLF Director General or his/her representative.

The Steering Committee can invite any other relevant person to attend the Steering Committee.

The Programme Support Unit will ensure the secretariat of the Steering Committee and will

provide the necessary information to its members. Minutes will be taken for each PSC and signed by the 4 members.

The Steering Committee will decide by consensus. The Steering Committee members may designate a delegate to the Steering Committee in case they are not able to attend the meeting in person. However the delegate has to be fully mandated to take decisions and commit the absent member for follow-up.

The National Director and the International Policy Advisor will attend the Steering Committee meetings to report to and advice the Steering Committee, but will not participate in any decision-making.

Meeting frequency: 2 times a year and as needed

Key responsibilities: the Steering Committee will:

- Approve the state of progress of the programme and the achievement of its specific objective on the basis of the progress reports;
- Approve the work plan of the programme;
- Approve the proposals relating to adjustment or modification of the way in which the Belgian contribution is made available, the financial modalities, budget revisions and reallocations between budget lines, as long as those revisions do not affect the programme specific objective and remain within the limits of the approved budget;
- Approve the changes proposed related to the composition and responsibilities of the Steering Committee and the mechanism to change the TFF;
- Identify any problem relating to the management of the resources (human, financial or material) or the interpretation of the Agreement or to the TFF, which may pose a threat to the smooth course of the Programme, and inform both Governments;
- Approve the financial audits and the monitoring reports;
- Formulate recommendations on possible necessary changes in the programme components, budgets and future directions; and
- Approve the final report and close the programme.

MoLG will take the initiative of regularly informing the other actors in the sector, and MoLG specialized bodies.

5.4 Operations management

5.4.1 Planning and reporting

For Component 1, the capacity development expert will assure:

- the preparation of overall planning of the component activities;
- Organizing, coordinating and supervising the implementation of programme component activities in accordance with the approved programme work plans;
- Technical guidance on programme methodology and strategy;
- Supervising of the preparation and tendering of contracts for procurement of goods and services;
- Providing financial management, accounting and timely compilation of progress reports and budgeted work plans.

Component 2 of the intervention will have a separate planning and reporting structure following the MDLF procedures , i.e.:

- MDLF will report on progress in implementation on a six-monthly basis. Those semi-annual progress reports will cover the first six calendar months and include a performance based action plan for the following semester. (Report to be provided by mid-August at the latest)
- At the end of each calendar year MDLF will report on the implementation on a cumulative basis and provide planning for the following 12 months, as part of MDLF's overall Cumulative annual progress Report (to be submit by end of February at the latest)
- At the end of the intervention MDLF will submit an Implementation Completion Report within 6 months of closing date (see below)

Component 3 of the intervention will have a separate planning and reporting structure following the MDP rules, which are the MLDF procedures.

For the whole programme

The Support Unit will be responsible for the coordination of the planning between all partners and the establishment of the programme work plans and budgets for the whole programme. In that perspective the planning and reporting regarding the different components will be integrated by the Support Unit into an overall reporting format for the whole programme in close collaboration with the international policy advisor, following the agreed deadlines. The support Unit will:

- establish the Programme Work plan and budget that will be presented to the Programme Steering Committee during the first 3 months of the programme start-up.
- update work plans on a quarterly basis (compiling information regarding operations, procurement and financial planning).
- compile the information for the six-monthly implementation reports (semi-annual review of the planning), which will be presented to the Programme Steering Committee.
- use BTC templates in order to provide consolidated reporting on the whole programme.

An annual report will be produced according to the BTC templates and endorsed by the Steering Committee.

The table below presents the synthesis of the various types of operational reports. This table is not exhaustive and the parties can agree on additional reports.

Type of BTC report	Period	Body in charge	Recipient
Operations planning	Quarterly	Support Unit	BTC/ MoLG
Progress Reports	Six-monthly	Support Unit	BTC / Steering Committee
Follow-up and Evaluation report	Yearly	Support Unit	BTC / Steering Committee
Evaluation Report	Mid-term (after 2 years) and Final evaluation (6 months before programme end)	External Company	BTC / Steering Committee

Besides these reporting procedures, specific BTC reporting will be provided to the Belgian Party by the international Policy Advisor. On a quarterly basis, progress reports addressing the following topics will be included (non comprehensive list):

- Evolutions in the sector strategies, policies, institutions ...
- Analysis of implementation results, efficiency, effectiveness..
- Analysis of progress related to donor harmonization (including results of sector working groups sessions..)
- Follow up on Risks analysis (political, development, fiduciary risks...)
- Advice on disbursements

5.4.2 Monitoring and Evaluation (M&E)

Previous interventions revealed weaknesses of the M&E process in projects. It is essential to set up quality M&E system right from the start of the intervention, eventually with the support of an external consultancy and in close coordination with BTC, including:

- a baseline study which should not only provide reference points but also lead to determine and/or review the indicators of the logical framework.
- clarifying how to report the results of Component 2 and 3
- how to conduct external evaluations (e.g. Midterm and Final Review)

For Component 1

The supervision and monitoring of activities will be the responsibility of the Capacity Development Expert within the Technical Committee.

For Component 2 and 3 :

The monitoring and evaluation procedures used for MDLF will be applied.

Main elements of MDLF for monitoring results are as follows:

the Grant Allocation Mechanisms proposed for MDP include the indicators and baseline data to rank the 132 municipalities according to their performance in 3 areas (financial management, budgeting and development planning)

a Municipal Infrastructure data base has been developed in April 2009 for the 132 municipalities in the WB

MDLF has developed a baseline study for the municipal financial performance ranking system

Strategic Development and Investment Plans to be developed by municipalities with the participation of communities will also provide baseline information for monitoring

For the whole programme

An external Mid-term Review, following BTC regulations, will be conducted close to the end of the programme's second year. The Terms of Reference will be prepared by the Support Unit, BTC and MoLG and forwarded to the Programme Steering Committee for approval.

The main objective of the Mid-term Review is to assess the progress of the whole programme activities against planning (efficiency) and the extent to which the programme results and objective are going to be achieved during the course of the intervention (effectiveness). The Mid-term Review will also examine the financial, institutional and managerial setting of the intervention. The mission will formulate recommendations for the second half of the programme implementation period. It will insist in particular on the mechanisms that have been / or should be put in place to ensure sustainability of programme results. Its findings and recommendations will be presented to the Steering Committee.

A final evaluation will also be conducted close to the end of programme implementation following the BTC regulations

5.4.3 Technical backstopping

A provision is made for international or national consultants, who will provide on demand **technical backstopping** for specific aspects of the programme.

Periodical backstopping from BTC headquarters will also be provided whose Terms of reference will be prepared in close collaboration with the BTC office in Jerusalem and the Support Unit.

5.5 Financial Management

For component 1, the Belgian contribution will be managed according to the BTC systems, procedures and responsibilities

For Component 2 and 3, the Belgian contribution will be channelled to MDLF on the basis of stipulations described in the following chapters.

5.5.1 Budget management

The budget of the programme indicates the budgetary limits, within which the programme must be carried out. Any budget modification must be approved by the Programme Steering Committee on the basis of a proposal worked out by the Support Unit. The possible budgetary changes within and/or across components are:

- Change of the budget structure;
- Transfer of resources between existing budget lines;
- Reallocation of funds between the different financial modes;
- Utilization of the reserve (if any).

This is possible as long as the changes do not affect the Specific Objective of the programme and remain within the limits of the approved budget.

For the whole programme:

The management of a budget change must be made according to BTC procedures.

The total budget amount cannot be exceeded. In case a budget increase is required, a motivated request must be introduced by the Palestinian Authority to the Belgian State after having received the agreement of the Programme Steering Committee. If the Belgian State accepts the request, the two parties must sign an exchange of letters.

In order to facilitate the start-up of the intervention, commitments and expenses may be made before the signature of the Implementation Agreement between Belgian Government and BTC. These shall concern logistics and human resources for a maximum amount of 85,060 EUR.

		Maximum amount (Euros)	
Z	General means		85.060
Z 01	Staff expenses		17.000
Z 01 03	Administrative and Financial Officer	Own management	5.000
Z 01 04	Driver	Own management	1.300
Z 01 05	Recruiting costs (local + ITA)	Own management	10.700
Z 02	Investments		58.060
Z 02 01	Vehicles	Own management	45.000
Z 02 02	Office equipment	Own management	5.560
Z 02 03	IT equipment	Own management	5.500
Z 02 04	Office improvement works	Own management	2.000
Z 04	Audit and Monitoring and Evaluation		10.000
Z 04 01	Monitoring and Evaluation costs / Baseline	Own management	10.000

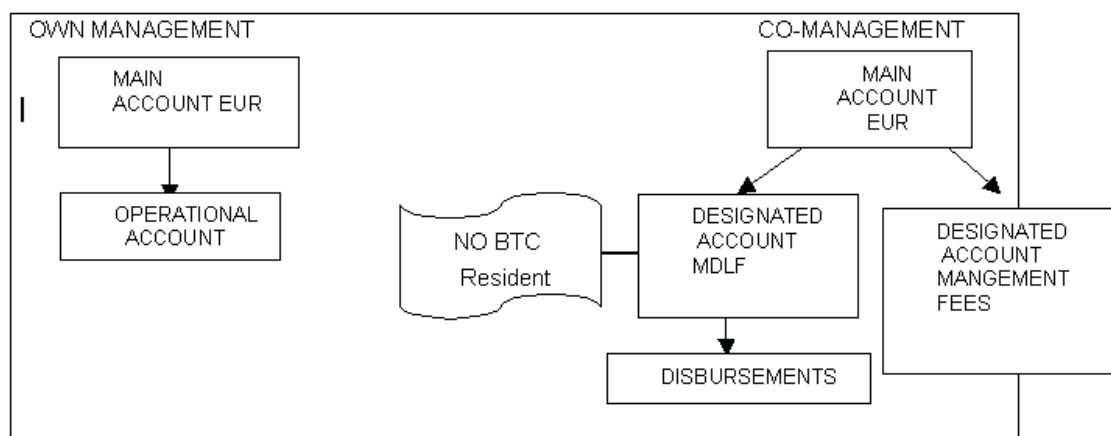
For Component 2 and 3:

Each year, MDLF will prepare a budgeted annual plan of activities, separately identifying activities to be financed by individual donors, including that of BTC, and will submit it to the Financing Partners. Budget preparation will follow the procedures laid out in the Operational and Procedures Manual.

Towards the end of each fiscal year, MDLF will prepare the cash budget for the coming year in consultation with departmental heads. The cash budget will include the figures for the year, analyzed by quarter. The cash budget for each quarter will reflect the detailed specifications for program activities, schedules (including procurement plan), and expenditure on quarterly program activities. The annual cash budget will be sent to BTC at least two months before the beginning of the program fiscal year for review and approval.

5.5.2 Bank accounts, authorisations

The table below presents a synthesis of the financial flows of the intervention.



The following bank accounts will be opened for the programme:

- 1) the 'Main Programme Account-own management '
- 2) the 'Operational Programme Account'
- 3) the 'Main Programme Account- co-management'
- 4) the 'Designated Account' at MDLF

All these bank accounts respects the mandates procedures set for BTC own and co-managed projects.

- The 'Main Programme Account': in "own management"

This account shall be opened at the Deutsche Bank Jerusalem for the Belgian contribution under own management and will be managed on the basis of a double signature from the BTC Resident Representative and the International Policy Advisor.

This account serves for:

replenishment of the programme operational account;

for payments under Component 1 above the threshold of 25,000 €.

- The 'Operational Programme Account': (own management)

This account will be opened at a commercial bank in Ramallah for the component 1 of the programme (own management) and will be managed with a double signature from BTC.

The signatories will be the Programme National Technical Advisor and the Financial and Administrative Officer.

This account serves for all expenses under the threshold of 25,000 €.

- The Main account in co-management

This account shall be opened at the Deutsche Bank Jerusalem for the Belgian contribution under Co-management and will be managed on the basis of a double signature from the BTC Resident Representative and the co-authorizing officer from MOLG. This account will mainly serve as a transit account before transferring the funds to MDLF designated accounts.

- The 'Designated Account' (managed by MDLF):

MDLF will open two bank accounts in a Commercial Bank in Ramallah and named – LGRDP Component 2 and BTC Management fees LGRDP Component 2. The first separate account will be used for funds provided by the Belgian contribution only,. The second bank account will be replenished by the Representation on basis of the audited IFR and will cover the management fees for the next period.

As mentioned previously in the document, the Resident Representative or his delegates (in writing) will provide a declaration of no objection at the level of payment request. Every payment has to be submitted to the BTC office in Jerusalem for signature. All original-supporting documents needed prior to signing must be attached to the payment request.

The bank, will at the opening of the bank accounts, commits itself in writing that payments will be executed only if the request for payment has been duly signed by the BTC Resident Representative or a delegate.

- Another "Designated Account" shall be opened in year 2 of the intervention implementation. This account shall be managed by MDLF for the intervention Component 3.

MDLF will open two bank accounts in a Commercial Bank in Ramallah and named respectively– LGRDP Component 3 and BTC Management fees LGRDP Component 3.

This separate account will be used for funds provided by the Belgian contribution only, as each donor participates through parallel financing to MDP. The same principal as described above apply for the management fees transfers.

5.5.3 Request for funds

- The Main Account for "own management" is replenished every three months following BTC procedures.

A first request for transfer of funds can be submitted to the BTC Representation from the moment the implementation agreement is signed between the Belgian Government and BTC. The requested amount shall correspond to the financial needs of the first three months; the request shall be signed by the BTC Representation.

The amount of the subsequent transfers / cash call is equal to the estimated needs in treasury for the following quarter with a cash buffer (financial planning).

BTC transfers the funds at the beginning of the quarter.

Designated Accounts (excluding management fees) will be replenished directly from The Main Account for co-management on a quarterly basis.

First transfer

The initial deposit into the Designated Accounts will be based on a six-month forecast prepared by MDLF and submitted with a Withdrawal Application, as soon as the Implementation Agreement is signed between BTC and the Belgian State.

MDLF shall submit a first request for funds transfer to the BTC Representation on the basis of the following:

- a letter of request from MDLF (Withdrawal Application);
- the operational and financial planning for the first six months, with a Declaration of No-Objection from the International Policy Advisor.
- Bank account opening confirmation
- List and proxy holders copies of signatures

The BTC Representation will validate the request and send it to BTC HQ.

Subsequent transfers (quarterly basis)

The amount of each subsequent transfer will be equivalent to the amount mentioned in the semi-annual budget and work plan (included in the relevant Interim Financial Reports), net of the remaining un-disbursed amount from the previous transfers.

Any withdrawal request shall be signed by an authorised person of the MDLF and delivered to BTC together with the relevant IFR, including the following documents on which the withdrawal will be based:

- quarterly Interim Financial Reports (IFRs) (showing each donor part separately),
- the updated semi-annual budget and work plan;
- bank statement from the Designated Account;
- reconciled bank statements,
- a consolidated statement of expenditures justifying the amount disbursed during the relevant quarter
- external audit reports of IRFs (quarterly).

The IFRs will document the disbursed amounts for the past quarter, the commitment for the coming quarter, and the next six months needs.

Requests for disbursement will be presented on the basis of approved work plans and cash flow projections for expenditures as presented in the relevant IFR consistent with the cash flow forecasts presented under the Annual Work Plan and Procurement Plan.

Withdrawal Applications accompanied with quarterly IFRs will be prepared by the MDLF, and submitted to BTC. The complete file shall get the positive advice of the International Technical Advisor and thereafter be validated by the BTC representation.

The Management Fees Designated Bank Account

The transfer of management fees will be based on the effective disbursements done during the previous quarter. The Representation will calculate exactly how much is due on basis of the audited IFR received every quarter. In case expenditures done are considered as ineligible, the Representation reserves the right to ask for more details and supporting documents. If after that additional information the expenditures remain ineligible, the Representation will withdraw this amount from the total reference figures for the 7% calculation and transfer.

Before the Representation operates the first transfer, MDLF will supply with the following documents:

- Bank account opening confirmation
- List and proxy holders copies of signatures

To cover the first quarter a budget line has been foreseen that is exclusively dedicated to the recruitment of the dedicated team to lead the implementation of component 2. The use of the budget line will be justified within the IFR (Interim Financial Report) and highlighted in the semi-annual

For the subsequent transfers, MDLF will comply with the same requirements as mentioned for the overall designated accounts. There will be two withdrawal requests one for the funds dedicated to the implementation, one for the management fees.

5.5.4 Financial Reporting

Accounting

For Component 1:

Every month, the accounting of the programme must be elaborated and approved following the BTC internal procedures. The accounting must be signed by the National Technical Advisor and the Financial Officer and sent to the BTC Representation. It shall include the following files:

- electronic account files;
- bank statements and signed cash statements;
- all supporting documents (originals).

For Component 2 & 3:

- The accounting will follow MDLF systems and procedures.

- Transactions will be recorded and reported in a timely manner by source of funding, location, components, activities and expenditure categories and subcategories. The computerised system (Oracle based accounting system) includes, inter-alia, general accounting, budgeting, cost centers, asset management, Withdrawal Application's disbursement monitoring, is able to generate IFRs and annual financial statements).

MDLF has overall responsibility for the financial management of the Components 2 and 3.

Specifically, is in charge of:

- 1) consolidating the Programme's financial data;
- 2) preparing activity budgets, monthly Designated Accounts (DA) reconciliation statement, and periodic IFR Withdrawal Schedules, quarterly Interim Financial Reports (IFRs), and annual program financial Statements

Financial Planning and Reporting

For Component 1:

Every quarter, the National expert with DJSCspd will prepare a financial planning for the current quarter and upcoming quarters of the current year, and for the future years.

For Component 2 and 3

The IFRs prepared by MDLF should be submitted to BTC no later than 45 days from the end of the previous quarter.

Quarterly Reviewed Interim Financial Reports:

Financial Reports include a statement showing for the period and cumulatively (program life or year to date) inflows and outflows by main expenditure classifications and by individual donor; opening and closing cash balances of the Designated Account; and supporting schedules comparing actual and planned expenditures with detailed deviation analysis between actual figures and budgeted ones. The reports will also include cash forecast for the following six months.

Physical Progress Reports, which include narrative information, and output indicators linking financial information with physical progress, and highlighting issues that require attention.

Designated Account statement and reconciliation showing deposits and replenishments received, payments, interest earned on the account and the balance at the end of the reporting period.

Contracts listing which will reflect all signed contracts, their value and how much have been disbursed under each as at the report date.

Commitments listing which will reflect all committed amounts for the next 6 months

Annual Program Financial Statements:

- *A Statement of Sources and Uses of funds* (by Grant Category / by Activity showing Bank and Counterpart Funds separately);
- *A Statement of Cash Flow* for Program Funds from all sources;

- *Statements* reconciling the balances on the various bank accounts (including Bank Dedicated Account) to the bank balances shown on the Statement of Sources and Uses of funds;
- *IFRs Withdrawal Schedule - Bank Grant* listing individual withdrawal applications relating to disbursements by the IFR Method, by reference number, date and amount;
- *Balance Sheet* showing Accumulated Funds of the Program, bank balances, other assets of the Program, and liabilities, if any;
- The Notes to the Financial Statements for the significant accounting policies and all other relevant information.

For the whole programme

Tasks described in the accounting and financial planning parts below for component 1, 2 and 3 and the reports ensuing from it will be submitted to the International TA and the Financial Officer for assessment, control and consolidation of accounting and financial reports for the whole programme. Assessment and control will focus on reliability, completeness and timeliness of the data submitted.

Every quarter, the Support Unit will prepare a financial planning for the current quarter and upcoming quarters of the current year, and for the future years. The financial planning must be done in accordance with the BTC internal procedures and must be sent to the BTC Representation in Jerusalem.

At the Programme Steering Committee meetings, the Support Unit will present the following consolidated financial information:

- budget monitoring reports;
- updated financial planning;
- list of the main commitments;
- bank accounts statements;
- list of received funds;
- budget change proposal if needed;
- action plan related to audit requirements.

5.5.5 Financial auditing

Programme Audit

External audits will be organised in the first and the third year of the whole programme implementation. A qualified financial auditor, selected and contracted by BTC, will execute the external auditing. The BTC Representation will elaborate the Terms of Reference and select the audit firm. The audit will include the following items:

Verification of the existence and the respect of procedures;

Verification, whether the accounts of the programme reflect reality.

The auditor's reports will be presented to the Programme Steering Committee. If necessary, the programme coordinator has to elaborate an action plan, in order to improve the procedures and to prove that corrective measures have been taken.

BTC Audit

Each year an Audit Committee reviews the accounts of BTC. Within this framework, the Audit Committee may also carry out audits of programmes in the Palestinian Territories. The Audit Committee of BTC may also request that BTC's internal auditor audit a specific programme.

For Component 2 and 3– MDLF audit

MDLF internal audit reports must be put at disposal of the Support Unit and Steering Committee in order to take the adequate management decisions and mitigating risks measures for the Component 2 and 3.

As agreed upon in the MDLF procedures, quarterly reviews of IFRs will also be conducted by independent private and qualified auditors acceptable to the Donors before submission of the IFR.

Those quarterly reviews will be part of the scope of the annual audit : an external auditor acceptable to all Donors will audit Program Consolidated Financial Statements on an annual basis.

The external review and audit fees will be financed out of the MDLF management fees.

5.6 Human resources management

BTC will recruit the International Policy Advisor as per Belgian rules and regulations through BTC headquarters in Brussels. The selected person will be presented to MoLG for approval.

The provisions of the General Agreement signed between the Palestinian Authority and the Belgian Government shall prevail.

The National Capacity Development expert will be recruited through the BTC Representation in Jerusalem as per Belgian rules and regulations. The selected person will be presented to MoLG for approval.

The Financial officer and the driver will be recruited through the BTC Representation in Jerusalem as per Belgian rules and regulations

MDLF will recruit a team to assure the implementation of component 2 & 3. This will include one senior coordinator, next to expertise in the areas of engineering, socio-economics, local planning, capacity development (non-exhaustive list).

5.7 Procurement

5.7.1 Co-management

Co-management applies to Component 2 & 3 as well as the "budgetary reserve" for co-management. Procurement related to the activities funded by Belgium under Co- management will be carried out by the MDLF using the supplementary World Bank Standard Bidding Documents and Evaluation Forms for procurement for works, goods and services in accordance

with the World Bank regulations and Guidelines⁵.

Procurement of Works and Goods: Procurement will be carried out using National Competitive Bidding (NCB) procedures. Contracts estimated to cost less than 67,000 Euro may be procured using Shopping procedures and would require soliciting, receiving and evaluating competitive quotations from at least three qualified suppliers. The award would be made to the supplier with the lowest evaluated price quotation for the required goods or works, provided it has demonstrated capacity to execute the contract successfully. In situations and circumstances that are in compliance with the provisions of paragraph 3.6 of the Guidelines for Procurement, goods or works may be procured through Direct Contracting.

Selection of consultants: Contracts for consultancy services will be procured through Quality and Cost Based Selection (QCBS) or Quality Based Selection (QBS). For services costing less than 67,000 Euro, the Consultants' Qualifications method (CQS) may be used. Individual Consultants (IC) will be selected under the provisions for the Selection of Individual Consultants, i.e., in essence through the comparison of the curriculum vitae of at least three qualified individuals.

For each contract to be financed under this project, the different procurement and consultant selection methods, estimated costs, review and No Objection requirements by the BTC, and time frame are agreed between the MDLF and the BTC in the Procurement Plan (PP). The PP will be updated yearly or as required to reflect the actual project implementation needs.

Procurement Information and Documentation: complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, related correspondence, contract award information, etc., will be maintained by the MDLF in an orderly manner and made readily available for any audit.

Clearances by the BTC: For the first contract under each of the various procurement and selection methods, the MDLF shall obtain the BTC No Objection on all procurement decisions (e.g. inviting bids/ requesting proposals, awarding contracts, rejecting bids,... etc.). For all other contracts MDLF shall obtain the BTC No Objection pronouncement on Contract award only. The requirement of the BTC No Objection shall be reflected in the Procurement Plan. The BTC no objection will be transmitted to the project within 30 days at the latest. In this regard the MDLF shall furnish to the BTC for its No Objection, in sufficient time, the necessary documentation (these would include, but not be limited to draft bidding documents, invitation to bid, detailed evaluation reports, the analysis of the respective bid/ proposals, and recommendations for award... etc).

⁵ Guidelines: Procurement under IBRD Loans and IDA Credits' published by the Bank in May 2004, revised in October 2006 & May 2010 and the 'Guidelines: Selection and Employment of Consultants by World Bank Borrowers,' dated May 2004, revised October 2006 & May 2010

Procurement Audits: For Component 3, MDLF procedures foresee an annual external procurement audit by a qualified firm with standards acceptable to the funding partners. Under the parallel financing arrangements a single funding partner may also conduct its procurement audit separately. Furthermore when particular risks have been identified any funding partner may, in consultation with the MDLF and the other funding partners, request that a special procurement audit be conducted or conduct further reviews and investigations. Similarly, MDLF procedures, under its management fee, foresee a procurement audit by a qualified firm, for Component 2.

External audits will also be organized in the first and the third year for the whole programme implementation as further explained under paragraph 5.5.5 above.

5.7.2 BTC own management

BTC own management applies to Component 1 as well as the activities under the “budgetary reserve” for own management and the General means. The items to be procured by BTC-HQ (e.g. International Policy Advisor, backstopping, etc..) will be managed by BTC own management according to the Belgian procurement regulations. The other items to be procured by the BTC Representation in Jerusalem (e.g. National Director, Administrative and Financial Officer, etc.), will be in BTC own management using World Bank Regulations and Guidelines. However all activities and items to be procured will be decided in close collaboration with the Palestinian counterpart.

5.7.3 Training and workshops (All components):

These will be carried out on the basis of approved programs. The programs will identify the general framework of training and similar activities, including the nature and objectives of training and workshops, institutions where training/workshops would be conducted, cost estimates and contents of the course, the number of participants, cost estimates, and the translation of the knowledge gained in the actual implementation of project components.

5.7.4 Fraud, Coercion and Corruption (All components):

All procuring entities as well as bidders and service providers, i.e. suppliers, contractors and consultants, shall observe the highest standard of ethics during the procurement and execution of contracts financed under the project in accordance the World Bank Procurement Guidelines.

5.7.5 The new procurement law (All Components)

A new procurement law is currently being prepared by the PA with the support of the World Bank. The law was drafted in line with the international standards. Once the new procurement law is finalized and enacted together with the related regulations and associated new bidding documents, the feasibility and the modalities for adopting the Palestinian procurement procedures will be examined through a study external to the project. Based on the

recommendation of this analysis, the Steering Committee will decide.

All contracts, invoices and payments to be charged on the Belgian contribution must be endorsed by the national Technical Advisor (with a maximum threshold of 25,000 EUR).

5.8 Changes to the Technical and Financial File

Changes can be brought to the TFF by MoLG and BTC if requested.

The formal agreement of the Belgian State and the Palestinian Authority is needed to change the duration of the Specific Agreement, the total financial contribution or the specific objective of the programme.

The request of the above modifications has to be motivated by the Support Unit (in close coordination with the international policy advisor) and approved by the Programme Steering Committee. The exchange of letters requesting these modifications shall be initiated by the Palestinian party and shall be addressed to the Belgian Embassy.

The following changes need to be approved by the Programme Steering Committee:

- The mode of operation of the Programme Fund;
- The way in which the Belgian contribution is made available (own management / co-management);
- The financial modalities;
- Programme results and their respective budgets;
- Indicators at the level of specific objective and of results;
- Composition and responsibilities of the Steering Committee;
- The mechanism for approving changes to the TFF.

The changes will be noted in the minutes of the Programme Steering Committee meeting approving them and they will be included in the annual report. The Belgian State must be informed about the changes.

5.9 Implementation calendar

The programme will be implemented over a five-year period in three phases:

- an inception phase (6 months)
- an execution phase (4 years)
- a closing phase (6 months)

At project start-up an inception phase will be necessary to elaborate further the institutional arrangements that have been set up for each programme component.

Main activities to be implemented during this phase are:

- Staff recruitment (finalisation), logistics
- Review of the TFF
- Execute a quick scan (needs assessment) of the three MoLG units that will be supported by the programme as well as other fields that need priority support

- Conduct a survey of the technical, social and political feasibility and viability of the proposed LGUs clusters that will be supported by the programme
- Finalize the institutional arrangements for each component (see chapter 5), and install the implementation units and the technical and steering committee of the programme
- Further define with MDLF (implementation agreement, operations manual etc...) the systems and procedures to be used in the framework of the programme Component 2 (implemented by MDLF following the co-management modality)
- Establish the programme Work Plan and budget that will be presented to the programme Steering Committee
- Conduct a baseline survey (with external consultancy if needed) in order to collect baseline data, further define the indicators of the Logical Framework Matrix, and set up the programme M&E system

An implementation and budget planning is provided in 7.2.

5.10 End of programme procedures

Six months before the end of the programme; the Support Unit needs to elaborate the financial balance, in accordance with BTC procedures. The financial balance must be submitted to BTC for verification before it is presented to the final Programme Steering Committee meeting.

During the last phase of the programme, the parties will ensure that the following actions are undertaken:

- An end-of-programme consolidated report is presented to the Steering Committee;
- The destination of remaining assets and budget is agreed upon;
- Preparations for the closure of accounts have been made.

The Support Unit shall compile and prepare a general end-of-programme report that can be presented and discussed by the Programme Steering Committee, before the programme comes officially to a close. Its final version will include the minutes of this Steering Committee meeting, including the remarks made about content and conclusions of the end-of-programme report.

The end-of-programme report shall give a full account of the expenditures of both the Palestinian and the Belgian contributions. It must include a list of all equipment to be handed over. The Steering Committee will approve the plan for handing over the equipment bought from the Belgian contribution.

After the end of the validity of the Specific Agreement, no expenditure will be authorized except if it is related to commitments entered into before the end of the Specific Agreement and mentioned in the statement of the Steering Committee. Operational expenditures after this date will not be accepted.

Amounts that are not used at the end of the intervention, will be returned to the budget of the indicative cooperation programme and will be reallocated. This will be confirmed by exchange of letters

After the remaining budget has been transferred according to the decision of PSC, both authorising officers of the intervention will take all necessary steps described by law and banking procedures, to close all intervention accounts. Documents confirming the closure of the accounts shall be copied to BTC and MoLG.

6 Cross cutting themes

6.1 Environment

The smaller LGUs have serious environmental problems due to a lack of resources and equipment. Through JSC arrangements they try to improve service delivery in areas such as solid waste management (existing) and waste water treatment (planned).

The creation of larger and more effective LGUs will lead to enhanced capacities for management of environmental problems. MoLG has developed a national strategy for solid waste management and continues in efforts for further local capacity enhancement in this area.

The sub-projects to be funded under component 2 include development and rehabilitation of municipal infrastructure including (but not restricted to) roads, parks, electricity services not provided by a utility and street lighting, and improvement, rehabilitation and maintenance of existing water systems (water wells, water networks, wastewater and sanitation). The expected environmental and social impacts of these sub-projects are expected to be positive; however, some minor temporary negative impacts are expected during the construction phases which are easily mitigated through the Environmental Management Plan prepared by MDLF.

During the implementation, it will be assured that results of environment impact assessments and principles will be integrated in the infrastructure investments.

6.2 Gender

MoLG is in the process of setting up a Gender Unit, though its mandate is yet to be defined. It shows the progress of PA institutions in addressing women's issues. A GTZ funded programme plans to support this unit. While it is still early days to know what will become of this Unit, the programme will have a keen eye for the role of women in local government, both as elected officials and appointed staff.

This can be pursued in several ways that include:

- o Ensuring women's participation in community workshops and meetings discussing programme related issues;
- o Identifying women's groups as a special target for awareness raising and information events;
- o Defining selection criteria for training and CD activities to ascertain women's participation;
- o Selecting topics of concern for women in designing a training programme;
- o Ensure that community facilities for women will be taken into account during needs assessment for infrastructure

6.3 Social economy

While the direct responsibility of LGUs for supporting local economic activities at present is not very explicit, there is a whole lot that can be done indirectly to create necessary conditions for the local economy to develop. This indirect role can be played through supporting local economic development plans, creating basic conditions through infrastructure building, responding quickly to new initiatives to start income and employment generating activities. Such activities are currently piloted by MDLF and are included as part of the overall support package for component 2.

7 Annexes

7.1 Logical framework

	Logical of the intervention	Indicators	Sources of verification	Assumptions /Comments
GO	<u>General objective</u> To strengthen institutional and management capacities of the local government system	Progress in implementation of the overall Local Government and Administration Sectoral Strategy (LGASS)	LGASS Progress Reports and LGASS Reviews	Overall macro economic and political situation is not deteriorating The LGASS is yet to be fully finalised, but it assumed that this will be completed before 2010 and include measurable progress indicators.
SO	<u>Specific objectives</u> To support institutional reform through improved capacities and services of selected clusters of smaller LGUs and to improve the institutional capacity of MoLG	Capacities of the selected clusters of LGUs and departments of MoLG are improving.	Project Progress Reports that summarise the indicators of the five key results.	The PA commitments for decentralisation reforms remain intact or further improve.
R 1	Component 1: MoLG capacity development Result-1 Selected departments of MoLG capacitated to implement their responsibilities as per MoLG strategic plan	Selected departments have clearly defined strategic and operational goals Selected departments can show a successful implementation of their respective departmental work plans Enhanced exchange between central and district level takes place (quantitatively & qualitatively)	Departmental work plans and departmental progress report Surveys among MoLG and district level staff	MoLG and PA Commitment to MoLG's strategic plan which inter alia will include sufficient Government contributions for effective operations of MoLG

	Logical of the intervention	Indicators	Sources of verification	Assumptions /Comments
R 2	<p>Component 2 LG joint Services and Amalgamation</p> <p>Result-2: smaller LGUs in selected clusters have developed appropriate joint institutional arrangements for joint services and amalgamation,</p>	<p>% of LGU clusters that after year 2 have formally approved new institutional structures in place</p>	<p>MoLG Progress reports</p>	<p>Government commitment to amalgamation strategy. LGUs willingness to amalgamate and/or form joint service arrangements.</p>
R 3	<p><u>Result 3:</u></p> <p>Capacities of these LGUs are enhanced for improved planning, HRM, financial management, service delivery and accountability,</p>	<p>% of LGU clusters with improved/quality systems for:</p> <ul style="list-style-type: none"> • Development planning, • HRM (including actual staffing) • Financial management • Service delivery and • Local accountability 	<p>MoLG/MDLF Reporting based on baseline profile of LGUs at the onset of the programme.</p> <p><u>Planning:</u> existence of LGU approved Strategic Investments Plans in accordance with MoLG guidelines,</p> <p>HRM: staff positions filled with qualified staff paid from own revenue,</p> <p>Financial management in accordance to national guidelines and no major audit queries</p> <p>Evidence of improved service delivery and evidence of sustainable O&M arrangements,</p> <p>Evidence of citizen involvement in planning and engagement in LG affairs</p>	

	Logical of the intervention	Indicators	Sources of verification	Assumptions /Comments
R 4	<u>Result 4:</u> LGUs service delivery is improved through sustainable infrastructure development in the four to six clusters	% Completion of planned infrastructures at acceptable quality, Realistic operation and maintenance plans for all investments, Sustained operations after end of project support	Project progress reports, Completion reports, Mid term review	Overall relative macro economic and political stability.
R 5	Component 3: Municipal development program: Result 5: newly amalgamated municipalities are continuously progressing their performance	Performance score of the newly created municipalities is increasing on annual basis	MDP Progress reports	Overall relative macro economic and political stability. Continued joint donor and government support for MDP model (window 1).

	Activities to reach Result 1
R 1	<u>Result 1 : Selected departments of MoLG capacitated to implement their responsibilities as per MoLG strategic plan</u>
A 1.1	Execute a quick scan (needs assessment) for the Complaints Directorate, the Internal Control Directorate and the Department of Formulation and Merging.
A 1.2	Implement support activities for the Complaints Directorate, the Internal Control Directorate and the Department of formulation and Merging and the district level.
A 1.3	Accompany the MoLG in the development of a broad-based capacity development plan.
A 1.4	Implement Phase 2 (to be developed during Phase 1)

	Activities to reach Result 2
R 2	<u>Result 2</u> : Smaller LGUs in six selected clusters are facilitated for provision of joint services and amalgamation
A 2.1	Initial survey of the technical and financial viability as well as social acceptability of the proposed future arrangements.
A 2.2	Valuation of each local council's assets that would be incorporated in the new municipality.
A 2.3	The LGU will be supported with consultants and technical staff from MDLF to develop a comprehensive development plan in line with national guidelines.
A 2.4	The LGUs will be supported to develop a comprehensive capacity development plan.
	Activities to reach Result 3
R 3	<u>Result 3</u> : The capacities of selected LGUs are enhanced for improved planning, financial management, HRM and accountability
A 3.1	A capacity development programme will be implemented.

	Activities to reach Result 4
R 4	<u>Result 4 : The delivery of services of the selected LGUs is improved through provision of sustainable infrastructure development</u>
A 4.1	Provision of funding for infrastructure development.

	Activities to reach Result 5
R 5	<u>Result 5 : Newly amalgamated municipalities are continuously progressing their performance</u>
A 5.1	Undertake regular assessments of municipalities and provide general oversight and guidance to the LGU's.
A 5.2	Provide fiscal transfer to municipalities that is linked to their performance during the assessments.

7.2 Budget and implementation calendar

					CHRONOGRAMME					
BUDGET TOTAL			Execution mode	BUDGET TOTAL	%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
A Component 1				1.824.140	12%	240.400,00	121.200,00	552.500,00	560.000,00	350.040,00
A 01	Result 1: Selected departments of MOLG capacitated to implement the strategic p.			1.824.140	12%	240.400,00	121.200,00	552.500,00	560.000,00	350.040,00
A 01 01	Quick scan (needs assessment) selected departments	Own management	7.500		7.500,00	0,00	0,00	0,00	0,00	0,00
A 01 02	Implement CD activities for selected departments	Own management	212.400		151.200,00	61.200,00	0,00	0,00	0,00	0,00
A 01 03	Assist MoLG in development CD plan	Own management	306.700		81.700,00	60.000,00	52.500,00	60.000,00	52.500,00	0,00
A 01 04	Implement Phase 2 Component 1	Own management	1.297.540		0,00	0,00	500.000,00	500.000,00	297.540,00	0,00
B Component 2				9.000.000	60%	3.186.000,00	1.696.000,00	2.126.000,00	896.000,00	1.096.000,00
B 01	Result 2: smaller LGUs in six selected clusters are facilitated for joint services and			1.470.000	10%	966.000,00	126.000,00	126.000,00	126.000,00	126.000,00
B 01 01	LGU facilitation for amalgamation/joint services	Co-management	840.000		840.000,00	0,00	0,00	0,00	0,00	0,00
B 01 02	Start up personnel expenditures (Senior Engineer, Coordina	Co-management	60.000		60.000,00					
B 01 03	MDLF management of component 2	Co-management	570.000		66.000,00	126.000,00	126.000,00	126.000,00	126.000,00	126.000,00
B 02	Result 3: Capacities of selected LGUs enhanced			1.680.000	11%	550.000,00	400.000,00	230.000,00	200.000,00	300.000,00
B 02 01	Implementation of capacity development projects	Co-management	1.680.000		550.000,00	400.000,00	230.000,00	200.000,00	300.000,00	0,00
B 03	Result 4: The selected LGUs delivery of services is improved			5.850.000	39%	1.670.000,00	1.170.000,00	1.770.000,00	570.000,00	670.000,00
B 03 01	Implementation of capital investment projects	Co-management	5.850.000		1.670.000,00	1.170.000,00	1.770.000,00	570.000,00	670.000,00	0,00
C Component 3				2.900.000	19%	380.000,00	580.000,00	780.000,00	780.000,00	380.000,00
C 01	Result 5: Newly amalgamated municipalities are continously progressing their perf			2.900.000	19%	380.000,00	580.000,00	780.000,00	780.000,00	380.000,00
C 01 01	Sub-project grants to municipalities	Co-management	2.697.000		339.400,00	539.400,00	739.400,00	739.400,00	339.400,00	0,00
C 01 02	MDLF management of component 3	Co-management	203.000		40.600,00	40.600,00	40.600,00	40.600,00	40.600,00	40.600,00
X Budgetary reserve (max 5% * total activities)				0	0%	0,00	0,00	0,00	0,00	0,00
X 01	Budgetary reserve			0	0%	0,00	0,00	0,00	0,00	0,00
X 01 01	Budgetary reserve CO-MANAGEMENT	Co-management			0,00	0,00	0,00	0,00	0,00	0,00
X 01 02	Budgetary reserve OWN MANAGEMENT	Own management	0		0,00	0,00	0,00	0,00	0,00	0,00
Z General means				1.275.860	9%	300.180,00	256.420,00	226.420,00	256.420,00	236.420,00
Z 01	Staff expenses			967.700	6%	202.100,00	191.400,00	191.400,00	191.400,00	191.400,00
Z 01 01	International Policy Advisor	Own management	750.000		150.000,00	150.000,00	150.000,00	150.000,00	150.000,00	150.000,00
Z 01 02	National Director	Own management	18.000		3.600,00	3.600,00	3.600,00	3.600,00	3.600,00	3.600,00
Z 01 03	Administrative and financial Officer	Own management	150.000		30.000,00	30.000,00	30.000,00	30.000,00	30.000,00	30.000,00
Z 01 04	Driver	Own management	39.000		7.800,00	7.800,00	7.800,00	7.800,00	7.800,00	7.800,00
Z 01 05	Recruiting costs national staff	Own management	10.700		10.700,00	0,00	0,00	0,00	0,00	0,00
Z 02	Investments			58.060	0%	58.060,00	0,00	0,00	0,00	0,00
Z 02 01	Vehicles		45.000		45.000,00	0,00	0,00	0,00	0,00	0,00
Z 02 02	Office equipment	Own management	5.560		5.560,00	0,00	0,00	0,00	0,00	0,00
Z 02 03	IT equipment	Own management	5.500		5.500,00	0,00	0,00	0,00	0,00	0,00
Z 02 04	Office improvement works	Own management	2.000		2.000,00	0,00	0,00	0,00	0,00	0,00

Z 03	Operational expenses		150.100	1%	30.020,00	30.020,00	30.020,00	30.020,00	30.020,00
Z 03 01	Office rent	Own management	62.500		12.500,00	12.500,00	12.500,00	12.500,00	12.500,00
Z 03 02	Services and maintenance costs	Own management	9.000		1.800,00	1.800,00	1.800,00	1.800,00	1.800,00
Z 03 03	Vehicle Insurance costs	Own management	12.000		2.400,00	2.400,00	2.400,00	2.400,00	2.400,00
Z 03 04	Vehicle maintenance	Own management	9.000		1.800,00	1.800,00	1.800,00	1.800,00	1.800,00
Z 03 05	Telecommunications	Own management	18.000		3.600,00	3.600,00	3.600,00	3.600,00	3.600,00
Z 03 06	Office supplies	Own management	4.800		960,00	960,00	960,00	960,00	960,00
Z 03 07	Maintenance of IT material	Own management	3.000		600,00	600,00	600,00	600,00	600,00
Z 03 08	National field missions	Own management	12.000		2.400,00	2.400,00	2.400,00	2.400,00	2.400,00
Z 03 09	Bank Costs	Own management	1.800		360,00	360,00	360,00	360,00	360,00
Z 03 10	Other operational expenses (small logistics & drivers)	Own management	18.000		3.600,00	3.600,00	3.600,00	3.600,00	3.600,00
Z 04	Audit and Monitoring and Evaluation		100.000	1%	10.000,00	35.000,00	5.000,00	35.000,00	15.000,00
Z 04 01	Monitoring and Evaluation costs / Baseline	Own management	50.000		10.000,00	20.000,00		20.000,00	
Z 04 02	Audit	Own management	30.000		0,00	10.000,00		10.000,00	10.000,00
Z 04 03	Backstopping	Own management	20.000			5.000,00	5.000,00	5.000,00	5.000,00
TOTAL			15.000.000		4.106.580,00	2.653.620,00	3.684.920,00	2.492.420,00	2.062.460,00
			OWN MANAGEMENT	3.100.000	540.580	377.620	778.920	816.420	586.460
			CO-MANAGEMENT	11.900.000	3.566.000	2.276.000	2.906.000	1.676.000	1.476.000

7.3 ToR long-term personnel

Two advisers will support the programme implementation:

- One International Policy Adviser who will provide overall strategic advice for project coherence and with dual responsibility for assistance to Belgian government of Donor-Government dialogue on decentralisation sector issues through Sector working group and policy advice to MoLG on a demand driven basis.
- One National Capacity Development Expert to focus solely on component 1 with strategic advice on planning for capacity development of MoLG.

The specific ToR for each of these two positions are further elaborated below.

7.3.1 International Policy Advisor

The international policy advisor will serve as the overall technical advisor to the programme. He/she will partly support the Belgian government in its policy dialogue with the PA on decentralisation and local government reform issues and partly assist the MoLG on specific technical and policy issues as requested by MoLG.

He will be part of the Support Unit and he will be responsible, together with the National Director, of the intervention overall management.

The responsibilities of the Advisor will include, but not necessarily be limited to, the following areas:

- Advise the MoLG on all relevant issues regarding the management of the programme, this will include assistance to drafting of ToR for studies and consultancy services
- Assist MoLG and BTC in the monitoring and evaluation of the programme,
- Provide policy advice to the amalgamation process and other local government reform issues as requested by MoLG,
- Assist the Belgian Government with Donor-Government dialogue on sector issues through the sector working group

He will also, in close coordination with the National Director of the intervention

- Organise, coordinate and supervise the implementation of programme component activities in accordance with the approved programme work plans;
- attend the Steering committee meetings on a regular basis and the meetings of the technical committees for all three components on ad-hoc basis as required
- Consolidate the narrative and financial reports to be submitted to the Steering Committee
- Coordinate the implementation of the project with other donor agencies supporting the local government sector Provide Technical guidance on programme methodology and strategy;

- Supervise the preparation of financial and procurement planning
- Provide financial management and timely compilation of progress reports and budgeted work plans

The policy advisor will be based within BTC's office in Ramallah.

The international policy advisor will be recruited on international competitive basis. The candidate will be selected on the basis of a joint interview between the BTC selection committee and a representative of MoLG. According to circumstances and possibilities this will either happen through a videoconference or the person of the ministry will come to BTC Brussels.

The profile of the preferred candidate includes:

- Relevant and international recognised degree at masters or Ph.D level (in public administration or other relevant field),
- Minimum of ten years relevant work experience with local government reforms internationally – preferably with experience from Middle Eastern countries,
- Minimum 5 years experience with project management in developing countries
- Sound understanding of all aspects of decentralisation reforms,
- Preferably experiences with LG restructuring / amalgamation processes from other countries,
- Proven, effective facilitator skills and the ability to develop effective interpersonal relationships; teamwork, negotiate and manage conflict.
- Excellent communication and report writing skills.
- Excellent planning, management and organisational skills
- A high level of computer literacy, including Word, Excel, Internet, E-mail, Power Point
- Excellent English
- Arabic would be a distinct advantage

7.3.2 National Capacity Development Expert

The National Capacity Development Expert will focus solely on component 1 with strategic advice on planning for capacity development of MoLG.

The expert will initially be recruited for 2 years (2011-2012) and he/she will during this phase

- support the detailed capacity development activities in support of the selected MoLG departments (The Complaints Directorate, the Internal Control Directorate, the Department of Formulation and Merging) and the associated district level;

- Assist MoLG in its strategic thinking about - and actual development of - a broader long term capacity development plan for all of its departments, that is amendable to joint donor support and takes into account the existing assessments and diagnostics;

According to the results of phase one (see section 2.2.1), the mandate of the expert can be prolonged for the second phase of the project (3 additional years) to support the implementation and monitoring of the agreed, wider capacity development plan of the ministry. In that case, the ToR of the national expert can be adapted upon approval by the Steering Committee.

The expert will be recruited on international competitive basis by BTC with inputs from MoLG. The profile of the preferred candidate includes:

- Relevant and recognised degree at masters or Ph.D level (in public administration or similar field),
- Minimum of ten years relevant work experience with local government reforms in Palestine or internationally - experience from Middle Eastern countries is a must, with a focus on capacity needs,
- Sound understanding of all aspects of decentralisation reforms,
- Experience in the development and/or implementation of capacity development strategies within the public sector, including strategic, methodological and operational aspects,
- Excellent English and Arabic,
- Strong interpersonal and networking skills.

Tasks:

- Provide technical and strategic guidance regarding the preparation, implementation of any activity undertaken under Component 1 of the project and assure its technical and administrative follow-up,
- Attract and follow-up punctual external assistance (consulting) for specific capacity development activities where appropriate,
- Participate at any capacity development-related initiative organised within MoLG at the latter's request,
- Assure liaison with representatives of MoLG responsible for capacity development-related initiatives and facilitate MoLG's strategic thinking about capacity development,
- Guarantee the smooth functioning of the project's Technical Committee for Component 1,
- Provide input for the project's Steering Committee as requested.

The expert will be provided with office space within MoLG.

7.3.3 Financial and administrative officer

The financial and administrative officer is responsible for a variety of finance-related tasks including the ones listed below (this list is not exhaustive).

He/she works under direct supervision of the International Policy Advisor.

Major tasks

1. Responsible for financial administration and procedures

- Control all financial administration issues: solves problems, helps improve financial administration by developing tools, points out and corrects errors and problems, reports any major problem to the co-directors and seeks advice from the LAF when necessary.
- Ensure a correct, smooth and efficient organization of the financial administration;
- Organize regular meetings with financial and administrative staff, and ensure good communication, information and cooperation within the financial administration team.
- Supervise compliance with legal and administrative procedures and guidelines; this implies he studies, checks and reinforces financial guidelines and procedures of the Belgian Technical Co-operation and Ministry of Finance (for own management) in addition to the Palestinian regulations (for co-management), including the Specific Agreement, the TFF, the BTC quality handbook and any guidelines provided from Brussels HQ or Representation at Jerusalem, Palestinian legal texts.
- Ensure all instructions received from the representation or BTC headquarters are correctly applied and followed and that the requests are met within the deadline.
- Update guidelines and system of all types of payments in project, esp. allowances.
- Update Administrative and Financial Manual, and ensure communication of new procedures to all admin/fin staff involved.

2. Financial activity reporting

- Final responsibility for timely production of FIT statements; provide guidance and supervision to the accountant who produces the FIT statements.
- Produce financial reports whenever requested following format laid out (e.g. for steering committees), or develops customized formats for ad hoc reports (in excel).
- Make electronic back-up of final versions of financial reports

- Consolidate the financial reporting received from MDLF in order to have a comprehensive and clear view of the whole programme.

3. Budgeting and financial planning

- Follow up and update of budget; Compare budget and planning with actual expenses; Provide monthly overview of budget balance to co-management and technical teams
- Financial short-and long term planning: overall, yearly and quarterly (in co-operation with co-management and technical teams); monthly and weekly, in co-operation with accountant and financial administrator/logistics assistant
- Overall management of bank and cash accounts, making cash calls on basis of the financial planning.

4. Auditing, monitoring, consulting, training

- Audit and analyze project expenses monthly, report any inconsistencies or irregularities.
- Control supporting accounting documents on quality and completeness, and follow up on corrections by the accountant.
- Consult and monitor financial issues related to technical project components (e.g. transfer of scholarship funds, accountability of beneficiaries and institutions)
- Prepare and provide training on financial management for stakeholders
- Preparing and assisting internal and/or external financial audit missions

5. any other tasks reasonably requested

Profile

- University degree in finance, business administration or business economics;
- Minimum 5 years experience in financial management and project administration;
- Management experience, and experience with an international organization or NGO;
- Very good hands-on knowledge of excel and word is a must. Other programs (Database, accounting programs) a strong advantage;
- Proficient in English and Arabic with good translation skills;
- Mature, good communicator and team player;
- Able to work under stressful conditions and not objecting to overtime and field missions.
- Knowledge of the World Bank Public Procurement guidelines is an asset

7.4 Map of Proposed Clusters of smaller LGUs for amalgamation



A map showing the new structure of joint service councils in West Bank, with the location of: 4 expected new established municipalities (star *in orange*) and the locations of clusters proposed to be amalgamated (*dark blue star: first option by MoLG, light blue star second option*)

7.5 Municipal Ranking System under MDP

CHART 1
MUNICIPAL RANKING ON THE BASIS OF PERFORMANCE

<i>Rank</i>	<i>Indicators of Performance Criteria</i>	<i>Number of Municipalities</i>
<i>1-A</i>	1. <i>Current Account Surplus (for 2 consecutive years)</i> 2. <i>Unqualified External Audit</i> 3. <i>Integrated Financial Management System</i>	<i>0</i>
<i>2-B</i>	4. <i>Operational Account Surplus (in 2007);</i> 5. <i>Fixed Assets Register;</i> 6. <i>Maintenance Plan in place</i>	<i>0</i>
<i>3-C</i>	7. <i>Municipal Development/Investment Plan</i> 8. <i>Financial Accounting Policies & Procedures in place</i> 9. <i>External Audit</i>	<i>16</i>
<i>4-D</i>	10. <i>Capital Budget (approved and executed, properly submitted to MoLG)</i>	<i>90</i>
<i>5-E</i>	11. <i>Recurrent Budget (approved and properly submitted to MoLG)</i>	<i>26</i>
<i>6-F</i>	12. <i>No Budgetary Information</i>	<i>0</i>

The definitions for each of the indicators are provided below.

- (i) *Unqualified External Audit*: Refers to whether an audit of the municipal financial statements and related financial processes has been conducted in the previous fiscal year and is totally satisfactory.
- (ii) *Surplus or Deficit*: A surplus or a deficit must be calculated as the difference between the Total Operating Revenues minus Total Operating Expenditures, adjusted by bills unpaid for the corresponding fiscal year.
- (iii) *Maintenance Plan*: Currently there is no definition of what constitutes a maintenance plan. As such, this criterion will not be used for the first year of the application of the ranking. However, its application may be considered for the fiscal year following the definition, and dissemination, across all municipalities, of the minimum elements that a maintenance plan should include.
- (iv) *Minimum Maintenance Expenditures*: One issue across Palestinian municipalities in the operation of their local infrastructure projects is its relative low level of maintenance.
- (v) *Fixed Assets Register*: Registration of municipal physical assets is part of the requirements of the MoLG norms and procedures. Only the physical registration needs to be verified.
- (vi) *Municipal Development and Investment Plan*: The existence of a municipal development plan.

(vii) *Use of a Financial Management Information System*

(viii) *External Audit*: As stated under numeral 1 above, this indicator refers to whether an audit of the municipal financial statements and related financial processes has been conducted in the previous fiscal year.

(ix) *Actual Development Budget*: It refers to whether or not the particular municipality has submitted the Executed Development Budget to MoLG. Municipalities are expected to submit their actual/executed budgets to MoLG on a yearly basis.

(x) *Approved Development Budget*: It refers to whether or not the particular municipality has submitted the Approved Development Budget to MoLG. It must be noted that once each municipal council has approved the budget, it is then submitted for MoLG's approval. Municipalities are expected to submit their actual/executed development (capital) budgets to MoLG on a yearly basis.

(xi) *Actual Operational Budget*: It refers to whether or not the particular municipality has submitted the Actual Operational Budget to MoLG. Municipalities are expected to submit their executed operational budgets to MoLG on a yearly basis.

(xii) *Approved Operational Budget*: It refers to whether or not the particular municipality has submitted the municipal council Approved Operational Budget to MoLG. Municipalities are expected to submit their operational budgets for MoLG's approval on a yearly basis.

11. The above performance criteria begin with the most basic elements and proceed to the most sophisticated. Chart 2 below illustrates how each of the indicators above are measured, what evidence is used and how the data are collected.

CHART 2
Ranking Criteria: Information Source, Verifiable Indicators
And Basic Conditions

	RANKING CRITERIA	INFORMATION SOURCE	VERIFIABLE INDICATOR	CONDITIONAL TO:
1.	Unqualified External Audit	Municipality	Copy of actual Document and date.	Must have been done before Dec. '08
2.	Operational surplus or deficit	Actual Operational Budgets	Copy of the actual budget	Must refer to FY '07.
3.	Maintenance Plan	Municipality	Approval date, Total Cost and sectors covered.	Must have been approved for FY 08.
4.	Actual Maintenance Expenditure	Municipal Budget	Total executed Operating budget. No less than 10% of Operating Budget.	Must have been approved for FY 08 and actually executed
5.	Fixed Assets Register	Municipality	Summary of inventory and completion date	Must have been completed before Dec. 08
6.	Development and Investment Plan	Municipality	Summary of plan, completion date, and evidence of implementation progress.	Must have been approved for FY 08.
7.	MoLG Budgetary Norms and Procedures.	MoLG	Evidence of compliance with such norms and procedures	As approved for FY '08. Specify which are the current budgetary norms and procedures
8.	Financial Accounting Procedures Manual	Municipality	Evidence of compliance with Manual	Must have been adopted Before '08
9.	External Audit	Municipality	Copy of actual Document and date.	Must have been done before Dec. '08.
10.	Actual Development Budget	Municipality	Availability of the actual figures.	Must have been approved for FY '07.
11.	Approved Develop Budget.	Municipality	Availability of the approved figures.	Must have been approved for FY '08.
12.	Actual Operating Budgets	Municipal Budget	Availability of the actual figures.	Must have been executed for FY '07.
13.	Approved Operating Budgets	Municipal Budget	Availability of the approved figures.	Must have been approved for FY '08.

12. Chart 3 below presents municipalities according to their rank based on budget data of 2007 and will be used in determining the allocations for the first year of the MDP.

CHART 3
MUNICIPAL RANKING

Rank Name	No. of Mun.	West Bank		Gaza	
		No. of Mun.	%	No. of Mun.	%
A	None	None	0%	None	0%
B	None	None	0%	None	0%
C	16	14 Mun. Jammasein, Meithalun Qabalan, Beta, Salfit, Taffah, Beitunia, Se'ier, Beit Sahur, Ramallah, Al Bireh, Qalqilia, Nablus, Hebron	13%	2 Mun. Gaza, Rafah	8%
D	90	75 Mun. Atara, Sabastya, Zeita, Deir Istia, Deir Balhut, Bruqin, Kefel Hares, Az Zababedah, Qarawat Bani Hassan, Beit Sureik, Kufor Tholoth, Baq'a Al Sharqeyya, Al Mazra'a Ash Sharqeyya, Birzeit, Kufor Al Deek, Al Zawyah, Beit Leed, Deir Debwan Janata, West Bani Zeid, Howwara, Seelet Ad Daher, As Sawahreh Ash Sharqiyya, Hableh, Silwad, Allar, Azzayruna, Za'tara, Kufor Ra'ie, Qatanna, Aqqaba, Bal'aa, Kharas Bedu, Al Intihad, Anabta, Aseera Ash Shamaliyya, Azrun, Bedia, Beit Awwa, Aqraba, Deir Al Ghosoun, Qaffin, Jaba'a, Ash Shoyukh, Arteel, Seelet Al Hartheyya, A l Khader, Arraba, Beit Foreek, . Al Ubeidiyya, Abu Dees, Tamnun, Beit Ula, Beit Fajjar, Beit Jala, Surif, Beit Ummar, Ya'bad, Tarqumia, Tubas, Al Yamun, Al Eizariyya, Jericho, Idna, Qabatya, AL Samu'e, Bani N'eim, Hallul, Bethlehem, Dura, AdDaheriyya, Jenin, Yatta, Tulkarem	70%	15 Mun. Al Masdar, Um Al Naser, Al Zahra, Al Fokhari, Abasan Al Jadeeda, Al Naser, Al Moghuraqa, Khaza'aa, Al Maghazi, Deir Al Balah, Abasan Al Kabira, Al Zawayda, Bani Sheila, Al Branj, iShokeh	60%
E	26	18 Mun. Al Tayybeh, Al Newe'emeh, Jayyus, Abwein, Turmosayya, Beit Anan, Kafr Al Labad, Al Oja, Ne'im, Bir Nabala, East Bani Zeid, Sinjel, Borqin, Beit Liqia, Taqu'a, Ad Doha, Anata, Al Ram	17%	8 Mun. Wadi Gaza, Wadi Al Salqa, Al Qarara, Beit Harun, Beit Lahia, An Nseirat, Jabalia, Khan Yunis	32%
F	None	None	0%	None	0%
Total	132	107	100%	25	100%