

Evaluation Summary

First phase of the Municipal Development Program (MDP)

Country: **West Bank and Gaza**

Sector: **Infrastructures and social services**

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Key data on AFD's support

Projet numbers: CPS 1024-1022

Amount: €9,2 million grant

Disbursement rate: 100%

Signature of financing agreement: April 2010 and December 2011

Completion date: August 2013

Total duration: 4 years

Context

The Municipal Development and Lending Fund (MDLF) was created in 2005 at the initiative of the Palestinian Authority, with the help of foreign donors.

The Municipal Development Program implemented by the MDLF aims to implement the Palestinian Local Government Support Strategy, which in turn aims to **improve the local management of municipalities through greater fiscal and administrative autonomy**.

Actors and operating method

The contracting authority was the Ministry of Planning and Administrative Development.

The management contractor and project management unit was the MDLF.

The monitoring modalities were joint multi-donors monitoring missions.

The targeted beneficiaries were municipalities in the West Bank and Gaza as well as citizens.

Objectives

The overall objective was to **support municipalities** in providing better coverage and improved quality of services.

At sector-level, the objectives were:

- **To bring the government closer to the people** by ensuring that local government is both empowered and accountable
- **To strengthen local governments** by enhancing their efficiency and effectiveness and by moving them towards fiscal stability
- **To harmonize donor approach** to local government assistance

At MDP1 level, the objective was to support municipalities in **improving their management/governance practices** for greater transparency.

Expected outputs

- **45% of municipalities** graduated up the performance category in which they were classified
- **80% applied** at least two public disclosure methods
- **100% investments financed** were identified in the municipal Strategic Development Investment Plans
- **6 municipal amalgamation initiatives** launched and **2 energy-efficient projects** for enhancing municipal revenues implemented
- **3 pilots of one-stop-shops** implemented in 3 municipalities in Gaza
- **5 procedures for Operation & Maintenance** are established and piloted

Performance assessment

Relevance

The first phase of the MDP (MDP1) was in line with the strategies set by the Palestinian Authority (PA) and the financial partners (FPs). MDLF is a relevant organization to implement the MDP.

The design of the program was coherent with the objectives, but the relevance of the transfer mechanism calls for a nuanced appreciation.

The relevance is rated satisfactory.

Effectiveness

The application of the allocation formula was effective. The MDP1 was able to **achieve the expected outcomes**. The link between the capital investment and the objective of municipal service delivery is difficult to establish.

The effectiveness is rated satisfactory.

Efficiency

The mechanism of parallel financing instead of full fund pooling caused **delays and low efficiency**. The adoption of common procedures between donors (including PA) was a source of increased efficiency in the implementation of infrastructure projects at the municipal level. The MDP1 offered clear and transparent rules of the game for the implementation of operations and a standardized procedure which was the same for all municipalities.

The efficiency is rated satisfactory.

Impact

The MDP had a **significant impact on operational, financial and administrative capacities at the municipal level**. The cyclical nature of the program and its procedures shifted the attention of the municipalities to short-term, small-scale projects.

The MDP1 had **no direct impact on increasing revenue collection by the municipalities themselves** in order to move them towards fiscal stability and creditworthiness.

The MDP1 had an **indirect and partial impact on increasing municipal revenue collection** thanks to the infrastructures built for service delivery.

The impact is rated satisfactory.

Sustainability

Despite the significant Government commitment towards reforms at the time of the appraisal of the MDP, MDLF still **lacks a solid foundation for its institutionalization and sustainability** in the absence of a comprehensive legal framework for local government.

Sustainability of the infrastructure projects was taken into account in the Operation & Maintenance manual but was not demonstrated yet in practice.

Sustainability is rated unsatisfactory.

Added value of AFD's contribution

AFD's continuous involvement, support and dialogue brought added value to the MDP1. The procedures for AFD to approve the program were a constraint for MDP1.

The added value is rated satisfactory.

Conclusions and lessons learnt

The formulation of the sector-level and program-level objectives has to take into account the **constraints that are specific to a fragile and occupied situation**.

In a fragile situation, the **architecture of aid** is of high importance and **donor coordination is crucial**. A stable, efficient, professional donor vehicle to channel funds such as MDLF is a very valuable asset in the long-term process of better service delivery and State building. This process has to be supported by all stakeholders with **increased consultation** between PA, Ministry of Local Government, donors and beneficiaries.

Differences between municipalities in terms of needs, vulnerability, revenue collection and ability to deliver municipal services **have to be further addressed**.

Improving the Operation & Maintenance scheme for all municipalities is a major factor for sustainability.