

**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: 3rd Quarter, 2008 (14th July- 5th October, 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.*

After Signing FreeBalance Contract the work commenced on the 21st July, 2008 and the team was mobilized to West Bank from Ottawa and located at MDLF premises, the firm started with the following main tasks:

- Start the firm local registration at Ministry of Economy
- Develop and finalize the inception report
- Conduct field visits to the municipalities as well as MOLG to collect data needed for customization
- Review, with MDLF technical consultants, the unified Chart of Accounts and its coding.
- Assess the hardware available at municipalities and provide MDLF with the needed hardware specifications to be purchased

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. PWHC is now in the first stage of their assignment which is the process mapping.

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. The consultant is supposed to produce the first draft FPPM by 1st November, 2008.

4. *Supervising the Implementation of the IFMIS*

Mr. Majed Ayyad, a Palestinian consultant was contracted on July, 2008 to supervise implementation of 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.

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

Anticipated Risks and Problems:

Risk1: Difficulties in Coordinating between the different consultants, specially there are great dependencies between their assignments

Mitigations: Develop an overall implementation plan as well as an overall milestone plan, approve it (sign) by all involved consultants

Risk2: Less affectivity from MOLG to take its responsibility in discussing, reviewing and approving all issues related to financial and accounting policy formulation

Mitigation: Minister of Local Government assign a technical committee who will be involved in the progress and will be responsible for decision making. Also, develop a bylaw that includes all main regulations and approve it by the Minister.

Risk3: Municipalities are not able to deal with the accounting issues related to moving from cash basis into accrual basis

Mitigation: Conduct intensive accounting training before the system is installed (this is already under progress by Birziet Center for Continuing Education (CCE), during implementation (this will be done by PWHC on the job training) and after the installation of the system which mainly will concentrate on training related to FPPM.

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

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

**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.*