

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:	4th Quarter, 2008 (5th October-23 December , 2008)

Main Tasks:

1. *FreeBalance started the customization and installation of the Integrated Financial Management Information System (IFMIS) at 8 pilot municipalities for the three core modules.*

During the reporting period the following tasks completed

- For phase 1 implementation , Free balance has almost finished the configuration of core modules and RMIS.
- Free Balance worked on implementing the integration between RMIS and Free balance accountability suite
- Free Balance worked on designing MOLG budgeting module and work is still on progress
- Free Balance finished the specifications of the hardware needed to run the system in the Ministry and Municipalities
- Free Balance conducted end user training on site for the following municipalities
- Free Balance is still working on solving all the issues raised after conducting the test cases prepared by PWC
- Free Balance is in the process of hiring local staff to maintain the project in next phases.

2. *Sign Price Water House Coopers (PWHC) Contract*

The contract was signed on 27th August, 2008, PWHC 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 :

- Finalize the process mapping
- Develop and finalize the inception report
- Develop and finalize the actions of plan ,conduct filed visits to the municipalities to explain each action and steps to prepare the opening balances based on the accrual basis .

- Develop and finalize the test cases for testing the IFMIS, attend the testing process ,submit the test cases report

3. *Develop the Financial Policies and Procedures Manual*

Mr. Musa Abu Dieh, an International/Palestinian consultant was contracted on the 10th August, 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:

- **Develop and finalize the inception report**
- streamlining of the chart of accounts (COA) coding and structure to fit into the Free Balance Accountability Suite's (FA) setup and configuration requirements.
- 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 which need to be generated by the FA.
- progress had been achieved on the development and preparation of the detailed financial policies and procedures manual including detailed process-mapping of procedures currently implemented by certain municipalities, identification of suitable future accounting policies as well as designing the accounting procedures to be followed by the Palestinian municipalities under the new IFMIS

4. *Supervising the Implementation of the IFMIS*

Mr. Majed Ayyad, a Palestinian consultant was contracted on July, 2008 to supervise implementation of an the Integrated Financial Management Information System (IFMIS) and will 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. The consultant was responsible for developing the Chart of Account and its coding and now he is working on modifying these codes based on MOLG recommendations to use PCBS code for municipalities and based on FreeBalance recommendations to reduce the number of segments used, as the system could provide alternative solutions for dealing with MOLG and central government financial reporting that would be requested from Municipalities.

During the reporting period the following tasks completed :

- Reviewed the Quality Assurance strategy prepared by Freebalance and gave recommendation on it
- Prepared a communication plan to facilitate the harmonization between different stakeholders
- Prepared a comprehensive technical test strategy and test suite
- Re-designing the Chart of Account coding elements to meet the reporting requirements of the municipalities and MOLG and at the same time taking into consideration the implementation and configuration issues of FreeBalance Accountability suite

- re-design the organization segment to include Ministry of local government district offices added municipalities departments, re-allocating funding sources and finalize the coding needed for roll-up.

5. Administrative and Financial training courses:

The training courses objective is 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 board members of the municipalities and heads of departments. Four out of six training courses has been accomplished so far (Accounting for non-accountants, Communication Skills, Leadership Skills, Advanced Accounting) and the remaining two will be accomplished by the end of January 2009. This contract was assigned to Birzeit University / Center for Continuing Education.

(Attached Milestones for all assignments contracted for the financial and accounting system reform at Local government sector).

Risk : The resignation of the Project Manager which may hinder the progress of the project's activities.

Mitigation: Recruitment of a new Project Manager which will be accomplished by mid of January 2009.

Supply, Implement and Customize an Integrated Financial Management Information System for Large, Medium and Small Municipalities, the Project overall management process.

Millstones Table for all deliverables by different Contracted firms (FreeBalance, PWHC, CCE, HOPE) and individual consultants

Activities	Milestones Dates
Completion of Design & Customization (Core Financials & RMIS)	30 th Oct, 2008
Mobilize the Needed hardware at MOLG and 8 pilot municipalities	20 th Oct- 15 th Nov, 2008
Finalize the accounting training (financial management, cost accounting, financial analysis)	11 Oct 2008 - 31 st Jan, 2009
Produce the first draft of Financial Policies and Procedures Manual (core modules)	1 st Nov, 2008
Install the system at 3 sites (MOLG, 2 municipalities Bieth Omar and Qalqilia)	1 st Nov, 2008
Install the system at 5 municipalities (Nablus, Dura, Birziet, Rafah, Deir ElBalah, and Almaghzi)	1 st Dec, 2008
Convert Data into accrual bases needed for opening balances	22 nd Oct-31 st Dec, 2008
Opening Balances for 2009	31 st Dec., 2008
Go-Live (Core Financials & RMIS) and Final Acceptance (Core Financials & RMIS)	31 st Dec., 2008
Testing and acceptance for the core financial and RMIS at the 8 pilot	31 st Dec, 2008-28 th Feb, 2009
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

**Note: No details were provided for the second phase (roll-out at 35 municipalities), the work started for preparing these municipalities as been done at the 8 pilot municipalities by valuating their fixed assets and preparing the individuals at municipalities taking in considerations the lessons learned from the implementation at the 8 pilot.*

FreeBalance tasks
Hardware suppliers
Bierziet Center for Continuing Education (CCE)
Price water house Coopers (PWHC)
Mr. Majed Ayyad (Senior IFMIS Consultant)
Mr. Musa Abu Dieh (Senior Financial Consultant)