

**Municipal Development and Lending Fund
Improvements of Financial Accountability in the Local Government Sector in West
Bank and Gaza Strip**

Progress Report

Project Name: Local Government Capacity Building Project (LGCBP)
Project Number: Danish TF05421
Administrator: World Bank
Implementer: Municipal Development and Lending Fund
Progress Report Period: 1st Quarter, 2009 (January 1 -March 31, 2009)

Main Tasks:

1. *FreeBalance started the customization and installation of the Integrated Financial Management Information System (IFMIS) at 5 pilot municipalities for the three core modules.*

During the reporting period the following tasks completed

- Free Balance team worked in all municipalities to ensure the RMIS and Financials FA configurations were done and completed.
- Complete the technical blue print for all pilot municipalities and distributed to them.
- Free Balance team performed the final QA testing for the systems.
- A new v6.4 release of multicurrency developed and released.
- Municipality Staff received complete training on all modules of FA and RMIS in all pilot municipalities.
- All pilot municipalities started entering 2009 transactions including beginning balances done by PWC, and adopting new policies and procedures.
- Backup policy and disaster recovery policy implemented partially in pilot municipalities
- Upgrade 6.3v to 6.4v new release at sites.
- Technical setup and continuous checkup to all sites on periodical basis.

The MDLF and the consultants actively participated in removing any obstacles to achieve the planned objectives, including data migration solutions from custom revenue systems at the municipalities, which will be in place in the coming period to start recording on the RMIS.

Plan for the coming quarter:

- Continuous follow up with all pilot municipalities to ensure using the system on daily basis.
- Work with pilot municipalities to ensure users acceptance to the new system.
- Plan for pilot municipalities for the parallel run strategies.
- Complete and start implementing phase 2 to implement the other modules in the pilot municipalities and to roll out to in the remaining municipalities.
- Start the procurement procedures of hardware's for phase two.
- Complete SRS for other modules

- Start preparing the functional and technical configurations for the remaining municipalities in phase two.
- Develop data migration strategies for all remaining sites.

2. *Contract of PricewaterHouseCoopers (PwC)*

The contract was signed on 27th August, 2008, PwC commenced its main responsibilities on the 3rd of September, 2008 by assisting the pilot municipalities to prepare the data and accounting information for conversion from the cash basis of accounting, which is currently used by most Palestinian municipalities, to the modified accrual basis of accounting which will be used by these pilot municipalities once the new computerized IFMIS is installed and operated

During the reporting period the following tasks completed:

- Prepare and deliver an action plan in both languages (Arabic and English) to assist all municipalities in preparing the opening balances.
- Complete preparation of the opening balances for pilot municipalities for immediate recording into the financial software .
- Deliver the conversion report that summarizes the actual work completed on the preparation of the data and information needed to enable the pilot municipalities convert to the modified accrual basis.
- Help municipalities in recording historical data and prepare them to adapt the new policies and procedures developed by MDLF consultant.

3. *Develop the Financial Policies and Procedures Manual*

Mr. Musa Abu Dieh, an International/Palestinian consultant was contracted by MDLF on August 10, 2008 to prepare a Financial Policies and Procedures Manual (FPPM) covering in details all financial policies and procedures which should be followed by the municipalities in preparing their budgets and processing all financial transactions.

During the reporting period the following tasks completed:

- Continue on streamlining of the chart of accounts (COA) coding and structure to fit into the Free Balance Accountability Suite's (FA) setup and configuration requirements.
- Continue on mapping the Revenue Management Information System (RMIS) to the COA, testing the interface between the RMIS and the FA, and mapping the structured and coded COA to the required regular financial reports.
- Submit a draft Financial Policies and Procedures Manual (FPPM)

4. *Supervising the Implementation of the IFMIS*

Mr. Majed Ayyad, a Palestinian consultant was contracted by MDLF on July, 2008 to supervise the implementation of the Integrated Financial Management Information System (IFMIS) and act as a technical supervisor on behalf of MOLG and MDLF mainly in controlling and quality assurance which will include helping municipalities as well as MOLG in the user test acceptance.

During the reporting period the following tasks were completed:

- Visit all pilot West Bank municipalities and agree with them on the data migration strategy.
- Following up with the IT personnel on the data migration and facilitating their work, in addition to providing them with technical support on data migration.
- Conduct a comprehensive testing to the RMIS and validate the business processes in the revenue cycle.
- Provide technical and functional support to other consultants working on the Accounting system, budgeting system and Revenue management system.

5. Administrative and Financial training courses:

The training courses objective was to enhance the capacities of the financial staff at the eight pilot municipalities as well as the Budgets and Supervision and Monitoring Departments at the MOLG. The training targeted the administrative and financial staff as well as some council members of the municipalities and heads of departments. Birzeit University / Center for Continuing Education was contracted by MDLF for this assignment.

All six training courses have been completed including: Accounting for non-accountants, Communication Skills, Leadership Skills, Advanced Accounting, Cost analysis, and Statement analysis.

6. Provision of Financial and Institutional Consultancy Services for the Development of the Municipal Financial Departments in 35 municipalities in West Bank and Gaza

Mr. Abdelkarim As'ad, an International/Palestinian consultant was contracted by MDLF on December 1st, 2008. The objective of the assignment is to assist the MDLF in the implementation of capacity building of the financial staff at the 35 municipalities to handle the full range of municipal financial management responsibilities once the IFMIS is ready to be implemented.

During the reporting period the following tasks completed:

- Develop and finalize the inception report
- Review the data collection, analysis, methodology and approach implemented by the data collection Consultant (HOPE) against the methodology,
- Review the develop Data Collection Sheet (DCS), and verify its compatibility with the MDLF requirements.
- Review in depth all the 35 assessment reports produced by HOPE and produce a comprehensive summary report detailing the vulnerabilities in the municipal financial departments.
- Finalize Revision Report - Institutional Assessment Manual that contain the Consultant's Revision, comments, and opinion about the Institutional Assessment Manual produced by HOPE
- Review the draft Financial Policy and Procedure Manual

7. Consultancy Services to Carry- Out the Fixed Assets Valuation in the 35 municipalities

The MDLF has contracting qualified local consultancy firms to carry-out the fixed assets valuation of 35 roll out municipalities in the West Bank and Gaza Strip.

The main objective of this assignment is to conduct a detailed and comprehensive valuation of the fixed assets of the selected municipalities based on the detailed methodology and the updated standardized price list which was developed by MDLF.