

**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
Project Number:	Danish TF05421
Administrator:	World Bank
Implementer:	Municipal Development and Lending Fund
Progress Report Period From:	12th May, 2008
	To: 13th July, 2008

Main Tasks:

1. *Sign the contract with FreeBalance and start the customization and installation in the 8 pilot municipalities.*

Progress:

The Negotiation with the firm FreeBalance has been accomplished on 19th March, 2008 and the contract was sent to World Bank for no –objection on 30th April, 2008. Different correspondents were made during this period and has not been finalized yet, however, a preliminarily no-objection was received today 13th July, 2008 from the bank clearing the contract. (Attached FreeBalance Contract's Milestones).

Problem: the bank did not provide no-objection as the contract duration is exceeding the current project completion deadline which is the 31st Dec, 2008, a letter was sent by H.E. Dr.Salam Fayyad for the Bank on 3rd April, 2008 requesting an extension for the project deadline until 31st Dec, 2010, the donor has approved the new amendment agreement, but not yet received from the Bank to be signed with the PNA.

- **Based on the above the following tasks could not be accomplished unless the amendments is signed:**
 2. *Install FreeBalance system at the MOLG as aggregated modules for all local government financial and accounting data.*
 3. *Finalize the Financial and Accounting Policies and Procedures Manual for Large municipalities and for small and medium municipalities.*
 4. *Purchasing of IT equipments for the 43 municipalities plus MOLG to run the system, however, one of the main characteristic of the system is to use moderate technology.*
 5. *To contract a local firm to provide maintenance an support services for municipalities for the FreeBalance Int. software.*
- **However, the following assignments were progressed:**
 6. *Fixed assets valuation for 35 municipalities, Phase 2 based on the process developed in the 8 pilot municipalities To be accomplished: 31st Dec.2008*

Progress: MDLF has contracted a local firm to finalize the modification of Fixed Assets valuation methodology based on the experience and lessons learned collected in the valuation accomplished in the 8 pilot municipalities. The expanded modified methodology will be accomplished on 12th August 2008. MDLF will contract from 5 to 6

local firms to value the assets at 35 additional municipalities after finalizing the modified methodology.

7. *Continue the institutional development of the municipalities in management, financial and accounting skills through training courses.*

Progress: MDLF has contracted Center of Continuing Education/Bierziet University to accomplish the training needed in accounting and management for MOLG and municipalities' staff.

Supply, Implement and Customize an Integrated Financial Management Information System for Large, Medium and Small Municipalities

Contract No. 1.2.2

FreeBalance

Millstones Table

Activities	Milestones Dates
Signing the Contract	13 th July, 2008
Effectiveness and Mobilization to West Bank	21 st July, 2008
Completion of Design & Customization (Core Financials & RMIS)	30 th Oct, 3008
Go-Live (Core Financials & RMIS) and Final Acceptance (Core Financials & RMIS)	31 st Dec., 2008
Go-live - Roll-out Core Modules (Financials & RMIS)	27 th Feb., 2009
Go-live - Roll-out Performance Budgeting	29 th June., 2009
Go-live - Roll-out IFMIS Modules	30 th Oct.,2009
Final Acceptance	31 st Dec.,2009