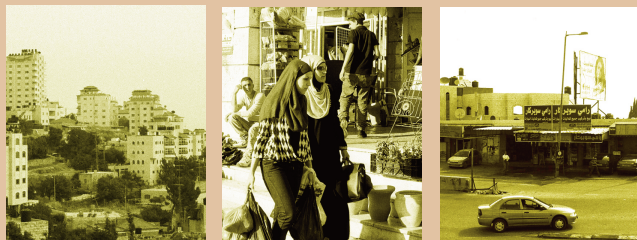


Evaluation and Capitalisation Series

*exPost*  
**ExPost**



## AFD Municipal Development Project in the Palestinian Territories

Thierry Senechal

Contact: Pascal Brouillet, Evaluation and Capitalisation Unit, AFD ([brouilletp@afd.fr](mailto:brouilletp@afd.fr))

Research Department

Evaluation and Capitalisation Unit

Agence Française de Développement  
5, rue Roland Barthes 75012 Paris - France  
[www.afd.fr](http://www.afd.fr)

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The purpose of this ex-post evaluation is to formulate a reasoned opinion on the relevance, effectiveness, efficiency, impact and sustainability of the Agence Française de Développement (AFD) Municipal Development Project 2004-2010 with respect to the context, policy and procedures of AFD's intervention. This evaluation, financed by AFD, has been conducted by Thierry Sénéchal. The exercise has also benefited from support from Ms. Shuaa Marrar of Riyadh Consulting & Training in the Palestinian Territories and Mr. Pascal Brouillet of AFD for overall supervision of the evaluation work.

The overall objectives of the evaluation have been threefold: (1) evaluate the French MDP for the programming period 2004-2010, including the role played by the implementing partner Municipal Development and Lending Fund (MDLF) both at the institutional and operational levels; (2) review the transversal sector-wide questions related to municipal development, including strategic orientations, implementation priorities, operational alignments, and financing sustainability; and (3) identify lessons to be drawn as a guide to future strategic planning over the period 2010-2013. Whilst we recognized that the analysis provided in the final report could be further elaborated in respect of the role and work of the implementing partner MDLF, nevertheless, we remained of the view that the terms of reference have not been designed to evaluate the MDLF as an institution.

The evaluation was carried out in four different stages between May and October 2010, namely (a) a desk-review of key strategic and implementation documents; (b) some 114 interviews in Paris and the Palestinian Territories; (c) focus group meetings with the beneficiaries; (d) an in-depth study of four MDP projects implemented by MDLF over the period 2007-2010; and (d) an analysis of project data as provided by both AFD and MDLF. Finally, we prepared specific recommendations for AFD.

Specific evaluation questions were formulated during the inception phase, which referred either to six evaluation criteria (relevance, efficiency, effectiveness, impact, sustainability and AFD's contribution) or to transversal aspects (cross-cutting issues, competing factors, coordination, coherence and complementarity). For each evaluation question, judgment criteria were selected and used as benchmarks against which the interventions will be judged. Appendix 1 of this report included the assumptions and evaluation questions for the evaluation.

For further information, please contact:

Thierry Senechal  
Tera Economics  
8 Bis rue Turgot  
78100 Saint Germain en Laye  
France  
Tel. +33 6 24 28 51 11  
Email: [tsenechal@sloan.mit.edu](mailto:tsenechal@sloan.mit.edu)

## Summary

### **Structural challenges in the Palestinian Territories were said to be obstacles to the emergence of a clear vision in the local government sector**

Municipalities in the Palestinian Territories constitute one of the oldest forms of governance. With seventy percent of the West Bank's population living in 107 municipalities (the entire population of Gaza lives in 25 municipalities), local governments have served as a main reference point for citizens. Not surprisingly, in recent years the Palestinian National Authority (PNA) and donors have been pushing for major reforms to accelerate the drive to self-sustained, decentralized and organized local governments.

Still, no clear vision and no long-term road map for the local governance sector has yet emerged, since structural challenges make progress difficult, e.g. postponement of local elections, breaking the territory down into different areas controlled by the Israelis, tax payment discipline being undermined by occupation; lack of expertise in the administration of LGUs, repeated damage to infrastructure, etc.

The existence of about 480 LGUs, including 132 municipalities and 86 Joint Service Councils, did not facilitate the emergence of a consensual strategy in the local government sector. Indeed, this proliferation of local governments and the existence of many small municipalities that lack the capacity to deliver services and achieve economies of scale in service provision are creating all kinds of needs and expectations at both the local and national levels.

### **AFD MDP objectives were aligned to needs in the municipal development sector**

The AFD Municipal Development Project (MDP), implemented by the Municipal Development and Lending Fund (MDLF), was created in 2004 to meet some of the mounting needs in

the local government sector. With a total budget of EUR 12 million, AFD interventions in the sector mainly consisted, at least with respect to the financial resources involved, of infrastructure projects in road construction/rehabilitation and public facilities.

A review of the allocation of the AFD fund under the MDP revealed that most of the selected LGUs participating in the AFD MDP (about 66 percent) requested road infrastructure projects. Therefore, the rationale of AFD intervention has been in line with needs expressed at local government levels, with road rehabilitation constituting a priority for most municipalities during the period of this evaluation. The coverage of the AFD MDP was adequate in its initial phase (2004-2010). Originally, the AFD MDP was designed to include the capitals of the 16 governorates of the West Bank (Jerusalem excluded) and the Gaza Strip, as well as five Joint Service Councils (JSC).

The AFD MDP objectives were threefold: (1) improve living conditions and economic activity in the Palestinian municipalities through the maintenance, rehabilitation and, in limited cases, creation of basic municipal infrastructure; (2) stimulate the local economy through the mobilization of local contractors who will create jobs and therefore generate additional income; and (3) reinforce the linkages between the newly created Municipal Development and Lending Fund and the municipalities. Other, secondary objectives had been contemplated, in particular to allow AFD to participate in the implementation of the reform action plan for the Palestinian local government system and to allow for efficient and rapid disbursements.

The objectives of the project, though broad, were relevant to AFD's strategy for the Palestinian Territories. The AFD MDP has targeted specific municipalities, reinforcing the strategic focus on road infrastructure, primarily directed to the periphery of municipalities in areas of greatest need. However, the objectives of stimulating the local economy through job

creation and of reinforcing linkages between MDLF and LGUs were not fully achieved. After our mission, it became clear that the partners to the AFD MDP did not envisage introducing particular actions to maximize job creation policies.

The mission noted that project implementation was largely delayed due to the political crisis that propelled Hamas into a stronger leadership position in the municipal elections of 2004-2005 and the legislative elections of January 2006, thereby disqualifying direct funding to municipalities (it implies that AFD cannot transit funding through Hamas municipalities but can still provide support to the populations indirectly).

**The MDLF was a relevant strategic choice to implement the AFD MDP**

The MDLF, a fund which received AFD's full support at its inception, constituted a relevant strategic choice to implement the AFD MDP during the period 2007-2010.

Indeed, the evaluation concluded that the Fund was well adapted to the AFD strategy of targeting the municipal sector, with MDLF bringing specific benefits to the financing partners, e.g. increased funding efficiency through organized identification of projects and programming; selection of projects according to standardized criteria, developing procurement rules and supervising processes; greater predictability and streamlining of project delivery through a well-defined project cycle; reduced transaction cost opportunities in the long run as more donors join the Fund, thereby outsourcing processes and back office operations from donors to the Fund.

**The MDLF was perceived as effective in its strategy to mobilize donors' resources**

Concerning the effectiveness of MDLF, most individuals interviewed stated that the Fund had created a clear strategic focus directed at resource mobilization for infrastructure projects targeting municipalities. Since its inception in 2005, the portfolio of MDLF programs and projects has grown to about

USD 138 million from several development partners (including the World Bank, the Swedish International Development Cooperation Agency (Sida), Dutch Cooperation, AFD, the Danish International Development Agency (Danida), the German Development Agency (KfW), German Technical Cooperation (GTZ), Japanese and Italian Cooperation) and the PNA.

However, we noted that some objectives had not always been clarified, in particular those related to the mobilization of resources from the Palestinian Authority, the development of the lending function (a longer-term objective), the deployment of capacity building components to meet the increasing needs of municipalities in improving their performance over the long run.

**The "Scheme of Delegation" approach was highly relevant to AFD's strategy in the municipal development sector**

The AFD business model for the municipal development sector was highly relevant under the "Scheme of Delegation" approach. Under this approach, the MDLF is the main implementing partner in charge of the identification, programming and management of projects in the municipal development sector (some form of financing from AFD still exists outside the MDLF in the local government sector).

This approach provided a relevant framework through which AFD delegated the full programming and implementation powers to MDLF rather than to officers in the AFD country office and headquarters. Although some oversight remained with AFD, in fact most projects were pre-selected by MDLF, with expertise and technical assistance being procured and used by the Fund at its discretion.

Overall, the evaluation concluded that the AFD MDP project's design and institutional arrangements were coherent and within only one implementing agency, the MDLF, thereby creating an environment with reasonable institutional arrangements for the planning, coordination and management of

services. The negative consequences of such an arrangement were the reduced visibility of AFD in these arrangements and its limited relationships at the local government level.

**Level of outputs was evaluated as satisfactory under the AFD MDP**

Of the projects it assessed, the evaluation concluded that the AFD MDP contributed to substantial municipal development and that, considering that it was formulated during a period of severe political turmoil at the local government level, the delivery of these outputs was satisfactory.

Concerning the 58 projects carried out by the MDLF on behalf of the AFD MDP, the mission noted that around 75 kilometers of rehabilitated roads and water networks had been completed at an average cost of approximately EUR 121,000 per kilometer. Some 6,331 square meters of public facilities were constructed at an average cost of about EUR 273 per square meter. We noted that the overall costs of intervention compared favorably with international benchmark figures. These costs were in line with the allocated budgets – indeed, there was often a surplus realized at project completion. In construction, where cost overruns are the norm, completion within budget limits was encouraging.

**Efficient disbursement mechanisms were implemented to ensure delivery of services**

Disbursement rates were satisfactory for most municipalities and JSCs selected under the AFD MDP. The application of MDLF management procedures, implementation mechanisms and the disbursement of funds were efficient and contributed to the realization of projects in a timely fashion, meeting AFD’s strategic objectives. The correspondence between the financial commitments and financial allocations, as well as the analysis of the pace of project implementation and disbursements, was reflected in the optimum realization of the projects and in the achievement of expected results.

However, in terms of effectiveness, the mission concluded

that opportunities exist to streamline the project cycle in the future, especially to reduce the bidding and contract negotiation phase. We also noted that the delivery of outputs did not differ between municipalities and Joint Service Councils (JSCs). Created by the PNA Local Authorities Act of 1997, JSCs could obtain services collectively for local governments. In the 5 JSCs visited, we noted satisfactory results, similar to those in large municipalities.

**The accountability and reporting function of the MDLF should be strengthened to meet donors’ requirements**

The evaluation noted that globally the accountability and reporting function of the AFD MDP was not satisfactory. MDLF reporting systems, in particular for performance purposes, were not adapted to quick and reliable reporting, nor did they allow for organizational goal-setting and performance measurement.

We suggested, therefore, that MDLF improve its reporting systems in order to serve the macro-reporting requirements and the management information requirements of the organization, its constituent units, the service lines and ultimately the donors. A positive response to donor calls for greater transparency and more efficient reporting standards in MDLF would be beneficial.

Due to generally limited management resources and budgets, the Monitoring and Evaluation (M&E) function had also evolved somewhat erratically, with no major evaluations being carried out on a regular basis. The mission also noted that there had been limited success in developing a knowledge management and research agenda at MDLF. That said, clear needs have been expressed by the partners to share good practices or lessons learned, to document ideas, information or experiences that could be useful to others and to actively share expertise on specific topics.

**The sustainability of the MDLF business model has been questioned by partners**

Many partners have questioned the sustainability of the current model. One of the main weaknesses of the existing arrangement concerns the Fund's legitimacy in channeling donor and PNA funding to local governments. Not only did the PNA not provide seed money to the Fund (except in recent years at a level of about 10 percent), but some international donors adopted strategies outside the Fund, thus exacerbating the legitimacy issue and making it difficult for the MDLF to be recognized as the sole financing partner of LGUs.

Although many partners agreed that the strategy of pooling resources was preferable to isolated actions in the municipal development sector, donors diverged on the question of whether or not to adopt a strategy for the Fund. For instance, the USAID Local Democratic Reform project covering the period 2005-2011 has been providing funding of USD 37 million to improve governance at the local and national levels (strategic development planning, prioritization of needs, adoption of accountability systems, promotion of civic participation, etc.). At the same time, the United States Agency for International Development (USAID) operated a major Infrastructure Needs Program consisting of rehabilitating important roads, including some within municipalities. The funding of this program, which was apart from the MDLF, was approximately USD 100 million last year.

The potential reduction of grants from donors in the future has been an area of concern for the sustainability of the Fund. Considering the finite state of MDLF resources to meet expectations in the municipal development sector and accepting that donor funding was essentially "seed money", the need to exercise rational choices within a strategic framework in order to raise more funds from the PNA seems persuasive.

Fostering large municipal coverage by MDLF, which was the intention of those who contributed to the establishment of the Fund, appears to be of the highest priority. If successfully

pursued and adequately resourced, this could contribute markedly to sustainable development in the municipal sector. To achieve a growth scenario and to achieve a balance between present and future demands, MDLF requires a clear vision, a rigorous multi-year work plan and effective analytical reporting systems.

**Clear impacts have been noted, in particular for larger-scale projects**

In terms of impact, the evaluation showed higher levels of return for large-scale projects, e.g. the Nablus Tunnel and the Al-Bireh Stadium. These cases illustrated that another business model co-exists with the one focused on small-road rehabilitation. These two large-scale projects attracted high visibility, targeted larger population segments, attracted good leveraging of additional resources from the local governments and generated more positive results in terms of job creation and dialogue with the local governments and beneficiaries.

In terms of AFD's role, the mission found that AFD had achieved a good position in the municipal development sector, which must be reaffirmed in future programming periods. However, in the implementation phase of the MDP, AFD's contribution was rather weak due to its lack of ownership and visibility with regard to the MDP.

**Conclusion and recommendations**

Overall, the mission concluded that a solid partnership has been created between AFD and MDLF, which are working together to provide an integrated approach to the municipal development sector. At the same time, the mission asserted that the value for money could be significantly increased (streamlining of project cycles, better reporting, more dialogue with the local governments, additional resources to be secured by MDLF, etc.).



The report recommended that AFD continue to provide support to MDLF in the next funding period. Some recommendations for future projects were the following:

- **Direct financing of municipalities:** This option was considered as a longer-term option by many interviewees, mostly due to the fact that many municipalities do not have the full capacities to implement projects without donor funding.

- **Mixed-project strategy (infrastructure and capacity building):** This is not necessarily a desired option for AFD considering the availability of grant money to be committed to the sector and the lack of resources to be deployed for capacity building (with issues of governance being covered by the French Ministry of Foreign Affairs and not AFD). A more focused strategy is preferable, one that creates better leverage.

- **Funding non-conventional sectors:** AFD could consider investing in a new sector and/or a new geographical area, such as smaller municipalities or village councils. This strategy would be different from past interventions and would require that AFD deal with new challenges.

- **Funding strategy focused on high leveraging:** AFD could decide to exclusively fund larger-scale projects if good leveraging is available at the local level. In doing so, AFD

would need to seek additional funding from partners and perhaps favor income-generating projects related to municipal infrastructure. The Nablus Tunnel and the Al-Bireih Stadium are good examples. The mission recommended that AFD seek to fund high-priority projects having a greater scale, preferably through MDLF, and thus obtain more tangible impact at the AFD level.

The mission made eight recommendations, as follows: (1) AFD should leverage its few years of experience in the municipal development sector to actively participate in defining a sector-wide strategy to anticipate new policy challenges; (2) AFD should confirm its strategic intentions in the municipal development sector, with the MDLF offering many competitive advantages under the Scheme of Delegation approach; (3) Under an MDLF approach, AFD should insist on developing a major sustainable financial plan for the MDLF; (4) MDLF should carry out a full assessment of local government needs over the medium- and long-terms, particularly in terms of special needs and capacity building; (5) The resource pooling mechanism at MDLF must be consolidated on a non-earmarked basis; (6) AFD should request reinforcement of the accountability and evaluation functions of MDLF with a stronger focus on outcomes; and (7) An MDLF knowledge management agenda can be developed, but must be fully backed up by its partners and cannot be achieved on a client basis.

## 1. Background

### 1.1 The local development sector in the Palestinian Territories

#### 1.1.1 Efforts to implement local democratic reforms have been made to accelerate the drive toward self-sustained, decentralized, organized local governments

The turbulent path towards Palestinian statehood and economic development reached a crisis in late January 2006, in the aftermath of the international boycott of the PNA after Hamas won a majority in the Palestinian Legislative Council (PLC) elections. Already struggling from past spending, local governments' finances dropped drastically due to Israel's freeze on Palestinian clearance revenues and the suspension of aid. The advent of a new government in June 2007 allowed the international community to resume channeling substantial financial and technical assistance to the PNA to reverse the impacts of the aid sanctions on national and local Palestinian institutions. However, these positive developments remained challenged by the isolation of almost half of the Palestinian population within the Gaza Strip and by the continued violence arising from the Israeli-Palestinian conflict, and within

the Palestinian Territories, thus calling for continued support from the international community.

Local governments in the Palestinian Territories, one of the oldest existing levels of public authority, have played an important role in shaping the state-building efforts and providing basic services and governance to citizens. Since its introduction in 1994, the PNA has encountered formidable challenges, particularly with regard to the legal and legislative practices inherited from a succession of authorities predating the PNA. As stated in a recent report entitled "Summary of the Cross-Sectoral Strategy for Palestinian Local Government and Administration Sectors 2011-2013", the local government sector is "chaotic due to disparities and discrepancies of rules and regulations that have been issued by successive authorities. In 1994, the PNA President issued his first decree (Decree No.1 of 1994) which affirmed the applicability and validity of all existing laws and regulations until the full maturity of the PNA and the completion of the PNA institutional building" (2010, Palestinian General National Plan).

#### Box 1: Emergence of recent national and local governance frameworks and plans (Selected)

Palestinian Local Government Law, 1997 (It affirmed that the local government is a legal financially independent body, and the functions and tasks are assigned to it in accordance with the provisions of this Law)

The Palestinian Reform and Development Plan 2008-2010

The National Strategy for the Palestinian Local Administration Reform, 2008

Implementation Plan for the National Strategy for the Palestinian Local Administration, Office of the President, 2007

Palestine: Ending the Occupation, Establishing the State; Program of the Thirteenth Government, Palestinian National Authority, 2009

The Ministry of Local Government Five-Year Strategic Plan, 2010-2014

Palestinian National Plan 2011-2013: Guidance on Developing Sectoral and Cross-Sectoral Strategies 2011-2013, 2009 (Note: This is a guiding document for all sectors, including Local Government)

Ministry of Local Government Strategic Plan 2010-2014 (Draft), 2010

Ministry of Local Government, Local Government and Administration Cross-cutting Sectoral Strategy (Draft), 2010

The Palestinian General National Plan, Summary of the Cross-Sectoral Strategy for Palestinian Local Government and Administration Sectors, 2011-2013

The Amalgamation Strategy (MDLF/MoLG), 2009

Diagnostic Report on the Local Governance System in the OPT and the Action (Implementation) Plan, UNDP, June 2009

Source: Prepared by the author from the desk review (Not exhaustive).

Following its formation in 1996, the Palestinian Legislative Council (PLC) began addressing the legal environment through the enactment of the Palestinian Basic Law, and with regards to the local government, the PLC has issued and amended many related laws and regulations such as the Local Government Law No. 1 of 1997 and the Elections Law of 1996. The enactment of these laws has illustrated the PNA's understanding of the need to start a real transformation process in order to have a modern and an effective local government sector. Over more than twenty years, major donors have supported the reform of local governance, thus leading to the creation of a multitude of frameworks and strategic documents, including the ones mentioned in Box 1.

### **1.1.2 Despite major efforts to bring reforms, a clear and long-term road map for the local government sector is needed to guide actions coherently**

Most persons interviewed stressed that the PNA, in coordination with the international community, has indeed embarked on the crafting of an important reform agenda and enhanced dialogue to reform the municipal development sector. Different ministries have been involved in such an effort, including the Minister of Local Government (MoLG), supposedly taking the lead in the sector, the Ministry of Finance (MoF), the Ministry of Public Works and Housing (MoPWH), and the Ministry of Planning and Administrative Development (MoPAD).

Proposals for developing a legal and institutional framework for local government, a unified regional planning system, a general framework for local government finance, a road map and specific timetable for decentralization and amalgamation efforts, were among the items most frequently cited as being crucial on the reform agenda.

We noted considerable efforts over recent years to reform the local government sector (reflected in the frameworks discussed above but also in the various MoLG strategic development and investment plans, the amalgamation working documents and the cross-sectoral strategies). Despite many initiatives to

address major reform issues for LGUs, mission interviews confirmed that existing efforts had not clearly established a long-term vision, strategic plan or time frame for the municipal development sector. At the same time, we could not find practical evidence for the delivery of services to LGUs to be handed over from the PNA, thus creating an expectation gap between local governments and ministries.

We concluded that, without such a vision and a strategic road map for the sector, donors will have greatest difficulties in developing the much-needed technical focus, *e.g.* knowledge management, guidance and monitoring, service delivery improvements, citizen engagement, fiscal management, corporate planning for LGUs, training of civil servants, PPP development, amalgamation, etc.

### **1.1.3 Severe data limitations do not facilitate making well-informed decisions in the municipal development sector**

In general, the availability and reliability of local government sector data has been very deficient. This was not a particularly unusual situation when so many donors and line ministries were involved in the sector. At this stage, an official national statistical system has not yet fully emerged showing a complete map of stakeholders' involvement in the sector. We noted some initiatives to bridge the information gap: for instance, we were told that a Database system was being built at MoPAD but we could not access it. However, at the time of this mission, we could not easily collect reliable and credible data on the municipal development sector, *e.g.* data related to the financing of municipalities and the transfer of revenues from line ministries to local governments. Information on the various programs implemented by donors was not always readily available, except perhaps through the European Union (EU) Sector Fiche, though limited to the European partners.

As a result, donors were increasingly facing difficulties in gaining an overview of actions at both national and local levels. More worrisome, donors did not have visibility on the future sustainability of the sector. Many interviewees encouraged the

development of a comprehensive management development base for the entire sector in order to have a full view of the pipeline of projects at all levels. Such a database would also consolidate revenues and expenditure streams at all levels, local and national, the tool being made available on a shared basis for donors to ensure that their actions are complementary in the sector. On the positive side, we noted that the MDLF had contracted the Palestinian Central Bureau of Statistics (PCBS) to collect data from all 132 municipalities about basic services and infrastructure. Also, there is a new initiative by PCBS, MoLG, and MDLF to create a new “Local Government Information System – LGIS”.

**1.1.4 In addition to the lack of reform agenda clarity and inconsistent data information, the municipal development sector is hampered by structural challenges**

Local governments are continuously hampered by overwhelming problems related to the ongoing conflict: breakdown of the territory into different areas controlled by the Israelis; lack of trust in local governments; inadequate fiscal base for LGUs; tax payment discipline undermined by

occupation; repeated damage to the infrastructure; population severely impacted by the deteriorating socio-economic environment, challenging the revenue collection ability of LGUs; and problems of territorial contiguity and population density.

Another important challenge is worth mentioning, as it may hinder the implementation of projects in the municipal development sector. The local election process came to a halt in June 2010. As the four-year term of local councils in the Palestinian Territories expired in January 2009, the PNA Council of Ministers called for local elections to be held on 17 July 2010, but the call for elections was indefinitely postponed on 10 June 2010. At a time when there was a clear need to reinforce the abilities of the apparatus to ensure the integrity and transparency of the election process, the cancellation of local elections has become a serious concern. Unless elections can take place at the local level as expected, it may prove difficult to make any major reforms in local governments in the near future.

In a diagnosis of the current situation, the following issues were regularly noted:

**Box 2: Structural challenges hampering the municipal development sector**

<b>Legal framework for local governance</b>	Very little progress has been achieved in developing a comprehensive legal framework for local governance as recommended by the Diagnostic Report and Action Plan. This is largely due to the lack of a clear long-term vision about local government to guide the formulation of new legislation but also to the reaction of donors to the political turmoil of 2005-2006.
<b>Unified planning legislation</b>	Despite repeated attempts to develop unified planning legislation and tools (Strategic Development and Investment Plans (SDIPs) and Physical Planning Policies and Procedures Manuals (PPPPMs) for physical planning), concrete actions to draft uniform planning legislation remain a priority in the local governance sector.
<b>Clarity of roles and responsibilities in the sector</b>	No substantial progress has been made in clarifying the relationship between MoLG and LGUs by identifying their respective administrative, legal and financial mandates.
<b>Proliferation of local governments</b>	More than 483 LGUs, including 132 municipalities, are in place. This proliferation of local governments and the existence of many small municipalities that lack the capacity to deliver services and achieve economies of scale in service provision are making it difficult to implement a uniform strategy. To complicate the situation, today there are more than 86 Joint Service Councils with unilateral, bilateral and multilateral service functions. Many LGUs are small and lack adequate resources to deliver services effectively.
<b>Coordination of donor efforts</b>	The action of donors is largely uncoordinated with no possibility to view specific actions being implemented

at the LGU level by donors, thus creating risks of overlap and duplication of efforts.

**Uniformed capacity building**

Greater attention has to be given to assisting LGUs in defining diagnostic plans and producing strategic development and investment plans for their areas. Progress in the planning area has been achieved but must still be consolidated.

**LGU classification**

The current MoLG classification of municipalities is based on various considerations (political, population and geographical) rather than objective criteria. It is therefore impossible to use it to assess the service delivery capacity of a municipality or to define target groups for policies related to amalgamation and/or partnerships among municipalities to enhance delivery capacities.

**Municipal financial situation**

We noted progress in developing the new budget format, Unified Chart of Account (UCA), and financial policies and procedures manuals. Different key studies have been conducted by MDLF and other partners on the following topics: financial situation of LGUs, electricity transformation fiscal impact, PPP, etc.

It is noted that financial situations of most municipalities, with the exception of those in the Gaza Strip, are rather stable, but the lack of empirical data make needs assessments difficult.

**Role of associations**

The Association of Palestinian Local Authorities (APLA) is not yet seen as achieving its full potential as a strong, credible body representing the interests of LGUs, although initiatives are in place to support institutional strengthening.

*Source: Prepared by the author from the desk review.*

**1.2 The AFD Municipal Development Project (MDP)**

**1.2.1 AFD's overall strategy in the Palestinian Territories has a strong focus on local government, with 40% of total commitments between 1998 and 2010**

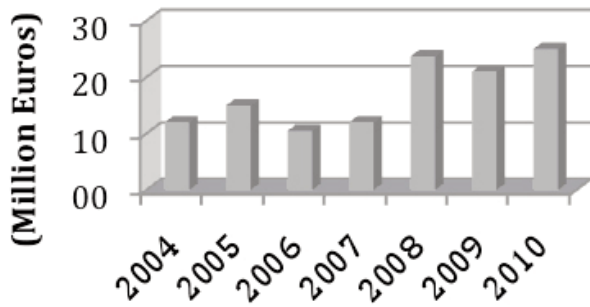
AFD has been authorized to operate in the Palestinian Territories since November 1998 and it opened its office in Jerusalem in August 1999. AFD's strategy has focused on the building of institutions and social peace. During the donors' conference in Paris on 17 December 2007 the decision was also taken to scale up AFD's activity in the Territories in order to contribute to the implementation of the Palestinian Reform and Development Plan (PRDP).

Not surprisingly, to meet the new needs, AFD's grants in the Palestinian Territories increased sizeably during the last ten years, with the water & sanitation and local development sectors being predominant. Total commitments for the Palestinian Territories represented a total of EUR 155 million over 1999-2009. In 2008, total commitments in the Palestinian Territories were EUR 23.7 million, a substantial increase from the EUR 12

million in 2007. The figures for 2009 and 2010 (estimated) were respectively EUR 21 million and EUR 25 million (Figure 1).

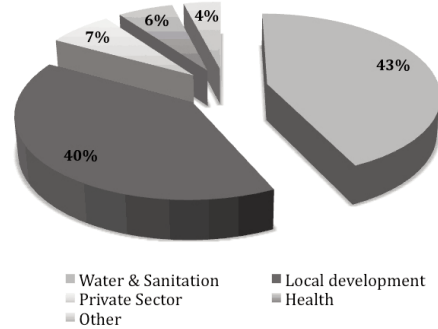
In terms of breakdown per sector (Figure 2), the water & sanitation sector represented about 43% of total commitments in the Palestinian Territories over the period 1998-2010, followed by the local development sector, inclusive of the municipal development sector (40%), the private sector (7%) and the health sector (6%). Over the last ten years, in the local development sector, AFD allocated its funds to infrastructure (40%), municipal development (33%), and energy (27%). Broken down on a per-institution basis, AFD resources are allocated as follows: non-governmental organizations (NGOs) and Palestinian Economic Council for Development and Reconstruction (PECDAR) (36%); Palestinian Authority (33%); MDLF (21%); and direct funding to municipalities (10%).

Figure 1: AFD in the Palestinian Territories (Total in EUR million, 2009-2010 estimated)



Source: AFD.

Figure 2: AFD breakdown per sector in the Palestinian Territories (1998-2010)



Source: AFD.

### 1.2.2 The Municipal Development Project (MDP) and its objectives

Over the period of reference for this evaluation, the AFD MDP showed a total budget of EUR 12 million, this average representing about 17% of total AFD commitments in the Palestinian Territories. The AFD MDP budget has been broken down as follows: EUR 10.6 million for municipal infrastructures; EUR 200,000 for audit and evaluation; EUR 600,000 as MDLF management fees (5%); and EUR 600,000 as contingencies (5%). It is noted that the EUR 600,000 in contingency fees have been reallocated to LGUs. For the upcoming MDP launched in 2010, some EUR 3.2 million have been committed by AFD over 2010-2011.

The AFD MDP was conceived in 2004 in the midst of the many reforms outlined in the preceding pages (The project milestones are detailed in Appendix 2 of this report). Two AFD feasibility studies took place in June and September 2004, followed by an appraisal mission in October 2004. On 12 December 2004 the project was approved by AFD's Board on the grounds that the MDP would generate positive institutional impacts and social effects.

The overarching goal of providing sustained support to local government in the Palestinian Territories was supported by three specific objectives:

Objective 1: Improving living conditions and economic activity in the Palestinian municipalities through the maintenance, rehabilitation and, in limited cases, creation of basic municipal infrastructure;

Objective 2: Stimulating the local economy through the mobilization of local contractors, who will create jobs and therefore generate additional income; and

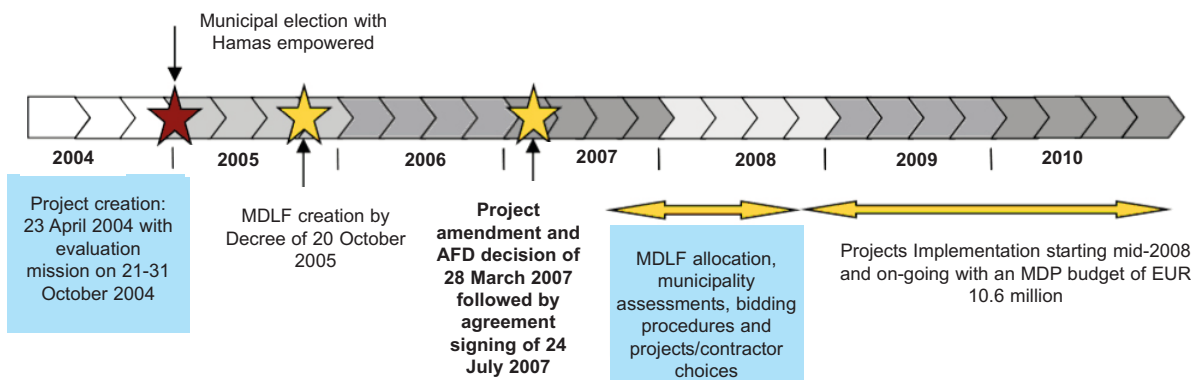
Objective 3: Reinforcing the linkages between the newly-created MDLF and municipalities. Other secondary objectives have been contemplated, in particular to allow AFD to participate in the implementation of the reform action plan for the Palestinian local government system and to allow for efficient and rapid disbursements.

The project design and its implementation were delayed, largely due to the political crisis that placed the Hamas into a stronger leadership position in the municipal elections of 2004-

2005 and the legislative elections of January 2006, thus disqualifying direct funding to municipalities. AFD was obliged to wait until 2007 for the project to be reconsidered under specific conditions, in particular, the requirement for project funding to go through an intermediary partner and no longer directly to municipalities. The capacity building component envisaged in 2004 was also abandoned on the grounds that such area of intervention was well covered by other donors. Financing Agreement n° CPS 3004.01.A was signed between AFD and the PNA on 24 July 2007.

It should be noted that the MDLF Board requested that the initial funding for the Gaza Strip be reallocated to the West Bank on 14 May 2008. The main reason behind the request was the political and security situation in Gaza that prevented the project from being fully deployed on the ground. On 16 February 2009, AFD gave its No Objection to the new sub-projects to be financed from the reallocated budget, thus permitting funds to be channeled to the West Bank municipalities.

Figure 3: French MDP implementation timetable (See also Appendix 3)



Source: The author on the basis of documents provided by the MDLF.

Although some delays occurred because of the political turmoil in the mid-2000s, the revised intervention logic requiring AFD to channel MDP funding through the newly-created MDLF has been characterized as largely opportunistic and positive. The reliance on the semi-governmental MDLF has served to refocus AFD's vision and reorient the intervention framework in order to cope with a major external constraint related to the political situation which is preventing direct funding of municipalities.

It was noted that AFD had been funding projects outside the MDLF in the sector. For example, AFD entered into partnership with Norway in 2008 to finance the purchase and installation of roughly 100,000 prepayment meters. This initiative has been coupled with a French operation in the energy efficiency sector (EUR 1 million).

Table 1: MDLP fundraising 2005-2010 (as of 10 June 2010, in USD million)

Project name	Donor(s)	USD million	Description	Completion status
<b>Emergency scheme support</b>				
EMSRP II	World Bank	10.0	Emergency municipal services rehabilitation	Signed in February 2007. Completed in December 2009
EMSRP II	Netherlands	6.17	Emergency municipal services rehabilitation	Signed in February 2007, Ended in February 2009
EMSRP II	Germany (KFW)	21.0	Emergency municipal services rehabilitation (Poverty-Oriented Infrastructure Municipal Finance)	Signed in September 2008. Will end in September 2011
EMSRP II	Sweden (Sida)	8.0	Emergency municipal services rehabilitation	Signed in December 2008. Will end in June 2011
EMSRP II (Additional Financing)	Trust Fund through the World Bank (Sida, Denmark, and International Development Association (IDA))	8.0	Emergency municipal services rehabilitation for Gaza Strip	Signed in July 2009. Will end in June 2011.
MDP/AFD	France (AFD)	12.2	Municipal infrastructure development, mostly road rehabilitation	Signed on July 24, 2007. Will end in 2010
<b>Institutional development and capacity building scheme support</b>				
MDP	PNA with various donors	43.6	Municipal infrastructure development, capacity building, innovative window, and communications and outreach	Some agreements were signed in 2009 and others will be signed in early 2010. Will end in late 2012
LGCBP	Denmark (through the World Bank)	9.9	Financial and physical planning capacity building for the local sector	Signed in March 2005 Extended until the end of 2010. Still ongoing.
SWMP	Japan (through The World Bank)	0.385	Feasibility Study of solid waste situation in the Southern West Bank area.	Signed in December 2007. Ended in March 2009. Project completed
PHRD	Japan (through The World Bank)	0.495	Capacity building and institutional support to the MDLF to prepare for the upcoming MDP	Signed in December 2008 Will end on January 27, 2010. Ongoing. In the final stage of implementation
<b>Innovative window scheme support</b>				
Jenin Pilot Project	Denmark	1.30	Support to the municipal development Northern WB (pilot project)	Signed in December 2006 Completed in December 2008. Completed
LGCDP	Germany (GTZ)	0.84	LGUs-NGOs collaboration and MDLF capacity building	Signed in August 2007. Ended in March 2009. Completed.
LDP-Phase 1 and 2	Denmark	5.0	Support the amalgamation of two areas in Jenin Governorates through capacity building and infrastructure projects.	Agreement for Phase 1 was Signed on June 25, 2008 Agreement for Phase 2 was signed on December 6, 2009. Will end in 2010
Community Development Stability Fund (MDP)	Netherlands	7.0	Strengthen the positive role and visibility of the Government and local government at crucial junctures, where the PA has to react rapidly and/or show positive presence in order to forge closer links with the local population.	Signed in December 2008 Expected to have ended in March 2009

Source: The author on the basis of documents provided by the MDLF.



## 2. Relevance of design and objectives

### 2.1 Relevance of AFD objectives in the municipal development sector

#### 2.1.1 Most AFD MDP objectives (objective 1) to provide infrastructure supporting local governments were substantially relevant; objectives 2 and 3 to stimulate the local economy and reinforce linkages between MDLF and LGUs were highly relevant but not fully achieved

For objective 1 (“Improving the conditions of living and economic activity in the Palestinian municipalities through the maintenance, rehabilitation, and in limited cases creation of basic municipal infrastructure”), AFD’s focus was substantially relevant. The AFD MDP has been well targeted on specific municipalities, insuring a clear strategic focus for the intervention on road infrastructure but also testing different strategies on larger-scale projects, e.g. the Nablus Tunnel or the Al-Bireh. We noted that the lack of adequate and efficient transport infrastructure was one of the main constraints affecting the Palestinian economy; improving access to markets and services in the least developed areas through a more efficient transport network was therefore a key determinant of the extent of development of local governments and poverty reduction.

The second objective (“Stimulate the local economy through the mobilization of local contractors who will create jobs and therefore generate additional income”) was relevant but modestly achieved. Ominously, there were warnings in the municipalities visited during the on-site mission that achieving this objective looked increasingly unlikely. Programming documents mention the fact that interventions in the municipal development sector should offer strong potential for creating jobs and encouraging local contractors to have sustained human resources policies.

However, it became clear that the partners to the AFD MDP did not envisage particular actions in view of maximizing such job creation policies, even on a temporary basis. This was true for most smaller-sized road infrastructure projects, but we noted that the larger-scale projects could have higher job creation rates. A negative element was also noted in the sense that no reporting mechanism had been implemented by AFD or MDLF to collect job creation information, thus the indicators provided to us remain largely unsupported. Although there were no indicators for job creation, MDLF used an “estimation %” to assess the number of jobs that were created for each sub-project depending on its type and sector. Still, we believe that most job creation data remained approximations. Further, structural constraints existed in the Palestinian Territories, the labor market being neither efficiently integrated nor sufficiently diversified to ensure that job creation could take place on a temporary or permanent basis.

The third objective of reinforcing the linkages between MDLF and the municipalities was highly relevant to offering an opportunity for further dialogue and engagement through the preparation and implementation of the selected infrastructures. Although the AFD MDP has been an essential component in developing best practices between the selected municipalities and MDLF, and thus in reaching the populations to develop better services and infrastructures, we noted that municipalities were lacking experience in involving populations in the assessment process. Therefore we concluded that the participatory approach involving citizens must be reinforced and collective needs duly collected and integrated into the decision-making process of strategy plans.

### 2.1.2 The AFD MDP was strategically relevant to population needs in the area of infrastructure

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We noted that the choice of sectors was strategically consistent with beneficiaries' needs. Indeed, actions targeted municipalities where the scarcity of infrastructure, or its poor condition, was a major impediment to economic development, or else hampered the development of local communities. In municipalities where deficient road infrastructure was not a major hindrance to development (*i.e.* Salfit, Tulkarm), the focus of the AFD MDP interventions was projects aimed at enhancing the effectiveness of systems (*i.e.* street lighting in Jericho or wastewater infrastructure rehabilitation in Hebron).

Although the projects have generated good results in terms of providing infrastructures to populations, some constraints were mentioned. We noted that some projects did not involve

the creation of new infrastructures but consisted in rehabilitating existing ones in order to seek greater coverage of the intervention. The focus on road construction and rehabilitation was based upon municipalities' preferences for such type of projects. Because the AFD MDP funds had to be distributed among a certain number of municipalities, it left limited options for large-scale development projects that would cost much more than the rehabilitation of roads. It should also be noted that the local governments visited had high priority projects that could not be considered in the AFD MDP (*e.g.* waste water treatment, large sewage networks, costly new roads...), mostly because such projects would have required far greater resources than have been allocated by AFD to the municipalities. With the increased number of donors joining the MDLF, AFD might consider supporting some larger strategic development projects rather than road rehabilitation in the future.

## 2.2 Relevance of AFD choice in its implementing partner (MDLF) and business model

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### 2.2.1 MDLF constituted a relevant strategic choice for implementing the AFD MDP in the period of reference (2007-2010)

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AFD relied on a specific implementation instrument to provide funding to the municipalities, the Municipal Development and Lending Fund (MDLF). Because such a choice was likely to affect the efficiency, effectiveness and impact of the project, the selection of MDLF therefore constituted a strategic choice. The mission concluded that the project design and its institutional arrangements were coherent, with only one implementing agency, the MDLF, thus creating an environment comprising reasonable institutional arrangements for planning, coordination and management of services.

With the advent of the Municipal Development and Lending Fund (MDLF) in 2005, AFD grasped the opportunity to finance municipalities through the Fund and thus sought to play an

important role towards ensuring adequate rehabilitation of municipal infrastructures in the Palestinian Territories with an objective of removing major obstacles to economic growth and generating employment.

The MDLF was created by the Council of Ministers Decree No. 32/36/09 dated 20 October 2005 as an autonomous legal 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 under the auspices of the Ministry of Local Government to support local government units (LGU) as they took increasing responsibility for raising, investing and managing financial resources to provide and expand services. The World Bank, along with other donors, has backed the creation of the Fund. The Fund's objectives were clearly established as follows:

**Box 3: Objectives of the MDLF**

1. To manage the Fund's reserves from annual support provided by the PNA, donor countries and any other sources in accordance with conditions set in this Law and bylaws issued pursuant thereto.
2. To channel aid provided by the PNA and donor countries and provide modern financial services to support and develop services provided by local authorities directly and through facilities affiliated therewith, and improve credit and investment capacities thereof.
3. To encourage local authorities to adopt development projects which would serve development plans thereof
4. To facilitate and provide loans to local authorities on comfortable terms such that said authorities can repay said loans from revenues thereof
5. To conduct studies and provide information needed by the government to develop policies for developing the local governance sector
6. To strive to expand financial resources available for local authorities, attract investment thereto and develop economies thereof by encouraging investment therein
7. To apply the principle of transparency in the Fund's administrative and financial work and enable citizens to view the results of operations thereof, distribution and disposal of funds and results of using the same
8. To perform any other activities or investments to achieve objectives of the Fund without interfering with work of other government institutions

Source: MDLF.

The Palestinian Reform and Development Plan (PRDP 2008-2010) has clearly established an ambitious role for the MDLF to bring government closer to the people by ensuring that local government is both empowered and accountable. The Plan set out the MDLF vision in the following terms: “The Municipal Development and Lending Fund (MDLF) is expected to be the primary source of development-linked assistance to municipalities, and to support essential administrative and financial management reforms... The MDLF is the PNA’s preferred mechanism for channeling reform and development assistance to local government and disbursements must be coordinated with the Ministry of Finance”.

In the Palestinian Territories, MDLF has generally been found appropriate to the context in which it was used, mostly to channel donors’ funds to local governments, to improve the delivery of local infrastructure and municipal services, and to improve municipal efficiency and accountability. MDLF’s adoption of four support areas (emergency, development, institutional development and technical assistance, innovative window scheme) has served to focus its vision on the short term, reorient the organization’s policy framework and distinguish its “brand” as the unique body to implement projects in the municipal development sector. These support areas, or “service lines”, constituted the principal agenda of MDLF, the challenge being to identify the existence of a strategic content for each

one and assess its impact on a variety of project interventions within a coherent and coordinated system-wide approach.

The mission concluded that MDLF’s approach was indeed relevant to municipal development over the period 2007-2010, given that interventions were mainly targeting municipalities by providing infrastructure support. MDLF has also been a useful vehicle for mobilizing donor funding in the municipal development sector. Since its inception in 2005, the portfolio of MDLF programs and projects grew to about USD 138 million from several development partners (including the World Bank, Sida, Dutch Cooperation, AFD, Danida, KfW, GTZ, Japan, and Italian Cooperation) and the PNA.

**2.2.2 The AFD business model in the municipal development sector was highly relevant under the “Scheme of Delegation” approach to MDLF**

In the municipal development sector, AFD adopted a “scheme of delegation” approach. This approach provided a framework by which AFD delegated the full programming and implementation powers to MDLF rather than to officers in the AFD country office and headquarters. Although some oversight was said to remain with AFD, in fact most projects were pre-selected by MDLF with expertise and technical assistance being procured and used by the Fund at its discretion.

The scheme of delegation approach can present many strategic advantages. As all programming and implementation was delegated to MDLF, it ensured that procedures were “fit for purpose” and responsive to different types of municipal development proposals. The Fund processed requests for proposal and applied standardized procurement rules. At the same time, it was responsible for organizing the dialogue with municipalities and following up on projects from an engineering and administrative point of view. In doing so, assuming that the Fund was efficiently organized, there were clear opportunities to improve efficiency in implementing projects, to reduce tran-

saction costs and to enhance community involvement at the appropriate point in the planning process.

Table 2 illustrates the key competitive advantages for the approach undertaken in the municipal development sector. Arguably, the scheme of delegation approach adopted for the AFD MDP was satisfactory in ensuring that the objectives were met under a strict timetable and standard operating procedures. Indeed, with an MDLF that would grow stronger in the future, there could be opportunities for reduced transaction costs in efficient delivery of services.

**Table 2: Competitive advantages for the municipal development sector under the MDLF approach (AFD MDP)**

Competitiveness areas	Municipal Development
Approach	Scheme of delegation approach
Project designer	AFD to some extent
Strategic focus	Channeling of funding to a single entity for reduced transaction costs
Project scope	Small- and medium-size projects with a limited population segment
Average value of projects (EUR)	58 projects over 2008-2010 with an average value of EUR 400,000
Coverage	Road rehabilitation, water & sanitation, public facilities; lighting...
Capacity building expertise provided by AFD	Very limited at this stage
Implementation	MDLF and its partners under the EMSRP II umbrella
Disbursement	Streamlined under specific procedures for all projects – highly satisfactory disbursement rates for most municipalities
Expertise on programming and follow-up of projects	Expertise used at MDLF discretion, often without direct involvement of AFD
Ownership	Mostly MDLF and the beneficiaries, but AFD funding made visible at local level to some extent
Sector coordination	AFD in sector coordination groups
Innovations in terms of projects carried out	Limited due to the standardized nature of projects and procedures
Visibility	Limited for AFD in municipalities but AFD is visible at PNA and donor levels

Source: Prepared by the author and based on field interviews.

## 2.3 Relevance of AFD MDP objectives in light of emerging needs in the municipal development sector

### 2.3.1 With a trend for increased urbanization in the Palestinian Territories, the municipal development sector requires attention, making the AFD MDP fully justified but perhaps too narrowly defined

The mission noted that about seventy percent of the West Bank's population was urban, living in 107 municipalities. In Gaza, the entire population lived in 25 municipalities. Municipalities were one of the oldest forms of governance in Palestine, and continued to serve as a main reference point for citizens. This trend towards living in large municipalities was expected to continue as more and more people flock to urban areas in search of opportunities and a better life. By 2020, some areas of the Palestinian Territories were likely to be fully urbanized, with more than 80 percent of the population residing in urban areas, e.g. in Jerusalem/Ramallah/Bethlehem areas (Source: UN-Habitat).

Such rapid urbanization around key municipalities has brought with it both extraordinary challenges and tremendous opportunities. In order to thrive, municipalities must find ways to adapt to emerging challenges and leverage their strengths. Unprecedented population growth rates in the Palestinian Territories have also resulted in unprecedented urban growth rate pressure. If municipalities are to properly face these challenges, it has become crucial to continue financing the municipal development sector. The decentralization of responsibility to the local level and amalgamation will thus become more important in the near future. An imperfect process at best, decentralization of responsibility to the local level will also need to be matched by the allocation of resources or authority.

### 2.3.2 The coverage of the AFD MDP was adequate in its initial phase (2004-2010) but must be significantly increased to other municipalities of Gaza and the West Bank in the future

In its strategy to strengthen local governance, the AFD MDP chose an approach targeting municipalities that would have the capacities to implement projects according to the highest standards. Originally, the AFD MDP was designed to include the 16 main cities of the West Bank (Jerusalem excluded) and the Gaza Strip. These cities concentrate more than 45% of the total population and 78% of the urban population. In addition to the municipalities selected under the MDP, 5 Joint Service Councils (JSCs) were selected for Planning and Development or Joint Municipalities, where the project could finance infrastructure. However, due to the fact that the implementation of the project in the Gaza Strip has become impossible, MDLF reallocated the budget of Gaza municipalities to West Bank municipalities by an amendment of 10 July 2008. Therefore, the French strategy under the MDP ensured a wide coverage in terms of population reached by the projects, except for the Gaza Strip.

Contrary to other donors either financing central government projects or smaller LGUs, the AFD has designed an MDP focusing on municipalities that have shown some form of performance over the last years. Although the selection criteria for allocating the AFD MDP fund were population-based, the choice of the municipalities and JSCs was done on a performance-based approach: AFD and MDLF selected the larger municipalities, ensuring good geographical coverage but also ensuring that the local governments would be able to implement the projects.

Furthermore, insofar as AFD interventions supported the implementation of a municipal development policy/strategy implemented by the MDLF, the appropriate conditions were fulfilled for these interventions to address the needs and problems of populations in selected municipalities. Although AFD's intervention in the Palestinian Territories did not directly

support the reform process engaged in the municipal development sector, it contributed to the rehabilitation of core infrastructures, whose poor condition was a major obstacle to economic development and a priority in the strategy of poverty alleviation.

The mission concluded that the geographical distribution of AFD's assistance was sufficiently defined for the initial period 2004-2010 to promote economically and socially sustainable growth in the selected municipalities (The EMSRP II indeed

provided full coverage of the West Bank). We also noted that the MDLF had a strategy to increase coverage to all municipalities. The new MDP, to start in 2010, would become a phased development program, with the first phase lasting about three years. MDP Phase I is expected to reach all 132 municipalities, large and small, in both the West Bank and Gaza. For the next phases of programming, the strategy underlying the selection of intervention will need to be explicitly built on well-defined prioritization objectives.

### 3. Efficiency of implementation

#### 3.1 Outputs and outcomes generated by the AFD MDP for municipalities and JSCs

##### 3.1.1 Interventions under the AFD MDP had a nearly-exclusive focus on the road and water sectors, with a few large-scale public facilities projects

Of the projects it assessed, the mission concluded that the AFD MDP contributed to substantial municipal development outputs and that, considering the fact that it was formulated during a very difficult time, with severe political turmoil at the local government level, the delivery of these outputs should be regarded as satisfactory.

During the 2007-2010 period, AFD MDP interventions in the municipal development sector mainly consisted, at least with respect to the financial resources involved, of infrastructure investment projects in road construction and rehabilitation. A review of the allocation of AFD funds revealed that most selected LGUs (about 66%) requested road infrastructure projects, a pattern also found in the World Bank and Dutch funds under the MDLF EMSRP II project (Table 6). The second-largest sector covered by the AFD MDP is water (12%) followed by public facilities (11%).

Table 3: Allocated funds per governorate for the AFD MDP (in Euros)

	Roads	Water	Electricity	Public facilities	Other	Total
Tulkarm	880,278					880,278
Salfit	509,576					509,576
Tubas	567,545					567,545
Qalqilia	499,125	306,844				805,969
Nablus	642,366	393,365	317,034		215,137	1,567,902
Jenin	685,000	46,772				731,772
Jericho	560,055	39,520				599,575
Hebron	1,490,458	357,400				1,847,858
Bethlehem	546,829	132,207				679,036
Al Bireh	132,980			635,564		768,544
Ramallah	565,198	76,746				641,944
JSCs	320,000		58,000	582,000	640,001	1,600,001
<b>Total</b>	<b>7,399,410</b>	<b>1,352,854</b>	<b>375,034</b>	<b>1 217,564</b>	<b>855,138</b>	<b>11,200,000</b>
<b>% of total</b>	<b>66.07%</b>	<b>12.08%</b>	<b>3.35%</b>	<b>10.87%</b>	<b>7.64%</b>	

Source: MDLF.

Special projects have also been funded under the AFD MDP. For instance, the municipality of Al-Bireh received funding from AFD through MDLF in the amount of EUR 776,839 for two different projects, namely the construction of Al-Bireh International Stadium and the rehabilitation of Port Said Street.

Due to its strategic importance, the stadium project received the bulk of ADF's funding (EUR 635,564). The stadium was part of the Majid Assad sports complex housing an outdoor sports field, a multipurpose sports hall and a youth sports complex that contained a half-size Olympic swimming pool.

The stadium was the first of its kind in Palestine with the capacity to host national and international sports events and competitions. This project was said to be interesting because of its potential for generating new revenues for the Al-Bireh municipality.

Another special project of the AFD MDP is worth mentioning. The municipality of Nablus received funding from AFD though

MDLF in the amount of EUR 1,567,902 for a number of water, electricity, and road infrastructure projects, including the construction of a tunnel to decrease traffic jams in the center of the city.

In accordance with agreed priorities, the following projects were presented to AFD through the MDLF:

**Table 4: Allocated funds for the Nablus projects under the AFD MDP (in Euros)**

No.	Description	Sector	Subsector	Allocated Budget (EUR)	Modified Contract (EUR)
1	Construction of sewerage network in different locations of Nablus City (phase 1)	Waste Water	Network	164,450	164,449
2	Construction of sewerage network in different locations of Nablus City (phase 2)	Waste Water	Network	228,915	228,914
3	Nablus Al-Jadedah Substation (L.V) and Ring System at 11-6.6 K.V	Electricity	Substation	317,170	317,034
4	Construction of Public Stairs and Retaining Walls in Different Places of the City	Public Works	Retaining Walls, Stairs	215,137	215,595
5	Asphalting Several Streets and Roads in Different Places of the City	Roads	Pavement	159,008	159,008
6	Construction of Tunnel connecting Parking area of Sufian Street	Roads	Tunnel connecting parking	482,902	649,914
<b>Total</b>				<b>EUR 1,567,582</b>	<b>EUR 1,734,914</b>

Source: The author on the basis of documents provided by the MDLF.

As can be noted in table 4, most AFD funding to the municipality of Nablus went to priority projects in different sectors. By supporting different sectors, AFD not only ensured benefiting a large segment of the population, but also allowed for more

visibility of its funding. Other key advantages of developing such large-scale projects have been noted for each objective of the AFD MDP:

**Table 5: Added value of large-scale projects implemented under the AFD MDP – The case of Nablus**

Objective	Strengths	Shortcomings
Improve living conditions and economic activity in Palestinian municipalities through the maintenance, rehabilitation, and in limited cases creation of basic municipal infrastructure.	Visible improvement in the living conditions of citizens of Nablus due to operating the taxi terminal, decreasing traffic jams and improving the basic municipal infrastructure.	The project did not solve all the issues previously faced by citizens. Traffic jams and ventilation are still a concern despite the great improvement in that respect.
Stimulate the local economy through the mobilization of local contractors who will create jobs and therefore generate additional income.	The tunnel project had a direct contribution to stimulating the local economy through the purchase of materials from the local market, creating 6,000 working days as direct employment and an estimated 4,000 working days as indirect employment, in addition to the noticeable increase in commercial activity inside the commercial center.	None
Reinforce the linkages between the newly-created Municipal Development Fund (MDLF) and the municipalities.	The municipality perceived MDLF as a credible national mechanism in supporting the development of municipalities.	None

Source: The author on the basis of documents provided by the MDLF.



In summary, the evaluation concluded that large-scale projects implemented under the AFD MDP had higher visibility, greater impact on populations, better mechanisms to monitor key indicators (i.e. employment created), measurable effects on economic development, and potentially income-generating opportunities.

**3.1.2 Output targets were either met or exceeded during the three years of the funding agreement 2007-2010**

Although the implementation of AFD’s strategy in MDLF has been characterized by major delays (the project being concei-

ved in 2004 but implemented in 2007), the ability of the AFD MDP to deliver the expected results has not been hampered. A quick review of achieved outputs for planned targets showed satisfactory results. Almost all projects were implemented at 100%. We noted that the delivery of outputs did not differ from municipalities and Joint Service Councils (JSCs). Created by the PNA Local Authorities Act of 1997, JSCs can obtain services collectively for local governments. In the 5 JSCs visited, we noted satisfactory results, similar to the ones in large municipalities.

Table 6 provides the list of outputs achieved under the AFD MDP.

**Table 6: Progress report on achieved outputs (as of 22 September 2010)**

Municipality / JCS	Sector	Number of projects	Allocation in EUR	Output indicator (Unit)	Indicator as achieved	% completed to target (Not weighted)
Tulkarm	Road rehabilitation	5	880,278	Km of roads rehabilitated	6.3	108%
Salfit	Road rehabilitation	3	509,576	Km of roads rehabilitated	5.5	92%
Tubas	Road rehabilitation	3	567,545	Km of roads rehabilitated	12	100%
Qalqilia	Road rehabilitation and waste water	4	805,969	Km of roads and WW network rehabilitated	5.9	100%
Nablus	Road, waste water, electricity	6	1 567,902	Various	10.9	104%
Jenin	Road rehabilitation and waste water	5	731,772	Km of roads and WW network rehabilitated	5.3	100%
Jericho	Road rehabilitation and street lighting	4	599,575	Km of roads rehabilitated and lighting units	1.7	100%
Hebron (5 projects not completed yet)	Road rehabilitation and waste water	7	1,847,858	Km of roads and WW network rehabilitated	12.8	125%
Bethlehem	Road rehabilitation and retaining wall	5	679,036	Km of roads rehabilitated	5.7	99%
Al Bireh	Stadium and road	3	768,544	Square meters	1,298	100%
Ramallah	Road rehabilitation and wastewater	3	641,944	Km of roads and WW network rehabilitated	4.2	100%
JSC South Area of Nablus	Public Building	1	320,000	Square meters	1,400	100%
JSC South East Jenin (JSC2)	Roads	2	320,000	Km of roads rehabilitated	5.5	100%
JSC for planning & development	Public facilities and electricity	3	320,000	Square meters	1,903	100%
JSC Wadi Sha 'er	Public facilities (projects still on-going)	1	320,000	Square meters	0	0%
Ramallah(Al-Ittihad and Al-Zaytouna)	Schools	3	320,000	Square meters	1,730	100%
<b>Total</b>		<b>58</b>	<b>11,200,000</b>			

Source: MDLF.

### 3.2 Value for money: Costs, financing arrangements and return on investment

#### 3.2.1 Disbursement rates were satisfactory for most municipalities and JSCs selected under the AFD MDP

The application of MDLF management procedures, implementation mechanisms and the disbursement of funds has been efficient and contributed to the realization of the projects in a timely fashion and thus of the AFD strategic objectives. The correspondence between the financial commitments and financial allocations, as well as the analysis of the pace of project implementation and disbursements, has been reflected in the optimum realization of the projects and thereby in the achievement of expected results.

As of 9 May 2010, most projects in the selected municipalities and joint service councils had disbursement rates over 70% (most of them in the 90-95% range). We only noted one municipality showing a low rate of disbursement, Hebron with

29% of actual disbursements (This is explained by the fact that some projects had not started yet, *i.e.* the rehabilitation of Hebron University Street).

Some 74% of the funding in JSCs had been disbursed. This was consistent with the percentage of disbursement for the municipalities (77.1%) and with the level of project completion (79.7%). This rate of expenditure in municipalities and JSCs was similar across each sector of intervention, *e.g.* road and water infrastructures, public facilities. As of end of September 2010, we noted that only one JSC had not fully completed its project. This is the Wadi Sha 'er JSC of Tulkarem, whose project is to build a comprehensive Activity Center for the amount of EUR 320,000. However, we were told that the project was scheduled to be completed in a few weeks, which would bring the overall completion and disbursement rates to 100% in the near future.

Table 7: Percent AFD Disbursement Consolidated Report (as of 10 June 2010)

Governorate	Allocation	Actual Cumulative Disbursement (EUR)	% of Actual Disbursement From Allocation (%)
	(EUR)	(until 10 June 2010)	
Tulkarm	880,278	801,406	91.0%
Salfit	509,576	474,999	93.2%
Tubas	567,545	529,999	93.4%
Qalqilia	805,969	751,844	93.3%
Nablus	1,567,902	1,493,267	95.2%
Jenin	731,772	684,999	93.6%
Jericho	599,575	560,000	93.4%
Hebron	1,847,858	544,165	29.4%
Bethlehem	679,036	486,051	71.6%
Al-Bireh	768,544	524,022	68.2%
Ramallah	641,944	599,999	93.5%
JSCs	1,600,000	1,183,581	74.0%
<b>Total</b>	<b>11,200,000</b>	<b>8,634,331</b>	<b>77.1%</b>

Source: MDLF.

A few reasons could be mentioned to explain such an efficient disbursement policy at MDLF. First, co-ordination between the MDLF and the LGUs on project implementation and management has influenced the quality of the technical dialogue, from identification of projects to design and implementation. This was true in the late years as MDLF engineers conducted more regular on-site visits to municipalities. Second, the application of standardized procurement policies has facilitated the efficient disbursement of funds upon completion of work. Because of the reasonable disbursement timetable implemented at MDLF, contractors were willing to provide more attractive prices to MDLF on tenders, thus allowing the LGU to go beyond original targets in some instances.

Our interviews confirmed that the local governments targeted by the AFD MDP were satisfied with the mechanism put in place by MDLF in terms of financial arrangements and consisting of transferring funding from MDLF directly to contractors under specific procedures. Most contractors met during the mission also confirmed their satisfaction with the speed of payment, as compared to other donors.

### **3.2.2 Contracting costs have been judged reasonable**

We concluded that the execution arrangements between municipalities and local contractors for the AFD MDP compared favorably against international benchmark figures. Costs of interventions were in line with the allocated budgets – indeed there was often a surplus realized at project completion. In

construction, where cost overruns are the norm, completion within budget has been *prima facie* encouraging, but the question of value for money then arises.

For the 58 projects carried out by the MDLF on behalf of the AFD MDP, we noted that about 75 kilometers of rehabilitated roads and water networks have been achieved, or an average of about EUR 121,000 per kilometer. Some 6,331 square meters of public facilities have been constructed for an average cost of about EUR 273 per square meter. For road construction per kilometer, we have to account for all the subunit costs of the road construction activities. Road construction unit costs were estimated by dividing the machine rates by the production rates for the various activities involved in road construction. The road construction activities considered were, for example, surveying, clearing and grubbing, excavation, surfacing and drainage. For instance, the World Bank estimated various construction costs in 2000 as follows: USD 214,000 / Km for rehabilitation and USD 866,000 / km for construction (paved roads).<sup>1</sup> USAID has been incurring average costs of about USD 548,000 per Km of asphalt roads.<sup>2</sup>

Therefore, the average of EUR 121,000 per kilometer of rehabilitated road was considered as efficient.<sup>3</sup> In terms of public facilities, we could also reach the judgment that, when it comes to the costs of construction used in the AFD MDP project, we could not find evidence of overestimating or underestimating of the aggregate actual values.

<sup>1</sup> See Roads Works Costs per Km, Rodrigo Archondo-Callao, from World Bank Reports, April 2000.

<sup>2</sup> See <http://afghanistan.usaid.gov/en/Program.25f.aspx>.

<sup>3</sup> It should be noted that we cannot provide a professional judgment on the issue of costing because we would need access to different types of data such as the simplicity of the terrain, availability of materials and resources, type of asphalt, etc.

## 4. Effectiveness of implementation

### 4.1 Policy coordination and effectiveness of the AFD-MDLF relationship

#### 4.1.1 Noticeable but uneven progress has been recorded in the local municipal sector on the commitment of partners to coordinate their efforts

Notwithstanding the positive developments related to reforming local government in the Palestinian Territories, there are some identifiable challenges which need to be addressed. Analyzing the institutional frameworks of the municipal development sector in the country, responsibilities with regard to designing policies are dispersed among a wide number of authorities and donors, which results in potential overlaps and lack of clarity on matters related to municipal development.

Although the municipal development sector is logically placed under the supervision of the Ministry of Local Government (MoLG), still considerable inter-ministerial policies, regulatory frameworks and structures have been developed and operationalized over the years. In general, most interviewees argued that the overall vision to reform the sector needs to be more clearly defined, including the clear mandates, roles and responsibilities of line ministries (Finance, Local Government, Planning & Administrative Development, Public Works & Housing), donors and LGUs.

We concluded that, unless a sector-wide coordinated approach is clearly articulated, large disparities between LGUs will be sustained in terms of capacity, resources and performance. The number of local government units (480+) is indeed too high to ensure a viable local government and effective and efficient local governance without a clear sector-wide strategy. We also concluded that clear separations of roles and responsibilities have to be achieved, with the MoLG being empowe-

red to be responsible for global coordination on policy work and financial flows between the PNA and local governments. At the implementation level, the MDLF needs to become the framework of reference for channeling municipal development funds to municipalities.

The mission praised the efforts deployed at the local level in terms of achieving enhanced coordination of actions. A Local Development Forum (LDF) has been set up and is open to PA representatives and all donor and aid agencies as well as to the representative of the Association of International Development Agencies (AIDA). The LDF is co-chaired by the Ministry of Planning and Administrative Development (MoPAD), together with Norway, the World Bank and the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO). There are also four Strategy Groups (SGs) which deal with the main clusters of economic policy, governance, infrastructure development and social development and humanitarian issues. The SGs focused on policy formulation and program coordination, and pursued better design of donor projects to support the PA's sector priorities as well as a higher degree of harmonization of donor procedures. Under the Local Aid Coordination Secretariat (LACS) initiative, a web portal of the Local Development Forum (LDF) has also been maintained to support the members of the aid coordination structure in the Palestinian Territories by providing up-to-date information on aid-related issues (For further information, see <http://www.lacs.ps>).

However, the evaluation further concluded that it was important to reinforce the program links between the donors and

MDLF through the Donor Consultation Forum and the Local Government Sector Working Group. The mission of the Local Government Sector Working Group was to increase the impact of foreign development assistance by coordinating the work of international donors, among themselves as well as between donors and the Palestinian aid recipients. Although many donors praised the existence of the Sector Working Group as a forum to discuss the key issues in the municipal development sector, they also deplored the lack of sufficient coordination within the donor community and the various line ministries to support a strong reform agenda of the local government sector.

#### 4.1.2 The MDLF often appeared as a multiple-account pooling instrument, thus raising the question of its legitimacy to serve as a global fund in the medium term

A crowded galaxy of line ministries and donors in various frameworks and at different times (MoLG, MoF, MoPIC, MoPWH, World Bank, Sida, Dutch Cooperation, AFD, Danida, KfW, GTZ, Japan, Italian Cooperation, USAID, APLA ...) underscored the validity of the quest for enhanced coordination. The extent to which MDLF could strengthen capacities, coordinate responses and interventions, and adequately mobilize resources to address the demands arising from LGUs of various sorts was a rather daunting task.

As shown in Appendix 6 ("EU Sector Strategy Fiche, Municipal Development and Local Governance"), donors have invested different areas of the municipal development sector: KfW providing support to village councils and NGOs in the form of physical and social infrastructure; AFD providing funding to MDLF for infrastructure projects in the periphery of larger municipalities; USAID supporting MoLG in defining an overall sector strategy, etc.

As regards donors' strategy with MDLF, we noted wide disparities, thus making it difficult to develop a coordinated sector-wide approach in municipal development. For instance, major donors such as USAID have developed their own actions inde-

pendently of the MDLF. As an example, through its Democracy and Governance office, USAID has started a Local Democratic Reform project covering the period 2005-2011 with funding of USD 37 million to improve governance at the local and national levels (strategic development planning, prioritization of needs, adoption of accountable systems, promotion of civic participation...). At the same time, USAID operated a major Infrastructure Needs Program (Roads) consisting in rehabilitating important roads, including some within municipalities, the total amount of this program being around USD 100 million last year.<sup>4</sup>

Other donors have preferred to channel funding through the MDLF. For instance, Danish cooperation committed about EUR 9.6 million in 2009-2010 and is scheduled to commit some EUR 12.9 million in 2011. The World Bank will also commit about EUR 14.7 million for the 2010-2011 period. At the writing of the report, we were informed that a proposal had been made by Belgian cooperation to fund MDLF with about EUR 15 million for a period of five years. However, we noted some resistance from donors to provide non-earmarked resources to MDLF. Over the past years, donors have been providing funding to MDLF under specific criteria and projects. The MDLF also adopted some of the guidelines and processes used by international donors (for example for procurement and monitoring).

The evaluation concluded that one of the main weaknesses of the Fund was its legitimacy in channeling all funding, donor and PNA, to local governments. By our calculation, only about 12% to 13% of total funding dedicated to local governments transited through the Fund. This figure was higher if we do the calculation prorated to the municipalities only, excluding other forms of LGUs. In such a case the percentage is about 60%.

The legitimacy issue was said to be further complicated due to the lack of clarity on the precise legal and political status of

<sup>4</sup> USAID had provided an estimated USD 2.9 billion since 1994 for programs in the areas of water & sanitation, infrastructure, education, health care, economic growth and democracy (of which more than USD 1.8 billion had been provided since 2004). In 2009, assistance amounted to USD 776 million against USD 390 million in 2008 (2010 requests were made for USD 400 million).

the Fund. Notwithstanding that MDLF had received the blessing of the PNA through the MoLG, its public legitimacy was open to serious challenge over time. Many persons interviewed argued that the roles of MDLF and MoLG were not always clear, in particular when many funding initiatives are still channeled through different line ministries. The full legitimacy issue must also be questioned when donors adopt different funding policies, some going through the MDLF (under different strategies, trust fund or not) and others deciding to invest massively in the municipal development sector outside the MDLF, thus casting doubt on how the MDLF can be recognized as the main partner of the LGUs.

#### 4.1.3 Managing for quality: AFD does not participate in all phases of project delivery, thus making it difficult to add value and obtain high visibility

From the mission we concluded that the existing relationship between AFD and MDLF was good. We could not find evidence of any disagreements over the role of the MDLF in implementing the AFD MDP. Still, under the scheme of delegation approach followed by AFD, staff of the AFD country office kept their supervisory and advisory roles to a minimum to avoid micro-managing in the identification and programming cycles, such tasks being delegated to MDLF. Furthermore, contrary to practice in other sectors, e.g. water & sanitation, we could not find evidence of many AFD technical assistance missions being carried out in the field, either to assess needs, test feasibility options, or provide sectoral expertise during the implementation phases.

Although AFD has been able to successfully earmark funding to specific municipalities under the AFD MDP scheme of delegation approach, it has clearly reduced its visibility with final beneficiaries and diminished its capacity to bring its expertise to the forefront in various areas. We believe that AFD could play a greater role in shepherding the Fund in the right direction in the years ahead. A positive response to the donors' calls for greater transparency in MDLF programming and strategic vision would be beneficial in many respects. For

example, improved planning and prioritization, effective policy and process integration, more competitive institutional positioning, systematic knowledge management through shared information systems, and better reporting could promote MDLF as the main (or only) funding channel to LGUs and repository of applied knowledge in the sector of municipal development. The mission recommended that AFD stress that there could be no alternative to a clearly articulated MDLF strategic approach if sustainability is to be achieved.

#### 4.1.4 MDLF and AFD may have developed some key competitive advantages for working together over time

The mission concluded that the Fund was well adapted to the AFD strategy to target the municipal sector over the period 2007-2010. According to many persons interviewed, the lack of political visibility and accountability in the municipal sector, as well as lengthy processes requiring considerable human and financial resources for implementing projects at the LGU level, have significantly increased the need for donors to go through a fund structure. Thus, MDLF has brought specific benefits to the financing partners.

In Box 4, we list some of the key competitive advantages for donors and MDLF in working together, as mentioned to us during the mission. We did not believe that these advantages had been fully attained under this existing configuration but could be achieved in the future if MDLF becomes more sustainable. Although competitive advantages have been highlighted, the existing model was said to be constrained. For instance, we noted that donors do not always have incentives to pool their resources. As of today, many international donors are not participating in the Fund, e.g. Japan or USAID. However, for a donor to gain competitive advantages, the Fund must reach a critical mass so that it can maximize the advantages of pooling resources.

**Box 4: Competitive advantages for AFD and MDLF in the MDP**

Increased funding efficiency: Identification of projects and programming have become easier when done by the MDLF with staff working under a streamlined set of procedures and tools to ensure quality is maintained. The selection of projects according to specific criteria, procurement of contractors, and supervising processes has also been designed in advance at MDLF and harmonized.

Greater predictability and streamlining of project delivery: Operating under a specific and well-defined project cycle has encouraged the partners to obtain more predictability in preparing the project pipelines. As a result, it becomes easier for donors as well as the LGUs to have visibility on the processes being implemented.

Enhanced communication: Specific project cycles have encouraged the MDLF to develop more robust and efficient communication practices, in particular among donors. Still, as noted below, reporting and monitoring has to be improved.

Reduced transaction costs: As processes become more efficient, transaction costs have decreased. We noted that the MDP is implemented by the MDLF against a 5% management fee that we find reasonable. Projects implemented under the AFD MDP being relatively numerous, the MDLF brings an adequate solution allowing the AFD country office to outsource back office tasks and functions.

Source: Analysis from the author.

**4.2 MDLF’s effectiveness as the sole implementing partner of AFD in the municipal development sector**

**4.2.1 The MDLF has been perceived as a good partner for mobilizing resources on some basic infrastructure projects but areas of improvements have been noted**

MDLF’s comparative advantages — e.g. status within the donor galaxy, strong focus on municipal development — in principle made the Fund well situated to address the range of concerns of donors to channel resources to local governments. Concerning the effectiveness of MDLF, most persons interviewed admitted that the Fund has created a clear strategic focus on resource mobilization for infrastructure projects with a goal to bring increased added value to both donors and local governments (Figure 4). Many opinions received from the interviews signaled the intentions behind the Fund implementation. These included developing a national but independent mechanism for transferring funding to LGUs,

fostering a “shared culture” among donors and partners to the Fund on procedures and processes to be implemented, and developing best standards for supervising projects, among the items most frequently cited.

However, the mission noted that the alignment of objectives has not always been clarified on some issues and therefore some of them were not fully implemented. For instance, there remained no progress on the development of the lending function, as explained earlier, due to the lack of creditworthiness of most LGUs. In terms of development knowledge, assessing LGUs’ needs, identifying further funding sources, the MDLF is not perceived as effective. We conclude that it is important to ensure that concrete goals can be defined for each objective in order that specific projects emerge in a predictable and sustainable fashion.

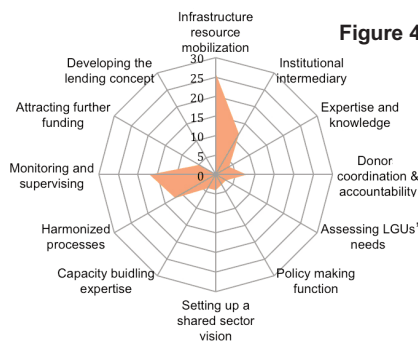


Figure 4: Perceptions from interviews on MDLF effectiveness in reaching key objectives

Source: The author on the basis of documents provided by the MDLF.

**4.2.2 MDLF project cycle: from identification to disbursement, the pace of each phase has been satisfactory to ensure the effectiveness and delivery of expected results**

The project cycle implemented by MDLF to administer the AFD MDP activities was moderately satisfactory, if we consider the nature and size of the projects. Assuming that the expenditure rate was a reflection of the actual capacity of the MDLF to allocate and disburse funds efficiently, we may conclude that the AFD MDP has been implemented in an efficient manner. However, in terms of effectiveness, we concluded that opportunities may exist to streamline the process in the future, especially to reduce the bidding and contract negotiation phase.

We have been reviewing different project files at the MDLF in order to assess the nature and validity of the project cycle. We could conclude that a standardized approach has been developed, which was commented as a good practice. However, some criticisms have been made over the lengthy planning of the preparation phase to allocate funds to municipalities. The reasons mentioned for such a lengthy process were as follows: Agreement signing taking more time than expected; money transfer and procedures from AFD; MDLF internal procedures; and the limited capacity of LGUs to initially prepare applications and bidding documents.

In the following table, we present the project cycle for a project developed at Jericho.

**Box 5: Project cycle implemented at MDLF for the AFD MDP – The case of a Jericho Project**

Date	Milestone
29 July 2007	After the signing of the agreement between AFD and the MDLF, allocation letters are sent by MDLF to selected municipalities based on population criteria. Municipalities start preparing the selection of projects through the participatory approach.
3 September 2007	Rfl advertised in local newspaper for interested contractors to be pre-qualified. List prepared by MDLF and sent to AFD for no objection.
Fall 2007	Needs assessments conducted by selected municipalities. Public participation recorded, involving 50 persons in Jericho for 8 projects, with only 1 being retained.
2 January 2008	Application forms sent to MDLF.
January 2008	MDLF Engineers to review the applications for compliance (social, environmental, feasibility analysis) and proposals sent to MDLF Manager. List of projects presented to AFD and MDLF Board for final approval.
4 March 2008	MDLF to send Letter of Approval to municipalities, announcing amount allocated and providing template forms for bidding and advertising.
15 March 2008	Municipalities to prepare bidding procedures under the supervision of MDLF.
3 May 2008	No objection letter sent by MDLF to municipalities (AFD no-objection secured for projects above USD 300,000).
4 June 2008	Bids to be received by municipalities from contractors. Bid opening and evaluation to be done by municipalities, with MDLF to participate and to receive all documents.
22 June 2008	Contracts prepared after sending out of Notification Letters from the MDLF to municipalities. Contracts signed between contractors and municipalities. Commencement of Work Order issued upon contract signature.
7 September 2008	First payment request made by retained contractor to municipalities. 10% advance payment approved by MDLF and processed by the Fund's Finance Dept.
Fall 2008	Construction work performed as per contract under supervision of municipalities and MDLF Engineers.
28 January 2009	Hand-over Committee to review completion of projects, with MDLF and municipalities being involved. Final report is prepared and signed, detailing objectives, results and outputs achieved.
End of February	Project fully completed.

Source: MDLF access to files.

From the above table, we noted that on average it took one year to carry out the preparation phase (from allocation letter

to municipalities to signing of contracts between MDLF and municipalities). The projects were then carried out, very often in a few months for most of the construction work. The mission concluded that opportunities would exist to streamline the



process during the project preparation phase. Furthermore, we noted that the rigidity of the Financial Agreements and the Terms of Reference did not allow the introduction of changes or modifications to the project to reflect new realities and circumstances. In addition, some municipalities had to find the extra resources needed to implement contractual changes or variations (mostly because of the lack of available resources), which in itself did not constitute a major obstacle.

But overall, we could not reach the conclusion that administrative procedures at MDLF were a reason hindering the implementation of projects and negatively affecting the execution of the overall strategy. On the contrary, we could assert that, in the pilot phase between 2007 and 2010, the partners and in particular the MDLF designed sound and effective procedures that in turn, once tested, would be improved to seek greater effectiveness.

#### 4.2.3 The new grant allocation mechanism developed by MDLF in 2010 creates major incentives to build capacity of LGUs, thus potentially improving the efficiency of future interventions

Over the period 2007-2010, the allocation of funds by MDLF was based on population size. A new formula for performance grants has been designed to create incentives to improve financial, planning and management practices, to ensure the essential needs for all municipalities for the delivery of basic services, as well as to create incentives to catalyze the implementation of policy actions aimed at improving local governance.

The following table summarizes the rating of municipalities as performed by the MDLF in 2009.

**Table 8: Rating of municipalities (MDLF, 2009)**

Rating	Prerequisites	% of municipalities
A	Current Account Surplus (for 2 consecutive years) Unqualified External Audit Integrated Financial Management System	0%
B	Operational Account Surplus (in 2007) Fixed Assets Register Maintenance Plan in place	0%
C	Municipal Development/Investment Plan Financial Accounting Policies & Procedures in place - External Audit	8%
D	Capital Budget (approved and executed, properly submitted to MoLG)	60%
E	Recurrent Budget (approved and properly submitted to MoLG)	32%
F	No Budgetary Information	0%

Source: MDLF, 2009.

Such a step toward a performance-based approach for rating LGUs was indeed needed. Based on interviews with LGUs, we noted that most municipalities suffered from a lack of formal municipal development strategies and plans (Figure 19). Among municipalities with valid strategies and financial accounting policies (8%), there were serious shortcomings regarding the implementation of integrated financial systems and account balancing. Furthermore, in the municipalities receiving a grade of D and below (92%), there was no trace of a specific municipal development/investment plan, capital budgeting, financial accounting policies and audit. The majority of municipalities met during the mission also pointed to their lack

of skills related to basic policy, planning and project cycle management. Therefore, it was seen as essential that the capacity of LGUs be developed so that they can seek and use funding in the most efficient manner.

The grant allocation mechanism was said to be perceived today as the most important element underlying the new MDP because it conditioned the allocation of funding efficiently. This mechanism was presented to us as unique and original in the sense that it is the first time a performance-based formula has been used in conjunction with infrastructure grants in Palestine. The grant mechanism is based 40 percent on per-

formance, 40 percent on population and 20 percent on need. Municipalities have been ranked according to 12 basic accepted “good management” practices. Funds were allocated based on rank; cities with higher rankings will be eligible for more funding than those with lower rankings. During Phase 1, municipalities were ranked for the first two years; after that, they would be ranked on an annual basis.

In doing so, the objective of the MDLF was to work 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. The main objectives are:

Identify LGU weaknesses so the MDLF will assist them in improving their capacities to be sustainable, independent and creditworthy.

Improve LGU capacities in planning, operation and maintenance (O&M), financial management, and service delivery.

Allocate funds for LGUs in a fair and just way with incentives to promote good governance and efficiency.

We concluded that it was good practice to seek to develop a performance-based approach for allocating funds and, more importantly, to help low-ranking LGUs to remediate their deficiencies. However, the shift of focus to performance presupposed that performance could be measured objectively in the long run. The aim of such an approach was to focus the minds of local government decision-makers, managers and public servants on how to improve the quality of administrative policies and services, rather than on solutions primarily consisting of increasing resources.

For MDLF, and the donors, the challenge will be to have this approach accepted on a wide consensual basis. The implementation of such an approach needs to be decisive on objectivity grounds. To be consistent across the board, the approach will require a dedicated program coordinator to develop awareness-raising campaigns, communications of objectives to LGUs, in particular on scoring LGUs on performance-based objectives and guidelines.

## 4.3 Accountability, monitoring and evaluation

### 4.3.1 The accountability and reporting functions for the AFD MDP are globally not satisfactory

Good reporting should measure the end results and outcomes, comparing them with the targets, next to tracking the different cash flows of the various service lines. The reliability of these systems and their capacity for providing timely, comprehensive, and accurate data are basic prerequisites for all good management. The mission concludes that MDLF reporting systems need improvement in many respects, requiring that donors discuss a standardized approach to avoid the duplication of tasks for the MDLF in reporting to different funding partners.

First, there is no comprehensive Management Information System (MIS) operated by MDLF at present, the reporting to donors being performed from a different spreadsheet and tools. Most of these systems are sufficient to provide information that tracks expenditures per project and per donor, or to measure impacts, e.g. job creation for the AFD MDP. During mission interviews and site visits, it became obvious that the existing MDLF MIS did not provide sufficient information to both donors and local governments on the type of projects undertaken and the degree to which MDLF perceived success in reaching development targets. Hence, there was an urgent need to get a more standardized monitoring system in place

that would include capacity development to gather and analyze information for impact assessments of MDLF interventions.

The annual reporting of MDLF has been said to be deficient by many donors. Not only the information is not delivered in a timely fashion (*e.g.* as of the writing of this report in September 2010, the Annual Report 2009 is not publicly available yet) but also was not usable as such in a concise manner, with overlapping information over different periods of time being noted.

More importantly, the reporting does not seem to provide an adequate system for outcomes reporting on specific project interventions either. According to many sources, the existing reporting was unclear about who could claim success and/or accountability for outcomes and implementation. Most results reported were of output, not outcome nature, and there was a lack of precise indicators to measure overall performance.

#### 4.3.2 Enhancing accounting and financial reporting

We noted that financial reporting at MDLF is done in accordance to International Financial Reporting Standards. As a result, we could assume that the strategy of MDLF to operate on a going concern basis is sound. The financial statements for the period 2007-2009 have been reviewed and they were unqualified by a professional auditing firm. The statements provided the details of pledge receivables for each year of operations on a donor basis.

Well informed decision-making at managerial levels depends on the reliability of financial data for each major head of account or fund. MDLF must therefore improve its reporting systems in order to serve both the macro-reporting requirements and the management information requirements of the organization, its constituent units, the service lines and ultimately the donors.

An effective MIS for MDLF finances required a multi-directional approach that may include:

Ensuring financial discipline (maintaining an intelligible financial MIS, allowing consolidation and reporting on a service-line basis and per donor);

Ensuring transparent reporting for attracting external financial contributions from and outside the group of "MDLF friends";

Reorienting service line expenditure priorities, for instance from the emergency scheme to the capacity building scheme (based on assessment of needs); and

Improving effectiveness of MDLF expenditures reporting and satisfying any central reporting requirements, both MDLF and non-MDLF (donors).

As a result, we concluded that reporting systems, in particular for performance purposes, were not adapted for quick and reliable reporting, nor do they allow for organizational goal-setting and performance measurement. The mission recommended that an effective MIS may be required for:

Ensuring regular standardized reporting discipline to the donors (maintaining an intelligible MIS, allowing for consolidation and reporting on a project and outcome basis). This is particularly true when more projects are supposed to be implemented in the new phase of the program;

Ensuring transparent reporting within each organization and facilitating communication of verified information. At present the systems are adapted to gathering data on projects, spending and outputs. More qualitative analysis has to be provided on a regular basis;

Providing consolidated information on implementation to project managers and senior management on a regular basis; and

Orienting the systems to capturing key outcomes.

**4.3.3 The Monitoring & Evaluation (M&E) function exists but is not oriented to outcomes**

Monitoring was said to be an essential element of the financial management cycle at MDLF. Since 2007, a dedicated officer has been assigned to this function with the appropriate qualifications (civil engineering coupled with evaluation training). The evaluation was donor-oriented and it included base-line evaluation, formative evaluation, performance monitoring and beneficiary assessments. The M&E Office was also responsible for maintaining the performance monitoring system for grant allocation (rating of municipalities).

Due to generally limited management resources and budgets, the M&E function has evolved somewhat irregularly. For instance, over the period of reference of this study, we could not find evidence of major cross-sectoral evaluations being carried out on a regular basis (except the MDP Client and Citizen Satisfaction Survey and EMSRP II Beneficiaries Assessment done in 2009). Evaluation tools and best practices have not been fully implemented yet. While some donor support for MDLF was unquestionable, notably by the increased move towards a more global “un-earmarked” funded MDP, the call for a clear M&E system and more reliable and regular information on projects and results was equally resonant. As a progress reporting tool, the existing spreadsheet reporting may be sufficient, but without a monitoring framework it was impossible to measure intangible outcomes, such as the ability of a project to involve the local community and create jobs, for example.

We noted that MDLF was currently acquiring a Program and Grants Management Information System (PGMIS) developed by Next Level Technology Systems and to be fully operational in 2011. The new MIS will be a sophisticated project budgeting and accounting system; multi-language (*i.e.* English and Arabic); multiple-unit system, multiple location access (*e.g.* center and districts); ability to track and report by beneficiary organization, project, donor, fund/grant, budget category and project component; report-writing facilities and tools; ability to track actual, budget and forecast data; ability to generate

management reports with a clear audit trail; adequate internal and external security features (*e.g.* inability to delete posted transactions, controlled access, password protection, back-up and system maintenance procedures, self-diagnostic checks to ensure integrity, firewall protection, intrusion detection), and capacity to track and report on procurement information by procurement procedure, by contract, by status (*e.g.* committed, completed, etc.); ability to track consultants’ timesheets and manage contracts, etc.

We concluded that PGMIS may provide an adequate solution to remediate some of the problems noted above but we had no opportunity to test such a system during our mission. Of critical importance to the successful installation of an M&E system will be the recruitment and training of M&E staff, normally the responsibility of the Manager, MDLF Strategic Planning and the External Relations Department. This would apply at the executive management level as well recognizing that needs exist for both M&E and IT skills to keep a reliable system operative and on such a large scale, and this would also require a significant investment in communications and training.

**4.3.4 Inclusion and consultation mechanisms do exist but are not systematic; AFD and donors in general have a role to play in seeking greater community participation in the program**

Inclusion and consultation mechanisms have been implemented at local levels to reflect the important principles of participation and non-discrimination in local development, and ensure, on this basis, citizen participation in the identification of projects and response to exclusion (political, social and economic) at the municipal level.

Focus group meetings with citizens confirmed the existence of public consultations to discuss needs. This was more evident in the strategic planning activities that the municipalities held and from which the AFD MDP priority projects were selected. According to the municipal representatives interviewed during the current evaluation, citizen participation was still

focused on individual rather than collective community needs. This can be explained by the huge number of basic needs still to be addressed. The evaluator still recommends maintaining community participation in the identification of needs so that municipalities maintain the democratic practices of engaging

with their citizens. At the same time, the utilization of quantitative surveys and maintaining reference/consultative groups were found as good practices within some municipalities such as Tubas and Nablus.

## 5. Sustainability, impacts, AFD's contribution

### 5.1 Sustainability

#### 5.1.1 For the new MDP, needs have been expressed by municipalities and partners to find a higher strategic focus in terms of coverage and areas of expertise, mostly to build the capacity of municipalities

Overall, we noted that donors have achieved substantial results in the municipal development sectors as a whole. Although the various donors largely covered many needs in the municipal development sector, greater attention will need to be brought to some areas in the future, e.g. in strategic municipal planning, municipal financial management, revenue mobilization, municipal access to credit (a longer-term issue), stimulating private finance of municipal services, and procurement management.

From the mission we noted that the needs of local governments have often been summarized as follows:

Improve the efficiency of delivering public facilities and infrastructures (municipalities have the potential to be more efficient in a number of ways, in particular through proximity to roadways to facilitate travel and trade...);

Develop capacity building for local governments (today municipalities cannot imagine being self-sustainable if their overall performance is not significantly improved in terms of planning, budgeting, reporting, monitoring and investing); and

Bring economic growth through public-private partnerships (businesses producing goods and providing services that strengthen economic opportunities for the entire community).

In particular, we concluded that a special effort must be made

to improve municipalities' finances before positively being able to stimulate the local economy. We were told of the need to create the following virtuous circle to maximize the impact on the local economy: better payment from consumers for the services provided (roads, water,...) that will in turn allow restoration of the investment capacity of municipalities and then to contribute, with the support of the international community, to the delivery of new, much-needed local infrastructures, most of them to be delivered at the local level.

#### 5.1.2 However, AFD must avoid the duplication of efforts in the municipal development sector, raising the issue of what value added to propose in terms of capacity building

Amalgamation appeared to be very high on the municipal development agenda. The Ministry of Local Government and its Amalgamation Task Force have started the process of restructuring the local government system in the Palestinian Territories. With about 480 LGUs, most of them being small villages, interviewees clearly expressed a need to restructure the current local government organization and engage in a comprehensive municipal restructuring program aimed at reducing the number of LGUs and integrating them into municipalities that can perform core functions and provide basic services. The "Amalgamation" topic has been stressed in most documents and reports associated with local government policy, strategy and planning since 2004.

It was noted that France had been building strong expertise in decentralization, municipal finance and amalgamation. Thus we found it logical for AFD to mobilize specific expertise

through its decentralized cooperation with the aim of learning from French policies and practices in the field of municipal amalgamation and reform. However, such expertise may lie with the French Ministry of Foreign Affairs and not AFD, leading to the question of how such expertise can be mobilized.

In conclusion, we noted that the MDLF has provided capacity building support under the new MDP (Phase I). Windows 2 and 3 of the MDP will seek to promote learning and innovation to facilitate municipal development, including implementation of national policy directives, with the use of amalgamation to achieve better efficiencies and economies of scale. As a result, we did not recommend that AFD embark on specific actions related to capacity building outside MDLF, mostly because many donors have already invested this field and are today providing extensive expertise. But we strongly urged MDLF to develop its capacity building function to support municipalities, a function currently under the responsibility of a limited staff (as compared to the many engineers staffing technical departments).

### **5.1.3 Donors' grant-making capacity may further cast doubt on MDLF's sustainability in the future**

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French cooperation has historically been in a privileged position to finance a wide range of activities through a sustained grant-making policy, thus committing to generating and sharing expertise and funding in specific areas of interest. Such a grant-making strategy has been an integral part of AFD's development work and an important complement to its lending and advisory services. When loans could not be made in non-solvent countries, which is the case of the Palestinian Territories, grants have become the unique strategy to 1°) finance development projects, 2°) catalyze partnerships and engage policy dialogue, and 3°) broaden the scope of AFD's services.

Over the years, AFD has developed a sound policy of offering grants to assist development projects, grants that are designed to encourage innovation, cooperation between

organizations and to increase local stakeholders' participation in projects. The total amount of AFD grants in 2009 was EUR 200 million, with about 10% of this amount being dedicated to the Palestinian Territories. However, AFD's strategic choices in the Palestinian territories are today constrained by the availability of grant resources. Whereas AFD has been able to deploy a multiple financing strategy to target the poorest countries, ranging from subsidized or concessional loans to grants or subsidies, it could only provide specific grants in the Palestinian Territories, thus limiting the availability of financial resources and expertise. Furthermore, in the context of the reduced development aid budget on grant activities in France, we contended that an upward trend in financing volumes in the Palestinian Territories could not be sustained, unless operating under specific partnerships.

The potential reduction of donors' grants in the future may also provide greater incentives for MDLF to engage in a constructive search for new sources of financing. Due to the widespread problems faced by the populations in the Palestinian Territories, we concluded that it was important for AFD to align its strategy and objectives for the period 2010-2015. We affirm that the MDP and the MDLF, which are at the center of donors' strategy today, must be sustainable in the long run for the strategy to lead to meaningful and lasting impacts.

### **5.1.4 Sustainability of the MDLF strategy is highly dependent on the Fund's ability to secure more funding from the PNA**

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Over recent years, the PNA has made substantial efforts to improve the fiscal situation of local governments. This was accompanied by many important practical and structural steps taken by the local government sector in the formation and expansion of local government bodies/units. Local revenues have significantly increased in recent years, reaching USD 188 million in 1998 and more than USD 874 million according to statistics of 2007 and USD 1.276 million in 2008.

From our mission, we obtained statistics showing that the PNA has been providing more funding to LGUs. For instance, the last three years showed a clear trend for the MoF to redistribute income from transportation, license fees, property tax, transferred expenditures and development revenues (Figure 4).

This was also considered an important step toward self-sustainability. In Ramallah, it was confirmed to us that the MoF financed development projects representing about 35% of the municipality budget, for example.

**Table 9: Revenues transferred to Local Government Units from MoF (in USD)**

Revenue type	2007	2008	2009
Revenue From Transportation on Roads (50% retained MoF)	12,100,781	14,314,981	20,192,882
Revenue From License Fees (50% retained MoF)	1,378,417	1,628,086	2,077,902
Revenue From Property Tax (10% retained MoF)	9,907,922	14,115,725	17,932,296
Revenues collected By MoF (Transferred Expenditures )	20,928,120	15,420,720	22,029,600
Development Revenues (Projects-Financed by MoF)		327,175,737	

Source: MoF.

Although MDLF has been able to secure an increasing level of support in recent years, especially for the newly-created MDP, it seems not to have systematically addressed the question of financial sustainability. Also, as part of its sustainability strategy to access and improve delivery capacity for contributions, MDLF needs to focus on leveraging diversified sources of funds and quality human resources, in particular from the PNA. Although self-sufficiency should be the ultimate goal (with a Fund financed by stable capital, loans and more redistributed funding), in the short run, sustainable financing is the ability of the organization to mobilize and efficiently utilize international, domestic and supplementary external resources on a reliable basis to achieve current and future target levels.

We believe that such a project should be carried out under specific leverage conditions, meaning that PNA and/or local governments should be able to provide additional resources that would in turn generate higher additional economic return. Although AFD’s funding targeted priority sectors and municipalities, the leveraging capacity was not strong. For instance, we could find evidence of MDLF securing a 10% commitment from PNA on funds provided by donors on the new MDP. However, we noted that most partners asserted that such additional funding would not be sufficient to allow for the delivery of priority sector municipal support and also allow MDLF to

deliver a greater volume of ‘core’ support, therefore adding value and not duplicating work.

Taking into consideration the finite state of MDLF resources to meet expectations in the municipal development sector and accepting that donors’ funding was essentially “seed money”, the need to exercise rational choices within a strategic framework so that more funds from the PNA could be raised would seem persuasive. Fostering a large municipal coverage by MDLF, indeed the intention of those who contributed to the establishment of the Fund, would seem to be the single most important facet in the MDLF armory, and if successfully pursued and adequately resourced could contribute markedly to an environment of sustainable development in the municipal sector.

**5.1.5 MDLF’s lending function has not been developed, creating a vacuum and no overarching policy on municipal lending, but potential does exist for MDLF in this area**

We noted that the creation of the MDLF has been a positive step towards satisfactorily channeling funding to municipalities. However, the MDLF’s lending function has not yet been fully developed. Moreover, no overarching policy on municipal



lending has been developed, including the identification of a sustainable revenue source for this activity. Little progress has yet been made in terms of promoting investment opportunities for LGUs.

Over the 2007-2010 period the mission noted that the MDLF had no operations in granting loans for development projects, making one of the two pillars of MDLF mandate ineffective. Different reasons can explain the situation: 1) The intention for loan activities were long-term, with the aim to potentially transform the MDLF into a municipal development bank in the future; 2) The creditworthiness of LGUs is presently poor and loans cannot be afforded due to the risk of default; 3) The existing pool of MDLF resources is targeted to non-loan operations; and 4) No system of guarantees exists to develop the loan business.

Although the lending function has not been implemented yet, we believe that a window of opportunity may exist in the future, once the creditworthiness of some LGUs is improved and thus lending can be contemplated, fully in line with international standards.

#### **5.1.6 On the issue of sustainability, interviews also confirmed that pooling resources is a strategy preferable to isolated actions in municipal development**

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Today, resources are generated in a number of ways at MDLF – through contributions from the Ministry of Finance (10% of donor funding) and resource mobilization from the donor community. To ensure efficient financial management, MDLF should provide realistic and reliable estimates of resources, which should be generated on a least-cost basis to target groups. Since the start of operations in 2005, MDLF implemented different projects with funding from several development partners, including the World Bank, Sida, AFD, Danida, KFW, GTZ, EU, and Italian Cooperation. For the coming years, a new approach has been designed to pool all resources together under a joint MDP.

The mission concluded that pooling resources was preferable to isolated actions by different partners. Today, it is seen as essential to reaching critical mass for development assistance in the municipal development sector. A “Pooling” approach is believed to be critical to the effectiveness of the newly-created MDP for sustainable and equitable development in the municipal development sector. Thus, the generation of resources to meet MDLF priority demands within the framework of the four areas that comprised its agenda was seen as an essential feature that would ensure sustainability of the organization. Long-term sustainability was critical for MDLF to be able to reach its target groups and cover growing administrative and other overhead costs.

## 5.2 Impacts

### 5.2.1 Evaluation also shows higher levels of return for AFD-funded projects outside road and water infrastructure sectors

The AFD MDP contributed substantially toward building good municipal infrastructures in sectors other than roads and water. For example, the Nablus tunnel stood out for many reasons. The city center suffered from traffic jams caused by thousands of cars, taxis and passengers who came to the city for its various services. However, the municipality was unsuccessful in securing the necessary funding to build the tunnel required to decongest the center. Finally, the project became a reality when different co-financing partners agreed on a proposal. The total budget for the tunnel project stood at EUR 649,914 with EUR 482,902 from AFD and EUR 167,012 directly from the municipality. Thus a 26% contribution rate from the municipality underlined the importance of the project to the city of Nablus and the possibility of raising sufficient additional municipal resources for high priority projects, which has not been the case on the regular MDP road rehabilitation projects. The impact of such a project was said to be high as it improved public access to the entire west side of Nablus, including for Al Najah university students and teachers, reaching up to 20,000 persons on a daily basis, the Al Etihad hospital, at least three residential areas, and the Ein Beit Elma refugee camp.

Larger-scale projects also have a higher job creation ratio. For instance, the Nablus project contributed to stimulating the local economy through the purchase of materials from the local market, creating 6,000 working days as direct employment and an estimated 4,000 working days as indirect employment. In addition, the project led to noticeable increases in commercial activity inside the commercial center served by the tunnel funded by AFD. The construction of the Al-Bireh stadium was another example showing a high job creation impact. About 60% of the total budget went to paying the

salaries of employees during the 18 months of implementation. The project has created 13,000 direct working days and 7,000 indirect working days. The project is also expected to create at least 10 permanent jobs once operational.

These cases illustrated that another business model coexisted with the one focused on small road rehabilitation. High impact and highly visible projects such as the tunnel or the stadium attracted good leveraging of additional resources from local governments.

### 5.2.2 The contribution of the AFD MDP to job creation is questionable, however, on smaller-scale projects

Whether AFD interventions in the municipal development sector contributed to creating jobs is a question to be addressed in infrastructure investment and maintenance projects such as road rehabilitation and construction. Usually, we are informed that the project contributed to a marginal level of job creation for the rehabilitation of roads, an area which is not labor-intensive, as compared to the building of a school or other major infrastructure.

Although contracted to local companies, infrastructure construction and rehabilitation projects nonetheless certainly created jobs because contractors mainly employed local labor for unskilled jobs as well as for many skilled jobs such as technicians, foremen or machine operators. For larger-scale projects, we cannot deny that jobs had to be created. However, it appeared that these jobs were temporary, with contractors pointing out that when they had a series of successive work contracts in a given area they found it advantageous to employ the same skilled workers whom they had trained and whom they trusted. Capacity building and other interventions in support of LGU reforms, while they may contribute to enhan-

cing the skills of the employees of government agencies and other beneficiary institutions, are also not expected to have an impact on employment.

Although job creation through local contractors is one of the objectives of the project, there was no evidence of monitoring and tracking of jobs created either at the municipal or the MDLF levels.

### 5.2.3 Noticeable impacts at the base of the economic pyramid

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The most fundamental impact for the success of the project is its acceptance by the partners and beneficiaries. First, in the case of the AFD MDP, we noted that the project had a clear objective on how to assume accountability for its success. In exclusively funding specific municipalities through MDLF, AFD has found a solution for the difficult issues that beset all projects at some point in their existence: how to maximize impacts. Through the MDP, AFD has been uniquely positioned to make a difference for the many people at the base of the economic pyramid in the Palestinian Territories. We have argued in this report that the AFD MDP has produced concrete outputs directly benefiting the population of local governments.

We did not conduct a thorough impact analysis, which was beyond the scope of this report, but we could discern concrete effects or impacts of the AFD MDP from meeting with selected groups of beneficiaries. In general, each of the components has been extremely well received by the beneficiary populations. The beneficiary support is particularly obvious for road infrastructures, but also for the construction of public facilities. After attending many information groups in the municipalities under review, we found that the project indeed responds well to a need, and above all that it is well received. Many people indicated that AFD interventions resulted in positive effects upon their living conditions, although usually they could not comment on the impact of the projects on the overall performance of local governments.

### 5.2.4 The objective of improving living conditions and economic activity in the Palestinian municipalities was fully achieved

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The objective of improving the living conditions and economic activity in the Palestinian municipalities through the maintenance, rehabilitation and, in limited cases, creation of basic municipal infrastructure was fully achieved. For instance, road rehabilitation has improved communication at the periphery of municipalities and the construction of a stadium has provided much-needed infrastructure for different population segments.

All focus groups and interviews conducted with beneficiary citizens have positively confirmed the importance of the new roads, water and sewage networks, electricity projects, etc. in terms of improving living conditions for citizens. Many examples of decreasing traffic jams were provided, such as the tunnel in Nablus, access to schools and government services improved with the new roads as in Salfeet, developing new residential areas owing to the extension of roads and street lighting, as in Bethlehem, were all examples provided on the impact of the projects that were implemented. The MDP client and citizen satisfaction survey and EMSRP II Beneficiaries Assessment done in 2009 also showed impressive results in terms of citizen satisfaction with the projects that were implemented. A total of (81.2%) stated that they were either satisfied or very satisfied with the projects.

Quality of achievements is said to be a positive effect. As most people interviewed have commented, the AFD MDP has produced highly satisfactory results since the activity was launched. The project's visibility stems both from the quality of the infrastructure and from its essential role in the community (in particular to improve economic development in the remote areas of the selected municipalities).

### 5.2.5 A positive relationship has been created with the MDLF and LGUs, with AFD participating in a large network of donors in the field of municipal development

The project has also brought actors from the municipal development sector closer together by giving them an opportunity to collaborate under a single, delegation-scheme MDLF approach.

Interviews demonstrated that there was a general acceptance and support for the Fund throughout the region and that it contributes to the growth of an extensive network of

contacts and working relationships. This reflects donors' steady emphasis on strengthening MDLF structures and organization. This overall dynamic has also been reflected in the dialogue process both between MDLF and the donors as well as with the local governments, with a positive impact on negotiations and on the preparation of a timetable and agenda for the implemented projects. But the accumulated know-how and experience has not yet created a true MDLF culture, and supporting activities are needed to bridge the information gap and create a sound knowledge management agenda.

## 5.3 AFD additionality

AFD's additionality was the benefit or value addition it brought to the targeted beneficiaries, mostly municipalities. In other words, the additionality is a subset of the role played by AFD in the municipal development sector, unique to AFD and unable to be filled otherwise. In analyzing AFD's additionality, we have raised certain questions: Is AFD funding really needed? What benefits or value added in terms of knowledge and standards does AFD bring that other partners do not have and do not bring? What would happen without AFD involvement? Would the MDLF still be able to achieve its objectives and complete the projects? How will AFD involvement improve the expected development results?

In terms of AFD's additionality, we indicated that AFD had developed a good position in the municipal development sector today, which still has to be reaffirmed in the future programming periods. We recognized that capacity building was a long-term, continuing process, in which all stakeholders had to participate (ministries, local authorities, non-governmental organizations, professional associations, academics and others). AFD has also developed a number of competitive advantages in working with MDLF, for example in delegating many tasks to MDLF under the scheme of delegation

approach, while contributing to the definition of a sector-wide framework in municipal development. Thus AFD avoided the costs of managing complex project cycles while positioning itself as a partner in the definition of strategic agendas.

However, in the implementation phase of the MDP, AFD's additionality was rather weak due to the fact that the ownership and visibility of the MDP was not clearly earned for AFD. Furthermore, it has been confirmed to us that AFD did not participate in the creation of MDLF, thus reducing its potential for sustained additionality due to AFD's "second-entrant" position. It is indeed perceived crucial for AFD to be perceived as a reliable partner in the field of municipal development; to do so, AFD will have to continue committing resources. We also noted that AFD could not yet effectively contribute to the provision of other value-added services, such as expertise and know-how in the area of capacity building or amalgamation.

We have been developing an Additionality Framework for AFD (Table 10).

Table 10: AFD's additionality on the overall project

AFD's additionality on:	Unsatisfactory	Partly unsatisfactory	Satisfactory	Excellent
Business performance (risk/reward-sharing)			Good through MDLF Scheme of delegation approach	
Catalytic (making good projects happen)		AFD having little control on process of selection		
Economic sustainability (Project viability in medium term)	AFD is part of a multi-donor approach but cannot commit longer-tenor funding as needed			
Sector development		AFD has limited capacity and time to fully impact on the sector		
Soundness of operations structuring			(Risk/reward-sharing) advantage for AFD. But AFD to provide more expertise, e.g. amalgamation	
Administration (timely intervention)	Limited from AFD			
Good development outcomes		Outputs are very good but some outcomes cannot be measured, e.g. job creation. It seems that some outcomes were not clearly designed		
"Client" satisfaction (Municipalities and citizens)			Very positive	

Source: AFD.

## Conclusion and recommendations

Following the signing of the MDP Convention in 2004 (implemented with delays in 2008, due to the political turmoil in the local government sector), this mission concluded that the AFD Project has been successful in many respects. Not only has the Project generated satisfactory outputs, it has also positioned AFD in a priority intervention area, the municipal development sector.

However, in the Palestinian Territories, the political and economic landscape has undergone fundamental problems in recent years, including the postponement of local elections in June 2010. Both AFD and MDLF must come to grips with the new realities in the future to ensure that the MDP — and MDLF — can remain sustainable. Not only will sustainable resources have to be committed by all partners, in particular the PNA, but also expertise will need to be provided in new areas, such as LGU capacity building and amalgamation. In order to react to the changing local government environment, AFD needs to apply its knowledge and experience to the process of municipal development, thus reinforcing the organizational structure of MDLF and leveraging the present niche position on small-sized infrastructure projects to reach greater impacts by targeting larger population segments.

Although the findings of the evaluation showed that a solid partnership has been built between AFD and MDLF, who are working together to provide an integrated approach to the municipal development sector, we asserted that the value for money could be significantly increased (streamlining of project cycles, better reporting, more dialogue with the local governments, additional resources to be secured by MDLF...). In conclusion, under a conservative approach, the report recommends that AFD continue to provide support to MDLF in the

next funding period. Under a more determined approach, AFD would seek to fund high priority, larger-scale projects and thus obtain more tangible impacts at AFD level.

In light of the above, we have been working on some recommendations. We insist that these proposed recommendations be fully discussed by the partners of the evaluation in order to test their potential and logic before being developed in the final report. Once we have selected the recommendations that have a chance of implementation, we will develop an action plan for each and suggest a list of priorities.

At present, we suggest the following recommendations:

**Recommendation 1: AFD to leverage its few years of experience in the municipal development sector to actively participate in defining a sector-wide strategy and anticipate new policy challenge, e.g. local municipal finance capacity building or amalgamation**

The Palestinian local government sector is currently operating under limited sovereignty due to the prolonged Israeli Occupation. This situation makes formulating plans for a future Palestinian State difficult, particularly considering that there is no “timetable” for reaching a political solution. Consequently, this has impeded any PNA attempts to establish and implement a vision, plans and strategies for development.

We noted that proposals for developing a legal and institutional framework for local government, a unified regional planning system, a general framework for local government finance, a road map and specific timetable for decentralization and amalgamation efforts were among the items most

frequently cited as being crucial on the reform agenda. Still, noticeable but uneven progress has been recorded in the local municipal sector as regards the commitment of donors to coordinate their efforts on establishing a unique and comprehensive sector strategy with a long-term vision.

We recommend that AFD fully participate in donors' efforts to enhance the sector strategy and to seek agreement on a strategic vision for the future that would position AFD at the center of specific priorities, *i.e.* decentralization and the development of performance-based approaches. To do so, AFD may want to leverage its first years of experience in the MDP but more importantly to commit resources to the upcoming issues of amalgamation and decentralization. An initiative that may become commendable at AFD is the creation of a paper-based series of short documents providing guidelines on various

amalgamation issues, sharing experiences and lessons learned. A forum or conference on the topic with expertise secured from France could also be organized to mobilize the wide municipal development partnership in the Palestinian Territories.

**Recommendation 2: AFD to confirm its strategic intentions in the municipal development sector, the MDLF being a reliable option under the Scheme of Delegation approach but not necessarily the most preferable**

We believe that the AFD is at an important crossroads in the municipal development sector. After years of funding the AFD MDP, the issue of sustainability was extensively raised during the mission. A few options have been considered:

OPTION	OPTION DETAILS	PORTFOLIO POSTURE
1. Direct financing of municipalities	This option is not realistic today as donors cannot fund local government in a direct fashion. However, AFD may decide to directly fund the PNA, as USAID does.	Hedge
2. Mixed-project strategy	This is not a realistic option considering the availability of grant money to be committed to the sector. A more focused strategy is preferable, thus creating some leverage. Wait & see cannot become a viable option.	Wait & see
3. Sector funding diversion	This is the worst-case scenario, in which one or more donors decide to postpone commitments to an unknown future, assuming that the situation will clear up. Reserve right to play later.	
4. Funding non conventional sector	AFD could consider investing in a new sector, such as smaller municipalities or village councils.	Big bets
5. Funding strategy focused on high leveraging	AFD could decide to exclusively fund projects if good leveraging is available. In doing so, AFD would seek additional funding from partners and perhaps favor the emergence of income-generating projects (related to municipal infrastructures). The cases of the Nablus tunnel and the Al-Bireih Stadium are good examples.	Adaptive
6. MDLF	The PNA and the MDLF will continue to be dependent upon donor financing for its operating budget for some time to come, while it implements an ambitious reform agenda. It is crucial to make the existing instrument sustainable.	No regret move, "business as usual"

Under a conservative approach, we recommend that AFD continue to support MDLF by channeling funding through the Fund. In doing so, it would 1) reinforce MDLF's capacity to reach critical size; 2) reduce transaction costs as more partners pool resources; and 3) continue outsourcing the project cycle back office tasks to MDLF.

However, other options may become worth considering. In particular, this evaluation noted the interest of funding larger-scale projects, *e.g.* the Nablus tunnel. Such projects may allow AFD to leverage more resources at the local level and secure higher and more measurable impacts.

**Recommendation 3: Under an MDLF approach, AFD to insist on developing a major sustainable financial plan for the MDLF**

MDLF as a whole must undertake a systematic approach to obtaining donations, spending them and reporting on how funds were spent. The Fund needs to have clear visibility of donor trends and interests. The mapping of in-house information on donors must be available and include a full picture of the origin and expenditure of funds.

In the context of resource mobilization, the following areas have been identified where improvements could be made to institutional frameworks and existing systems and procedures:

1. Additional funding is necessary to sustain activities in the coming years at MDLF level

-The Fund needs to extend its fund-raising program to increase levels of giving and support. A Donor Reference Group could be created with regular meetings. Discussions would allow donor governments to discuss emerging challenges in municipal development support and express their views on how MDLF and donors can best respond. This arrangement would be seen as a forum for donor pledging as well as a means of exchanging views on a municipal development support portfolio.

-A Financial Sustainability Plan should be prepared for the next three years. It is a document that would assess the key financing challenges facing MDLF schemes, and would describe the Fund's approach to mobilizing and effectively using financial resources to support medium- and long-term program objectives.

-The Fund needs to have clear visibility of donor trends and interests. The mapping of in-house information on donors must be available and include a full picture of the origin and spending of funds.

2. Capacities at national (PNA) and local levels (local governments) could be strengthened to collect their "own" revenues, including the possible introduction of incentive systems

-The Fund and donors should require the PNA to commit to the provision of a sustained level of financing as well, perhaps in the 20% range or above.

-In the long run, the MDLF should progressively improve the collection of revenues and develop income-generating projects that would be used in co-financing operations.

-It is important that MDLF collect and disseminate best practices in this area in order to help LGUs strengthen the collection of their "own" revenues from seed money, including the possible introduction of incentive or objectives-oriented systems

**Recommendation 4: A full assessment of local government needs over the medium and long run has to be carried out, in particular in terms of special needs and capacity building**

We believe that expanding the MDLF business model will require careful balancing of mandates and resources. Although the MDLF has been able to satisfy an increasing level of expectations in the past, it has not fully addressed the question of strategic sustainability in a systematic way. Before embarking on a major expansion of the MDLF activities, we recommend developing a comprehensive mapping of potential needs and sectors of intervention.

For instance, the mission concluded that there were areas with special needs, *i.e.* strengthening local units of the Jerusalem Governorate and implementing infrastructure and development projects in affected areas in the seam zone in order to sustain the resilience of inhabitants and mitigate the adverse impact of the wall. Based on field work, we believe that it is also equally important to help LGUs develop a well-articulated vision of their needs and strategies. Empowering of local governments to better serve their citizens is fundamental to the



long-term success of the municipal development sector. Once adequate assessment and planning tools are designed, LGUs will be in a better position to construct infrastructures prioritized by the community at large.

**Recommendation 5: The resource-pooling mechanism must be consolidated on a non-earmarked basis**

The pooling of resources is a prerequisite for future planning to ensure greater efficiency at reduced transaction costs for all partners. The mission concluded that pooling resources is preferable to isolated actions by different partners. Today, it is essential to reach critical mass for development assistance in the municipal development sector. A “Pooling” approach is believed to be critical to the effectiveness of the newly created MDP for sustainable and equitable development in the municipal development sector.

However, to be successful, such a strategy must be expanded in order to leverage more resources, while also transferring know-how, expertise and knowledge. We believe that, under a global “Pooling” approach, the goal should be to: 1) Raise additional resources from the international community at large (including new donors joining the MDLF), and 2) seek systematic contributions from municipalities themselves and also increase the level of transfers to the MDLF from the PNA.

We believe that the MDLF could be the ideal agency in charge of developing a strategy and action plan to focus on how the pooling of resources can be optimized. Such a strategy would need to seek agreement on the type of resources to be combined, how much, for how long and with what management and accountability arrangements (through a single account).

**Recommendation 6: AFD to request a strengthening of the MDLF accountability and evaluation functions with a stronger focus on outcomes**

The long-term interests of MDLF would best be served if

sound reporting and accountability initiatives were taken at all levels: 1) to improve reporting of results, with performance indicators and impact studies in order to encourage and develop new revenue streams; 2) to establish databases and introduce effective revenue monitoring and evaluation techniques.

-A Medium-Term Budget Framework should be developed for the MDLF to include budgeting over at least a three-year period with clear donor commitments to be sought.

-Reporting systems must be adjusted for quick reporting on all funds being used by MDLF through the widespread implementation of automated accounting and performance systems. Actions must be taken to remediate problems related to an environment of poor technical skills and budget constraints. Mechanisms of reconciliation of financial reporting and performance reporting need to be established between donors and MDLF.

-Performance management within the MDLF needs to be introduced at all levels. Organizational goal-setting and performance measurement must be introduced to monitor the use of funds, donor relations and expectations, individual performance, etc. Impact measures must be introduced to evaluate the extent to which schemes improve the ability of MDLF to make a more efficient, equitable and sustainable use of its human, financial and natural resources.

-Annual reporting has to be drafted to account for the above requirements. Well-informed decision-making at managerial levels depends on the reliability of financial information. Until now, the reporting has been done in a sporadic fashion, using outdated technology. It results that the overall yearly reporting is weak and not in tune with decision-making.

-We recommend putting the proper Management Information System (MIS) in place that will allow the monitoring of performance and reporting to management as often as needed. Of critical importance to the successful installation of the new MIS

system is the decision to have a well-identified full-time MIS focal point. To maintain a reliable system on such a large scale will require significant investment in communications and training.

-Evaluation should also become a regular feature of the MDLF to collect performance information in order to highlight lessons learned and best practices in selected areas. Regular MDLF evaluations should be conducted. We also recommend conducting a full MDLF evaluation from a performance perspective, including processes such as procurement.

**Recommendation 7: An MDLF knowledge management agenda must be developed but must also be fully backed up by partners, and cannot be done on a single-client basis**

We did not advise MDLF to embark on systematic knowledge management and research actions due to resource

constraints. We recommend addressing the issue of knowledge management and research in a careful manner. The MDLF has not yet developed a function that would allow the identification and execution of research projects.

Although we believe that it is important to promote research (operational, thematic or sectoral) and to develop knowledge products, we argued that specific resources and staff must be dedicated to such tasks.

## Appendix 1: Evaluation assumptions and questions

This evaluation has been organized around a set of specific assumptions and evaluation questions. Our methodology adopted a systematic approach including the evaluation criteria (relevance/coherence, effectiveness, efficiency, impact, sustainability and overall AFD contribution).

### I. Assumptions

For this purpose, we followed evaluation criteria developed by the OECD's DAC, as required in the ToR. Bearing in mind the objectives as set out in the ToR, we can summarize our technical assumptions as follows:

**1. Whether objectives were appropriate and relevant:** Here we want to understand to what extent the interventions and financing arrangements are relevant with respect to needs, problems and issues identified in the oPt. First, we will examine the rationale that initially gave rise to the AFD intervention in the MDLF. We will seek to determine if the strategy is relevant, given the possible evolution of the situation. We will identify the key objectives of the intervention through interviews of informants, in particular MDLF staff and the partners, including local authorities and some beneficiaries. We will also examine the longer-term objectives and potential benefits or any negative effects resulting from the program implementation.

**2. Whether objectives were met in a coherent manner:** In this part, we will consider the various elements and concepts of intervention logic. We propose to design a framework for developing a hierarchy of objectives (global, operational, specific objectives) and associated indicators for various components of the evaluation. Once the objectives have been defined, measures will be formulated to assess the degree to which these objectives have been met at different levels: donors and key stakeholders working in the local government sector, municipalities/JSCs, citizens/contractors of municipalities... In doing so, we will be able to assess whether the AFD intervention is coherent and consistent with other interventions.

**3. Whether the projects developed under the MDLF/MDF intervention were efficient and effective:** In addition to ascertaining if an intervention has attained its objectives, it must also be assessed on the basis of how much it has cost to attain them. As such, the results of our evaluation will be used for accountability purposes (*i.e.* to demonstrate what has been achieved and at what cost). In this part of our evaluation, we will consider implementation mechanisms and infer how economically the resources have been used and been converted into effects. As an assumption, we will argue that the legitimacy of the intervention may become problematic if structural shortfalls become apparent from the outset, *i.e.* vague definitions of projects; duplication and overlapping of tasks by several partners, faulty delivery systems (financial reporting, M&E, etc.), etc. To carry out this task, we will also consider how outputs are delivered for what expected results (types of projects financed, sectors of intervention, procurement processes, visibility of AFD, indirect services or products delivered, disbursement rates, pertinence of any MoU

signed, etc.). We will develop a benchmark to determine the added value of the MDLF and the transfer mechanism put in place (MDF) as compared to other similar municipal funds used in other low- or middle-income countries where AFD operates.

**4. Whether progress was achieved in terms of sustainable solutions at the local government level, and in particular for vulnerable populations, and what the impact of the intervention has been:** The focus of this evaluation is first and foremost on the results and impacts of the intervention. When examining implementation (strategic and operational), we will try to explain how the results and impacts of the intervention were conditioned by the implementation mechanisms. Please note that it usually takes time for impacts to materialize; it may therefore be difficult to consider long-term impacts of the intervention at this stage. On the other hand, we will consider the degree of acceptability of the intervention by the partners and selected beneficiaries; in doing so, we are also interested in measuring the beneficiaries' participation in the overall program process. We will collect specific indicators on direct effects (jobs created, local contractors hired, use of local resources...).

**5. What lessons can be drawn as a guide to future planning (AFD contributions):** We strongly believe that a key advantage of the *ex post* evaluation is to commit the various stakeholders to the evaluation process and its results, thus ensuring support and reducing the risk that they will not endorse its conclusions and recommendations. It is therefore important to prepare operational recommendations for future intervention, to assist in an efficient allocation of resources, and to improve the quality of the intervention. This said, we will study the extent to which the implementing partners are considering the sustainability of the intervention and the infrastructures put in place. It will also be important to determine whether or not the institutional arrangement and relationship with the municipalities/JSCs are sustainable.

## II. Evaluation questions

The following table shows that the set of questions covered various types of evaluation criteria:

Type of evaluation criteria	Questions							
	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8
Relevance/ Coherence	X	X	X					
Efficiency				X				
Effectiveness					X	X		
Impact/sustainability							X	
Additionality								X

In the following pages, we present the questions according to the three main objectives of evaluation.

**Question 1: Concept development, intervention rationale and needs assessment**

<b>Question</b>	To what extent are the AFD MDP's interventions adjusted to the specific needs and priorities of the OPT and, in particular, of the selected municipalities?
<b>Reason(s) for including this question</b>	The rationale of an intervention, especially in the infrastructure area, is to satisfy specific needs, solve problems and tackle challenges that are considered to be priorities in a particular context and that cannot be addressed more effectively in another way.
<b>Scope</b>	<p>In responding to this question, we will provide feedback on the specific needs and priorities for setting up the AFD MDP project. We will seek to detail the intervention context in both the West Bank and Gaza (Context of the intervention when the project was initiated, main problems diagnosed, etc).</p> <p>We noted that the project was conceived in 2004 and redrafted in subsequent years to take constraints into account. We will analyze the initial information-processing systems to identify needs (including mobilization of stakeholders in the project definition), the project design environment, project ramp-up, target specifications and project planning.</p>
<b>Evaluation criteria</b>	Relevance/coherence.
<b>Method(s)</b>	Interviews, documentary analysis, and review of key indicators.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- What was the precise extent of the needs justifying the joint AFD-MDLF partnership? Are we facing a limited and poor level of municipal services delivered to citizens and limited sources of income available to LGUs? (value-added, road traffic tax, license constraints).</li> <li>- Have the needs been assessed? Jointly? How and by whom? Were the needs and expectations of the beneficiaries (both municipalities/JSCs and citizens/contractors of municipalities/JSCs) sufficiently taken into account?</li> <li>- How was the need to build the operational, administrative and financial management capacity of local government bodies addressed? Have all the problems encountered by municipalities in the OPT been sufficiently analyzed and clarified to justify the choice of strategic priorities?</li> <li>- What were the different options of intervention for AFD during the conception phase? Have other fields of intervention and options been investigated?</li> <li>- Roads represent a significant share of the micro-projects financed; to what extent does this reflect the municipalities' and population's actual needs? Is this choice relevant to meeting the broad objectives of the Project? To what extent could the process of selection of sub-projects introduce a bias?</li> <li>- Has the nature of the problems that justified the intervention in 2008 changed in recent years?</li> </ul>

**Question 2: Project planning and appropriateness of strategic positioning**

<b>Question</b>	How appropriate is the AFD MDP strategy as regards the objective of providing global support for improving financial, planning and management practices for municipalities to deliver basic services?
<b>Reason(s) for including this question</b>	To provide details on the objectives of the intervention and to ensure that the project is consistent with requirements of partners and beneficiaries. Retrospectively, the question will be whether the objectives of the intervention are appropriate given changing circumstances, especially in light of the new project being crafted under the leadership of many donors (MDP2).
<b>Scope</b>	Through this question, we will review the strategic alignment of the AFD MDP, meaning the process of linking an innovative strategy with a clear set of goals and objectives. The following areas will be covered:  1) Analysis of the appropriateness of the strategic positioning: To assess the extent to which the strategic agenda has been well defined between the AFD and MDLF and articulated around well-developed objectives.  2) Review of the strategic cooperation arrangements (contracts and agreement, joint missions, concept papers, other joint activities...), quality and level of dialogue, etc.
<b>Evaluation criteria</b>	Relevance/coherence.
<b>Method(s)</b>	Analysis of desk review material, in particular strategic orientation documents, interviews. Analyze the logical framework of the intervention (goals, specific objectives and desired outcomes).
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- What were the objectives of the partnership between AFD and MDLF? Retrospectively, the question will also become a question as to whether the strategy and the objectives of the interventions are still appropriate given changing circumstances today.</li> <li>- Was there a discernable strategy well connected with both AFD and MDLF? How is such strategy translated into official documents? Is the framework for the AFD intervention in Palestine strategically well linked with PA's reform agenda?</li> <li>- What was the legitimacy of MDLF at project inception? How did such legitimacy evolve over time?</li> <li>- What has the planning process been to identify and prioritize objectives of the project? Have objectives been reviewed over time and, if so, why?</li> <li>- Were specific targets defined at the inception of the project? Do the targets reflect on the results (intended) and the process?</li> <li>- What are the areas of greatest emphasis and perhaps the identifiable strategic gaps (thematic, beneficiary groups, geographical areas, timeframes, etc.)?</li> </ul>

**Question 3: Coherence of strategies in the field of municipal development**

<b>Question</b>	To what extent did the AFD MDP take due account of the different policies in the field of municipal development in the OPT and in particular those implemented under the Palestinian Reform and Development Plan (PRDP) of 2008? To what extent were the different action areas (roads, water, wastewater, electricity, public facilities) and intended impacts mutually and logically connected?
<b>Reason(s) for including this question</b>	We propose to test external coherence. In doing so, we would like to ensure that the coherence dimension was fully understood and taken into account, in particular in light of policies implemented by partners and/or other organizations.
<b>Scope</b>	The questions will imply a review of the coherence across action areas and policies guiding the different actors in the municipal development field. We will seek to demonstrate whether or not the AFD MDP is complementary or redundant with the global objectives pertaining to major actions started by other organizations and governmental agencies over the period 2004-2010.
<b>Evaluation criteria</b>	Relevance and coherence.
<b>Method(s)</b>	Analysis of desk review material, in particular strategic orientation documents of partners and donors, interviews.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- Are there positive partnerships at local, regional and international levels that contribute to supporting the municipal development sector? What is the level of interest in the local government sector?</li> <li>- To what extent has AFD support to the MDLF been consistent and complimentary with other policies, strategies or actions of major partners?</li> <li>- How are the strategies and interventions of the other stakeholders working on the local government sector (<i>i.e.</i> Sida, World Bank, Belgium, DANIDA, KfW, USAID, PA, NGOs...) linked with the AFD MDP strategy? What is the level of integration of the AFD MDP with other existing projects in the same field, if any?</li> <li>- What is the value added, complementarity, synergy or divergence regarding actions in the different areas covered by the project and regarding actions of other partners?</li> <li>- To what extent has the AFD MDP strategy incorporated lessons learned from the experiences of other donors?</li> </ul>

**Question 4: Reasonableness of budget support**

<b>Question</b>	Was the overall AFD funding reasonable to achieve the set objectives?
<b>Reason(s) for including this question</b>	Generation of resources to implement the project is an essential feature that will ensure the sustainability of AFD MDP. Without sufficient and consistent resources, the project is likely to vary in quality. In this section, we will review the business model put in place to ensure efficiency.
<b>Scope</b>	We will review the resource mobilization strategy of MDLF to achieve objectives and produce the desired effects. We will review the reasonableness of the overall AFD MDP budget to understand the extent to which the objectives have been achieved. In doing so, we will assess financial sustainability for 2008, 2009 and 2010 and see how financial flows have been managed. We will also review how reporting is carried out. Good accounting/financial reporting should measure the end results, comparing them with the targets, next to tracking the different cash flows of the various service lines. The reliability of these systems and their capacity for providing timely, comprehensive and accurate data are basic prerequisites for all good management.
<b>Evaluation criteria</b>	Efficiency
<b>Method(s)</b>	Financial budgets, monthly activity reports, MDLF datasets, annual financial plans.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- What are the results and the resources used for all components of the project?</li> <li>- How is the financial sustainability ensured? When and how is budget support used?</li> <li>- What are the effects of budget support? How does budget support affect ownership and accountability?</li> <li>- What are the system(s) put in place to ensure monitoring and accountability? What are the tools developed over the years 2008-2010? (Budgets, reporting type, procurement, job description for staff, program indicators, etc.). What are the monitoring tools in place for managing the budget and ensuring the reporting?</li> <li>- Can financial support be better aligned with strategic objectives? How can leverage be created? Is the concept of "seed money" being used?</li> <li>- Can we identify resource trends and financial sustainability issues for the future? Are constraints emerging today?</li> </ul>

**Question 5: Adequacy of coordination, financial and human resources**

<b>Question</b>	To what extent has the AFD MDP been successfully implemented from an operational, management and coordination perspective?
<b>Reason(s) for including this question</b>	This question relates to the question of whether the implementation of the project has actually created good working relationships, good coordination among the different units and partners of the project.
<b>Scope</b>	<p>Through this question, we will perform the following tasks:</p> <p>1) Coordination: Examine how the partners (AFD-MDLF-municipalities-other donors) determine the scope of their cooperation, review coordination mechanisms, and analyze their respective incentives for enhancing the AFD MDP partnership. In particular, we will consider whether or not MDLF is sufficiently positioned upstream in the project cycle (selection process and monitoring).</p> <p>2) Operational effectiveness: After reviewing a selection of projects (4), we will outline strengths and weaknesses in the following areas: project selection procedures, financing arrangements, portfolio management, and control. We will review any complementary financing schemes implemented by the partners and consider alternative financing solutions.</p>
<b>Evaluation criteria</b>	Effectiveness.
<b>Method(s)</b>	Interviews, case studies.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- What are the leadership mechanisms? How is the coordination between AFD-MDLF-Implementing Partners achieved? Has a coherent approach been institutionalized regarding coordination? Is coordination explicit in the overall strategy?</li> <li>- How is the MDF implemented in terms of staffing, materials, activity, project selection, etc.? How are the contractors recruited? What are the requirements and expectations? Are the job descriptions and ToR clear enough?</li> <li>- How is the M&amp;E and quality management function performed? How does MDLF ensure that the projects responded to beneficiaries' needs?</li> <li>- What are the communication and reporting mechanisms? Is coordination a component of the expected evaluation reporting? What are the tools available to do reporting and conduct operational alignments?</li> <li>- How do AFD MDP activities compare with offers from other donors?</li> </ul>



**Question 6: Cost-effectiveness of actions and implementation of results-based management**

<b>Question</b>	To what extent has the AFD MDP contributed to the goal of establishing an affordable and sustainable infrastructure and efficient services for the benefit of the municipalities and intended beneficiaries?
<b>Reason(s) for including</b>	We will detail the projects carried out by the AFD MDP and seek to measure how economically resources/inputs (funds, expertise, contractors, time, etc.) are converted to results in all areas of intervention.
<b>Scope</b>	Through this question, we will review the different activities of the project. We will show how activities are implemented and at what cost. The main question asked in order to judge the efficiency of the AFD MDP is whether the degree of output justifies (or will justify) the costs. In other words, whether there was no alternative means of securing the same achievements at lower cost, or whether it was impossible to attain greater achievements at the same cost.
<b>Evaluation criteria</b>	Effectiveness.
<b>Method(s)</b>	Interviews, case studies (2-3 for selected projects), financial budgets, monthly activity reports, MDLF datasets, annual financial plans.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- What have been the main activities of the project? How have such activities been selected and implemented? What is the project selection basis? Is there a specific applicable project list for the AFD MDP?</li> <li>- How can success be measured? Has the program created leverage?</li> <li>- To what extent has the AFD MDP been effectively implemented?</li> <li>- How can we identify the results and progress made? Can we mention strengths and constraints as well as the risks and opportunities of the program?</li> <li>- What has been done to ensure sustainability in terms of infrastructure and/or services?</li> <li>- What are the fund allocation/disbursement policies and how effective are they?</li> <li>- Performance being a question of definition and thereby of power, who decides about the monitoring of results?</li> <li>- Is there any trace of systematic use of performance management data and information in steering and managerial meetings?</li> </ul>

**Question 7: Impacts and effects**

<b>Question</b>	What are the institutional, social and environmental impacts and effects of the AFD MDP?
<b>Reason(s) for including this question.</b>	In this evaluation, we will seek to determine whether positive and sustainable impacts have been generated.
<b>Scope</b>	Our analysis will include any positive and negative impacts. Indirect effects and ripple effects of the implementation of the project will be studied. In analyzing sustainability, we will examine whether the effects produced by the project have been sustained (or are likely to be sustained) even after project completion.
<b>Evaluation criteria</b>	Impact/Sustainability.
<b>Method(s)</b>	Interviews, case studies (2-3 for selected projects), focus group meetings with beneficiaries.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- What are the immediate effects of the AFD MDP on the actors involved, in particular on the final beneficiaries (citizens), that can be reasonably attributed either partly or entirely to the intervention under evaluation?</li> <li>- What are the potential longer-term effects generated by the AFD MDP? (job creation, linkages created, enhanced dialogue, use of local resources...)?</li> <li>- To what extent has the AFD MDP created an individual and organizational learning and sharing process that involves reflection, analysis, skill building, networking and action all aimed at increasing the knowledge, imagination, vision and impact of the project?</li> <li>- Are there sufficient opportunities to exchange contents and information among stakeholders and experts of the municipal development sector in order to enhance their capacity to deal with and propose solutions for their work?</li> </ul>

**Question 8: AFD's contribution and additionality**

<b>Question</b>	What is the value added of the AFD intervention in the municipal development sector?
<b>Reason(s) for including this question</b>	We recognize that capacity building is a long-term, continuing process in which all stakeholders participate (ministries, local authorities, non-governmental organizations, professional associations, academics and others). How is AFD facilitating the process of capacity building in the municipal development sector? What are the clear competitive advantages of AFD over other stakeholders/donors?
<b>Scope</b>	Capacity building and additionality can be seen as the learning process in place at project level, which includes the acquisition of knowledge and skills needed to assure the provision of adequate services.
<b>Evaluation criteria</b>	Additionality.
<b>Method(s)</b>	Interviews and focus group meetings principally.
<b>Sub-questions</b>	<ul style="list-style-type: none"> <li>- Has AFD been able to create an appropriate environment that will allow the services to continue in the future?</li> <li>- To what extent has AFD facilitated improved and provided sustainable access to better infrastructure for the target populations?</li> <li>- What steps have been taken by AFD to create long-term processes, structures and institutions in the area of municipal development?</li> <li>- Has legitimacy in addition to capacity building of strong leadership been addressed?</li> <li>- Is the technical content of the partnership between AFD and MDLF sufficiently developed to ensure the full continuity of actions?</li> <li>- What are the potential future arrangements for grant-making?</li> <li>- What are the possible evolutions of the program? Can we suggest specific recommendations?</li> <li>- Could the participation of citizens in the development of local Strategic Development and Investment Plans (SDIPs) be enhanced?</li> <li>- How could the social contract between citizens and municipalities be reinforced?</li> </ul>

## Appendix 2: AFD MDP conception and implementation milestones

In the following pages, we summarized the key milestones of the AFD MDP.

### Concept phase:

- Creation date at AFD: 23 April 2004;
- Project: CPS3004 / Short description of project: PADM1 / Program of Support to Municipal Development 1;
- Objectives: 1) Upgrade infrastructure and basic municipal facilities; Generate job creation; Develop capacity to improve services to citizens through a funding mechanism that anticipates the creation of a municipal development fund, in coordination with the donor community involved in this sector;
- Funding of EUR 12 million anticipated;
- Validation of FIP: 28 April 2004.

### MPP:

- Creation Date - validation of the NPP: 20 September 2004 to 9 November 2004;
- Specific objectives: Deliver to upgrade infrastructure and basic municipal facilities; Generate job creation; Develop mechanisms for rapid disbursement and the achievement of targets;
- In addition, the PADM1 would: Support the establishment of the "Reform Action Plan for the Palestinian Local Government System" approved by the Ministry of Local Government; Participate in efforts of the Palestinian authorities to develop balanced municipal services to the population, which could eventually lead to the creation of a municipal development fund; Build capacity of project owner for local community projects;
- Feasibility study in two stages: i) study DDR/EAD in June 2004 on projects EMSRP PMSC and ii) study Group in September 2004 on the procedure, the monitoring and the institutional components of the project (another component to be considered: Investment);
- Funding of EUR 12 million;
- Agreement without reservation of the Consulate General of France in Jerusalem: 8 April 2004 on the FIP;
- Validation of the NPP by CDOE 20 September 2004.

### NCS 1:

- Date of validation of the NCS: 16 December 2004;
- Specific objective: to upgrade services, infrastructure and basic municipal facilities; to strengthen the capacity of project owner in terms of local programming; to generate income and create jobs;
- Two components: i) municipal infrastructure and services (EUR 9.65 M), ii) capacity building of project owner (EUR 1 M), the

remaining project management;

- Funding of EUR 12 million.

#### NCS 2:

- Date of validation of the NCS: 29 March 2007;
- Specific objectives: unchanged;
- Activities: The capacity building component is removed (for consideration by other donors);
- The funds are oriented towards infrastructure (EUR 10.6 M);
- The procedure was changed: the ultimate beneficiary is the MDLF; no more funds to be channeled through municipalities; anti-money laundering procedures were changed;
- Conditions precedent and the specific commitments are modified;
- Funding of EUR 12 million.

#### Appraisal Mission:

- Appraisal Mission: 21 to 31 October 2004;
- Appraisal Mission of the amended draft 3 to 8 October 2007 (called reformatting);
- Proceedings and decision date:
  - \* First decision: 16 December 2004, Supervisory Board;
  - \* Second Decision: 28 March 2007, project redeveloped after the victory of Hamas in the municipal elections of December 2004, January, May and September 2005 and January 2006 legislative elections.

#### AML clauses:

- Memorandum from 24 October 2005 drawing attention to the risks of the operation;
- Note to CEO of 30 November 2005 validated on 9 December 2005 stating that AFD will reserve the responsibility to perform due diligence for each contract awarded under the project (in general, a procedure of counterparties *cf.* R001). R001 proceedings consistent with other donors in the OPT. This precautionary measure has been accepted by the Palestinian Authority.

#### Agreement:

- First agreement: the draft agreement was amended to reflect the events of 2005. It was decided that it did not affect the resolution of the Supervisory Board. The new draft agreement was sent to the DGTPE which agreed on it on 11 July 2005. On 29 December 2005, JUR agreement subject to signing of the Agreement.
- Second Agreement: the Agreement contains five conditions to the first installment ("Special provisions") and 8 commitments. Signed on 24 July 2007 with the Ministry of Planning (handover between the then Ministry of Planning and MDF).

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#### Appendix 4: List of persons interviewed

##### Agence Française de Développement

1. Pascal Brouillet, Evaluation and Capitalisation Unit
2. Hervé Conan, Office Director (AFD Jerusalem Office)
3. Samuel Lefevre, Project Manager, Local Government and Urban Development Unit
4. Arthur Germond, Regional Coordinator, Palestinian Territories
5. Simon Goutner, Program Officer (AFD Jerusalem Office)

##### Municipal Development and Lending Fund (MDLF)

6. Eng. Abdel Mughni Nofal, General Director
7. Eng. Khaled W. Rajab, Acting General Director of Operations
8. Mohammad Ramahi, Chief Financial and Administrative Officer
9. Eng. Nizar Samhan, Monitoring and Evaluation Officer
10. Eng. Naim Al-Nobani, Supervisor Engineer
11. Eng. Ashraf Qrei, Area Engineer
12. Eng. Mohammad Hussni Rabay'a, Area Engineer
13. Eng. Ahmad Zayed, Area Engineer
14. Laila Habash, Public Relations Officer

##### Palestinian Authority

15. Dr. Khalid Fahed Qawasmi, Minister of Local Government
16. Mazen S. Jadallah, Ministry of Finance, Assistant Deputy Minister, International Relations & Projects Department
17. Fayeek Deek, Deputy Minister, Ministry of Public Works and Housing
18. Estaphan Salameh, Special Advisor to the Minister, Ministry of Planning and Administrative Development
19. Dr. Iyad Rammal, Ministry of Finance, International Relations and Projects

##### Donors

20. Michel Laloge, European Union, European Commission Technical Assistance Office (West Bank, Gaza Strip), Head of Sector, Infrastructure, Water, Energy, Environment, Agriculture, Food Security and UNRWA
21. Radhia Oudjani, French Consulate, Service de coopération et d'action culturelle, Social and Humanitarian Affairs
22. Gary R. Cohen, USAID West Bank and Gaza, Chief, Water Resources & Infrastructure Office
23. Jill Gulliksen, USAID West Bank and Gaza, Democracy Specialist, Democracy and Governance Office
24. Lana Abu Hijleh, CHF International (for USAID), Country Director, West Bank and Gaza
25. Mesky Brhane, The World Bank, Senior Urban Development Specialist



26. Rani Daoud, GtZ, Local Governance and Civil Society Development Program, Project Advisor
27. Christiane Einfeldt, GtZ, Local Governance and Civil Society Development Program, Team Leader
28. Marc Engelhardt, KfW Development Bank, Director
29. Geert Deserranno, Deputy Consul General, Head of Cooperation
30. Soren Skou Rasmussen, Mission of Denmark to the Palestinian Authority, Senior Advisor Municipal Development

### Local Government Units

#### Jenin

31. Ali Al-Shati, Mayor
32. Marwan Al-Zgheibi, General Manager
33. Imad Al-Ghnoom, Financial Manager
34. Osama Abu Saif, Engineering Department Manager
35. Muhammad Al-Asmar, Representative of the Contractors
36. Mamdouh Assaf, Municipality Secretary

#### South Jenin Joint Services Council

37. Dr. Issam Nazzal, Head of Joint Services Council, Mayor of Qabatia
38. Walid Taher Zakoua, Engineering Department
39. Muhammad Al-Absi, Secretary of Joint Services Council
40. Yasser Mahmoud Anis Nazzal, Council Member

#### Tubas

41. Oqab Nagi Daraghmeh, Mayor
42. Imam Draghma, Council Member
43. Ahmed Abu Bshava, Water Department
44. Maha Sawafta, Council Engineer
45. Muyaad Ibrahim, Contractor
46. Areef Khader, Financial Manager
47. Basheen Hanani, General Manager

#### Tulkarem

48. Rama Al Shneer, Supervising Engineer at the Municipality
49. Ali Qaisi
50. Al Araaj, Contracting Office
51. Suheir Saadeh, Engineer at the Municipality responsible for Planning

52. Odai Barqawi, Engineer at the Municipality responsible for Physical Planning
53. Abdallah Hasan Khader, Surveyor and Project Supervisor
54. Nihad Abu Sheikha, Engineer at the Municipality responsible for Planning
55. Mohammad Tambour, Engineer at the Municipality responsible for Planning
56. Salah Eddin Amara, Librarian
57. Abdel Khaleq Jebara, Director of the Municipality
58. Salah Jadallah, Head of Contracting and Procurement

**Tulkarem, Joint Service Council, Wadi Sh'eer**

59. Basem Milhem, Council Chairman
60. Tarek Hazan, Council Accountant
61. Eng. Muhamad Adas, Supervising Engineer
62. Khaled Awartani Anabta, Administrative Officer
63. Eng. Shireen Hamada, Executive Manager

**Qalqilia**

64. Ahlam Shbeitah, Accountant, Bazour Contracting Office
65. Walid Jueidi
66. Abdel Momen Afaneh, Municipality Engineer
67. Hisham Abu Khader, Financial Auditor
68. Eman Mohammad, Financial Manager
69. Ashraf Abdel Hai, Water Engineer

**Qalqilia, Joint Service Council, Al-Fondoq**

70. Firas Bayleh, JSC Chairman
71. Shaher Amer, Engineer
72. Abdel Fatah Saleem, Council Chairman
73. Abdallah Darawsha, Council Chairman

**Salfeet**

74. Saleh Afaneh, Director of Technical Department
75. Noor Yassen, Company Director, Al Noor Construction Co.
76. Tahseen Abdel Haleem, Head of Municipality
77. Jawdat Matar Saleem, Financial Manager

**Naplus**

- 78. Khalid qamiha, Municipal Engineer
- 79. Osama Breiq, Projects Engineer
- 80. Emad Labdeh, Engineer and Project Proposals
- 81. Sana Al Salibi, Studies Department
- 82. Bashar Najar, Supervision Department - Water and Waste
- 83. Shadia qamhya, Planning and Studies Department - Electricity

**Nablus, Joint Service Council, Huwwara**

- 84. Mansour Dmaizi, Chairman and Executive Manager
- 85. Eng. Baker Daraghma, Council Engineer
- 86. Husni saleh, Treasurer
- 87. Basel Shari, Accountant

**Al-Bireh**

- 88. Jamal M. Taweel, Mayor
- 89. Mohammad Shaltaf, Head of Administration
- 90. Yousef Ismail Baba, Project Engineering
- 91. Ruaa Tawil, Proposal Engineer
- 92. Ala Eddin Qur'an, Public Relations and Media

**Ramallah**

- 93. Janet Michael, Mayor
- 94. Osama Musleh, Supervising Engineer
- 95. Nuha Ghneim, Head of Project Department
- 96. Khaled Ghazal, Head of Wastewater
- 97. Sahar Shtayeh, Head of Accounting Department
- 98. Isam Jousef, Engineer
- 99. Maha Shehadeh, Public Relations Director

**Jericho**

- 100. Eng. Ayser Barham, City Manager
- 101. Eng. Samar Zaina, Head of Planning Project Section
- 102. Wiam Iriqat, Head of Culture and Public Relations Department

**Hebron**

- 103. Khaled Osaily, Mayor
- 104. Jawad Sayyed Al-Herbawi, Advisor to the Mayor
- 105. Tawfiq Arafeh, City Engineer
- 106. Allam Ashhab, Director of Planning and Development

**Bethlehem**

- 107. Dr. Victor Batarseh, Mayor
- 108. Sameer E. Abu Dayah, Contractor
- 109. Rami Kindo, Financial manager
- 110. Eng. Anwar Alawi, Head of Projects Department
- 111. Khaled Odeh, beneficiary
- 112. Abdallah Abu Hadid, beneficiary
- 113. Tarek Omar Al-Abed, Registrar

**Other**

- 114. Isam Akel, Association of Palestinian Local Authorities, Executive Director

## Appendix 5: General organizational structure of MDLF

### Board structure:

The Board consists of eleven voting directors and comprises representatives of the core ministries involved in utilizing the Fund including the Ministry of Local Government (the Minister is the Chairman of the Board), the Ministry of Finance, the Ministry of Planning, the Ministry of National Economy, and the Ministry of Public Works and Housing, in addition to the Association of Palestinian Local Authorities (APLA), the Engineering Association, the Banking Association and three members from the local authorities and the civic society.

### Executive Management:

#### General Manager

- Executes Board policies and guidelines in an efficient and effective manner;
- Coordinates with donors countries;
- Recommends strategies, policies and mechanisms to better serve and enhance LGU performance;
- Monitors, through department heads, daily activities and takes necessary required action.

#### General Director of Operations

- Coordinates with the Executive Director on status of MDLF projects and activities;
- Manages the implementation of MDLF projects through the financial and technical staff;
- Generates technical reports and statistics as needed.

#### Strategic Planning and External Relations Department

- Develops the MDLF strategic plan;
- Conducts analysis of projects to determine effectiveness and impacts;
- Reports to donors and contributors on the activities, achievements and performance of the fund;
- Operates program of public information for stakeholders and the public;
- Maintains ties with donors and contributors, current and prospective.

#### Technical Department

- Appraises municipalities' projects, reviews technical documents and designs, and clears the bids;
- Monitors implementation of projects to ensure compliance with grant conditions and achieves planned impact.

**Financial and Administration Department**

- Develops and implements human resources policies, training and development.
- Maintains MDLF property and premises and procures goods.
- Performs all accounting activities and prepares financial reports.
- Advises the fund on its financial position.

**Institutional and Technical Assistant Department**

- Assesses capacity building requirements of LGUs.
- With Technical Operations group, builds integrated capacity building elements in service-improvement projects.
- Provides assistance to LGUs in designing capacity building projects.
- Monitors implementation of projects to ensure they achieve planned impact.

**Contract Management and Procurement Department;**

- Responsible for ensuring that all contractual obligations undertaken by the fund are fully discharged.
- Manages and monitors procurement activities

**Appendix 6: Programs implemented by EU partners**

Activities	Means	Costs
Municipal Development Program, Phase 1, 2010-2013 (MDP). Multi-donor (EU donors, WB, MDLF, MoLG)	Improvement of municipal development practices for better transparency	Approximately USD 50 million
Local Government Capacity Building Program (LGCBP), 2005-2010. Denmark, World Bank, MDLF, MoLG	Amalgamation Component 1: Financial Management and Accounting Systems Reform Accounting Systems Reform Component 2: Physical Planning and Management Systems Component 3: Institutional Development of MoLG IFMIS	USD 10.5 million  Phase II: Approx USD 8 million
2011-2013 Phase II (planned)		
Local Development Program (LDP), 2008-2010 Possible Phase II 2011-2013	Improved delivery of services through increasingly integrated Local Government Units (LGUs) in the Jenin District	USD 6 million  Phase II: Approx. USD 8 million
Support to Municipal Development and Management in Gaza II and III (SMDM II and III) 2004-2010	Improved delivery of municipal services in 11 municipalities in Middle Area in Gaza	USD 7 million
Local Governance Support Program (LGSP), 2011-2013 (Planned, DK + possible other financial donors)	Support to strategy development, legal and framework development for local government and local governance	Approx. USD 10 million
Emergency Municipal Rehabilitation Program (EMSRP II)	Danish + Swedish Objectives: 1. To provide assistance for mitigating further deterioration in the delivery of essential municipal services in the West Bank and Gaza 2. To create temporary job opportunities at the local level 3. To promote innovative pilot initiatives that foster collaboration among local governments and NGOs and promote municipal recovery	USD 5.2 million (Denmark) EUR 5.9 million (Sweden), EUR 15 million (Germany through KfW)
Institutional and Management Capacity Building (Belgium, no exact title yet, as planned start is September 2010)	Strengthen institutional and management capacities of the Local Government system. Reinforce the capacities of the Palestinian Village Councils (VCs) to deliver better services to the citizens through the Joint Service Councils Program & Development (JSCPDs) or other joint service arrangements, and to improve the institutional capacity of the MoLG. Amalgamation and Capacity Building.	Planned commitment of the collaboration with MoLG and MDLF is EUR 15 million in 2010 for a total project duration of about 5 years.
Local Government and Civil Society Development Program, April 2009-March 2012	Component 1: Strengthening the regulatory framework for local governments (main partner: MoLG) Component 2: Improve implementation and roll-out mechanism of capacity development measures to local governments (key partner: MDLF, activity under the MDP) Component 3: Enhance the responsiveness of municipalities to the citizens (key partner: municipalities, APLA)	EUR 4 million (Germany through GTZ)
Employment Generation Program – Poverty-Oriented Infrastructure phase VII	Providing support to village councils and NGOs in the form of physical and social infrastructure	EUR 7 million (Germany through KfW)
Palestinian Municipalities Support Program (PMSP)	The Program: 1) Support the progress of the Reform of the Palestinian Local Government System which has been included in the Palestinian Reform and Development Plan (PRDP) 2) Support the development of Palestinian Local Authorities and civil society 3) Develop institutional capacity of Palestinian Local Government Units 4) Support Local Public Administration and Regional Planning. Sectors: Water and Sanitation; Solid waste management; cultural heritage; social development; institutional building. Areas: Mainly in Bethlehem and Hebron governorates, and East Jerusalem	EUR 16 million (Italy)

Source: EU Sector Strategy Fiche, Municipal Development and Local Governance (MD&LG), 2010-2013 (Draft).

Appendix 7: AFD MDP status as of 22 September 2010

(a) Completion status for municipalities

No	Municipality Project Title	Sector	Allocation in EUR	Status	Output Indicator	Unit	Target	Value Achieved	Cumul % of Achievement
1	Tulkarm Rehabilitation of Daneat Thaanaba Roads	Roads	197,770	Completed	Km of roads rehabilitated	Km	0.7	0.65	93%
2	Tulkarm Rehabilitation of Helme Hanon Street	Roads	188,759	Completed	Km of roads rehabilitated	Km	1	1.2	120%
3	Tulkarm Rehabilitation of the Main Street of Al Hara al Sharkya	Roads	135,938	Completed	Km of roads rehabilitated	Km	1.37	1.35	99%
4	Tulkarm Rehabilitation of Yafa Street	Roads	141,656	Completed	Km of roads rehabilitated	Km	0.9	0.9	100%
5	Tulkarm Paving and Asphaltting Internal Roads in Tulkarm	Roads	216,156	Completed	Km of roads rehabilitated	Km	1.68	2.2	131%
<b>Total Tulkarem</b>			<b>880,278</b>			<b>6</b>	<b>6</b>	<b>6</b>	<b>108%</b>
1	Salfit Rehabilitation and Construction of Internal City Roads - Part 1	Roads	248,643	Completed	Km of roads rehabilitated/ constructed	Km	2.948	2.984	100%
2	Salfit Rehabilitation and Construction of Internal City Roads - Part 2	Roads	226,357	Completed	Km of roads rehabilitated/ constructed	Km	2.365	2.365	100%
3	Salfit Rehabilitation of Internal Roads	Roads	34,576	Completed	Km of roads rehabilitated/ constructed	Km	0.16	0.12	75%
<b>Total Salfiteet</b>			<b>509,576</b>			<b>5</b>	<b>5</b>	<b>5</b>	<b>92%</b>
1	Tubas Rehabilitation of Internal Roads - Western Part	Roads	253,577	Completed	Km of roads rehabilitated	Km	5.00	5.00	100%
2	Tubas Rehabilitation of Internal Roads - Eastern Part	Roads	276,423	Completed	Km of roads rehabilitated	Km	6.00	6.00	100%
3	Tubas Rehabilitation of Internal Roads	Roads	37,545	Completed	Km of roads rehabilitated	Km	1.00	1.00	100%
<b>Total Tubas</b>			<b>567,545</b>			<b>12</b>	<b>12</b>	<b>12</b>	<b>100%</b>
1	Qalqilia Rehabilitation of Qalqilya Internal Roads 1/2008	Roads	245,000	Completed	Km of roads rehabilitated	Km	1.65	1.65	100%
2	Qalqilia Rehabilitation of Qalqilya Internal Roads 2/2008	Roads	200,000	Completed	Km of roads rehabilitated	Km	1.7	1.7	100%
3	Qalqilia Rehabilitation of Qalqilia Wastewater Network 2/2008	Waste-water	306,844	Completed	Km of WW network rehabilitated	Km	1.8	1.8	100%
4	Qalqilia Rehabilitation of Internal Roads	Roads	54,125	Completed	Km of roads rehabilitated	Km	0.7	0.7	100%
<b>Total Qalqilia</b>			<b>805,969</b>			<b>6</b>	<b>6</b>	<b>6</b>	<b>100%</b>
1	Nablus Installation of Water and Wastewater Networks - Phase 1	Water	164,450	Completed	Km of water network installed	Km	2.15	2.70	125%
2	Nablus Installation of Wastewater Networks - Phase 2	Wastewater	228,915	Completed	Km of wastewater network installed	Km	1.75	1.74	100%
3	Nablus Construction of Aerial Conversion Station in Nablus Aljadedat11 - 630 KVA	Electricity	317,034	Completed	# of transformers, generators... etc installed	Km	2.05	2.05	100%
4	Nablus Construction of Retaining Walls and Stairs in Different Areas	Retaining walls	215,137	Completed	Length of retaining walls constructed	Km	2.10	2.10	100%
5	Nablus Pavement of Streets in Different Areas	Roads	159,008	Completed	Km of streets paved	Km	2.00	2.00	100%
6	Nablus Construction of Tunnel Connecting Parking Area of Sufian Street	Roads	483,358	Completed	Km of roads rehabilitated	Km	0.30	0.30	100%
<b>Total Nablus</b>			<b>1,567,902</b>			<b>11</b>	<b>11</b>	<b>11</b>	<b>100%</b>
1	Jenin Rehabilitation and Paving Al Jamea Street and Parking Area	Roads	166,087	Completed	Km of street rehabilitated / paved	Km	1.00	1.00	100%
2	Jenin Rehabilitation and Widening the	Roads	152,150	Completed	Km of street paved / widened	Km	1.00	1.00	100%



3	Jenin	Pavement of Palestine Street Rehabilitation and Paving Abed Al Qader Husainy Street	Roads	191,300	Completed	Km of street rehabilitated / paved	Km	1.80	1.80	100%
4	Jenin	Rehabilitation of Internal Roads in Jenin City (Palestine Street phase 2)	Roads	175,463	Completed	Km of street rehabilitated / paved	Km	1.50	1.50	100
5	Jenin	Supply of Materials for Waste-water Network	Wastewater	46,772	Completed	Km of wastewater network rehabilitated				1,00
<b>Total Jenin</b>				<b>731,772</b>					<b>5</b>	
1	Jericho	Pavement of Al-Qaddisya Road Phase 1	Roads	266,514	Completed	Km of roads paved	Km	0.840	0.840	100%
2	Jericho	Pavement of Al-Qaddisya Road Phase 2	Roads	239,692	Completed	Km of roads paved	Km	0.845	0.845	100%
3	Jericho	Street Lighting for Al-Qaddisya Street	Roads	53,849	Completed /# of lighting	Km of street lightened units installed	Km / No.	0.75 / 16	0.75 / 16	100%
4	Jericho	Rehabilitation of Street Lighting Network	Roads	39,520	Completed	Km of street lightened / # of lighting units installed	Km / No.			
<b>Total Jericho</b>				<b>599,575</b>					<b>2</b>	
1	Hebron	Rehabilitation of Qaizoun Road - Phase 1	Roads	292,300	Ongoing	Km of roads rehabilitated	Km			
2	Hebron	Rehabilitation of Qaizoun Road - Phase 2	Roads	292,300	Ongoing	Km of roads rehabilitated	Km			
3	Hebron	Wastewater Rehabilitation Project - Phase 1	Wastewater	130,229	Completed	Km of wastewater network rehabilitated	Km	3.22	4.42	127%
4	Hebron	Wastewater Rehabilitation Project - Phase 2	Wastewater	122,900	Completed	Km of wastewater network rehabilitated	Km	1.552	1.991	122%
5	Hebron	Rehabilitation of Hebron University Street 1000 M.r	Roads	587,858	Ongoing	Km of roads rehabilitated	Km			
6	Hebron	Rehabilitation of Internal Sewage Network of Hebron	Wastewater	104,271	Ongoing	Km of wastewater network rehabilitated	Km			
7	Hebron	Rehabilitation of Dahyet AL Bdiyeh Street 1000 M.r	Roads	318,000	Ongoing	Km of roads rehabilitated	Km			
<b>Total Hebron</b>				<b>1,847,858</b>					<b>6</b>	<b>1</b>
1	Bethlehem	Pavement, Sidewalks and Curbstone Phase 1	Roads	124,503	Completed	Km of roads rehabilitated	Km	0.85	0.85	100%
2	Bethlehem	Pavement, Sidewalks and Curbstone Phase 2	Roads	138,290	Completed	Km of roads rehabilitated	Km	0.85	0.85	100%
3	Bethlehem	Pavement, Sidewalks and Curbstone Phase 3	Retaining walls	132,207	Completed	Km of roads rehabilitated	Km	0.55	0.53	96%
4	Bethlehem	Rehabilitation of Bethlehem City Streets Phase (4)	Roads	184,036	Completed	Km of roads rehabilitated	Km	3.5	3.5	100%
5	Bethlehem	Installation of New Traffic Light, and Lighting System in City Streets	Roads	100,000	Completed	Km of street lighted / # of lighting units installed	Km / No.			
<b>Total Bethlehem</b>				<b>679,036</b>					<b>6</b>	<b>1</b>
1	Al Bireh	Construction of Al Bireh Stadium-Skeleton Works	Public facilities	537,020	Completed	Sq.m of public facilities constructed	Sq.m	1,298	1,298	100%
2	Al Bireh	Construction of Al Bireh Stadium-External Works	Public facilities	98,544	Completed	Sq.m of public facilities paved and constructed	Sq.m	5,000	5,000	
3	Al Bireh	Rehabilitation of Bor Saied Street	Roads	132,980	Completed	Km of roads rehabilitated	Km	0.780	0.780	100%
<b>Total Al Bireh</b>				<b>768,544</b>						
1	Ramallah	Internal Roads Development	Roads	523,254	Completed	Km of roads developed	Km	2,955	2,955	100%
2	Ramallah	Construction of Sewage Networks	Wastewater	76,746	Completed	Km of sewage network constructed	Km	1.2	1.2	100%
3	Ramallah	Rehabilitation of Internal Roads	Roads	41,944	Completed	Km of roads rehabilitated	Km			
<b>Total Ramallah</b>				<b>641,944</b>					<b>4</b>	
<b>Total for Main West Bank Municipalities</b>				<b>9,600,000</b>						

(b) Completion status for JSCs

No	JSC	Project Description	Project Sector	Status (physically)	Expected Completion Date	Output indicator	Indicator Target	Indicator Achieved
1	Joint Services Council for South Area of Nablus	Multi Purpose Public Building	Public Building	320,000	Completed	Sq.m of public facilities constructed	1,400.00	1 400.00
2	Joint Services Council South East Jerin (JSC2)	Asphalting & Rehabilitation of Internal and Link Roads (Phase I) Asphalting and Rehabilitation of Internal and Link Roads (Phase II)	Roads Roads	168,804 151,196	Completed Completed	Km of street rehabilitated / paved Km of street rehabilitated / paved	3.00 2.50	3.00 2.50
3	The 1 JSC for Planning & Development Qalqilia	Construction of Multipurpose Public Building External Works of the Multipurpose Public Building Aerial platform Truck	Public Facilities Public Facilities Electricity	232,363 29,637 58,000	Completed Completed Completed	Sq.m of public facilities constructed Sq.m of public facilities constructed 1	953 950 1	953 950 1
4	Wadi Shaer JSC, Tulkarem	Completion of Construction in Comprehensive Activity Center	Public Facilities	320,000	Ongoing	Sq.m of public facilities constructed	1,115	
5	Al-Ithhad, Rammallah	Adding Second Floor for Jamala Secondary School Adding Second Floor for Der-Ammar Girls School	Schools Schools	82,330 77,671	Completed Completed	Sq.m of schools constructed Sq.m of schools constructed	414 473	414 473
6	Al-Zaytouna, Rammallah	New School Building	Schools	160,000	Completed	Sq.m of schools constructed	843	843
	<b>TOTAL</b>			<b>1,600,001</b>				

## List of acronyms

AFD	Agence Française de Développement
AFD MDP	Municipal Development Project (2004-2010)
AIDA	Association of International Development Agencies
APLA	Association of Palestinian Local Authorities
DANIDA	Danish International Development Agency
DCF	Donor Consultation Forum
DJSC	Department for Joint Service Councils
EC	European Commission
EMSRP	Emergency Municipal Services Rehabilitation Project
ESW	Economic Sectoral Work
EU	European Union
EUR	Euros
GTZ	German Technical Cooperation
IDA	International Development Association
ITAU	Italian Technical Assistance Unit
JSC	Joint Service Council
KFW	German Development Agency
LACS	Local Aid Coordination Secretariat
LAL	Local Authorities Law
LDF	Local Development Forum
LGUs	Local Government Units
M&E	Monitoring & Evaluation
MDLF	Municipal Development and Lending Fund
MDP	Municipal Development Program
MIS	Management Information System
MNA	Middle East and North Africa
MoF	Ministry of Finance
MoLG	Ministry of Local Government
MoPAD	Ministry of Planning and Administrative Development
MoPWH	Ministry of Public Works and Housing
NGO	Non-Governmental Organization
NIS	New Israeli Shekels
OPT	Occupied Palestinian Territories

PCBS	Palestinian Central Bureau of Statistics
PCU	Project Coordination Unit
PEA	Palestinian Energy and Natural Resources Authority
PECDAR	Palestinian Economic Council for Development and Reconstruction
PGMIS	Project Grant Management Information System
PLC	Palestinian Legislative Council
PNA	Palestinian National Authority
PPP	Public Private Partnership
PPPPM	Physical Planning Policies and Procedures Manual
PRDP	Palestinian Reform and Development Plan
PTS	Project Technical Secretariat
PWA	Palestinian Water Authority
SDIP	Strategic Development and Investment Plan
Sida	Swedish International Development Cooperation Agency
SG	Strategy Group
TA	Technical Assistance
ToR	Terms of Reference
UCA	Unified Chart Account
UNDP	United Nations Development Program
UNRWA	United Nations Relief Works Agency
UNSCO	Office of the United Nations Special Coordinator for the Middle East Peace Process
USAID	United States Agency for International Development
USD	United States Dollars
WBG	West Bank & Gaza
WB	World Bank