

MUNICIPAL DEVELOPMENT PROGRAM

WHAT IS The Municipal Development Program (MDP)

The MDP is a ground breaking new effort in development and reform.

Designed by the Municipal Development and Lending Fund (MDLF) under the guidance of the Palestinian National Authority, the MDP recognizes that the first step toward improving municipal services is well managed and more accountable local government.

The MDP is unique because it not only provides infrastructure grants to Palestinian municipalities, it improves performance by building operational, planning and financial capacity. Its cornerstone is the grant Allocation Mechanism, a formula based method for distributing funds to municipalities for capital investments – based on need, population and good management practices.

WHY Seventy-four percent of the West Bank's population is urban, living in 107 municipalities. In Gaza, the entire population lives in 25 municipalities. Municipalities are one of the oldest forms of governance in Palestine, and continue to serve as a main reference point for citizens.

Over the past eight years, municipal budgets have declined by an average of 31 percent due to the ongoing conflict and contraction in the economy. Israeli military incursions have led to sizable losses in municipal assets, which severely affected the delivery of municipal service. The key issue facing Palestinian local governments today, aside from restrictions on access and movement, is providing adequate service in the face of an eroding revenue base and a crippling financial crisis.

The MDP adheres to tenets laid out in the Palestinian Reform and Development Plan (PRDP), recognizing that a sustainable state requires transparent, effective and accountable local governments.

HOW DOES THE MDP WORK

The MDP is a phased development program, with the first phase lasting about three years. MDP Phase I is expected to reach all 134 municipalities, large and small in both the West Bank and Gaza.

The MDP has four “Windows “which include:

Window 1: Provides municipalities with performance –based grants for municipal service delivery, using the newly created Grant Allocation Mechanism. Municipalities decide on how to use the funds based on their Strategic Development and Investment Plans (SDIP) and consultation with citizen.

Window 2: Promotes learning and innovation to facilitate municipal development, including implementation of national policy directives. The MDP support the PNA in its goal to encourage amalgamation of local governments to achieve better efficiencies and economies of scale. It also establishes pilot programs to improve revenue collection, responsiveness, and community involvement.

Window 3 Helps municipalities improve their performance ranking and designed to complement the Grant Allocation Mechanism. Provides technical assistance to improve financial management, planning capacities and technical capabilities, particular in operations and maintenance.

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

The Grant Allocation Mechanism

The Grant Allocation Mechanism is the most important element of the MDP. This is the first time a performance-based formula has been used in conjunction with infrastructure grants

in Palestine. The allocated fund under window 1 was distributed among 132 municipalities based on these criteria.

The grants are based 40 percent on performance, 40 percent on population and 20 percent on needs. Municipalities have been ranked according to 12 basic accepted “good management” practices. Funds are allocated based on rank; municipalities with higher rankings will be eligible for more funding than those with lower rankings. During Phase 1, municipalities are ranked for each cycle (1.5 years); after that, they will be ranked on an annual basis. The MDP works closely with municipal leaders to help those in the lower levels move up to a higher ranking

The rankings are from A to F, with A constituting the highest possible rank. They are based on 12 criteria encompassing planning, management and financial accountability as shown in Table 1.

Table 1: Grants Allocation Performance Indicators

Rank	Performance Criteria
A	1. Current account surplus for two consecutive years
	2. Unqualified external audit
B	4. Operational account surplus (2007)
	5. Fixed assets register
C	7. Municipal Development/Investment Plan
	8. Financial accounting policies and procedures
D	10. Capital Budget approved, executed and properly
E	11. Recurrent budget approved, executed and properly
F	12. No budgetary information

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Aid coordination among partners is significantly different from past efforts. For the first time , donors are jointly supporting a national program with a harmonized approach using the same fund allocation system, criteria for project selection, and implementation and reporting procedures.

This contributes to a sector – wide approach (SWAP) , supporting the Palestinian National Authority in implementing a clear strategy and vision for developing the local government sector.