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Resilient nations.*

## **Second Consolidated Annual Progress Report on Projects Implemented under the Palestine Authority – United Nations Trust Fund (PA-UN Trust Fund)**

**Report of the Administrative Agent of the PA-UN Trust Fund  
for the period 1 January – 31 December 2012**

**Multi-Partner Trust Fund Office**  
Bureau of Management  
United Nations Development Programme  
<http://mptf.undp.org>

31 May 2013

# PA-UN Trust Fund

## Participating Organisations



Food and Agriculture Organization (FAO)



International Labour Organization (ILO)



United Nations Children’s Fund (UNICEF)



United Nations Development Programme (UNDP)



United Nations Educational, Scientific and Cultural Organization (UNESCO)



United Nations Office on Drugs and Crime (UNODC)



United Nations Population Fund (UNFPA)



United Nations Human Settlements Programme (UN-HABITAT)



World Food Programme (WFP)



United Nations Entity for Gender Equality and the Empowerment of Women (UNWOMEN)



United Nations Relief and Works Agency for Palestine Refugees (UNRWA)

## Contributing Donors



United Kingdom

## Abbreviations and Acronyms

AA	Administrative Agent
COGAT	Coordinator of Government Activities in the Territories
DFID	United Kingdom Department International Development
FAO	Food and Agriculture Organization of the United Nations
ILO	International Labour Organization
MPTF	Multi-Partner Trust Fund
MoP	Ministry of Planning
MPTF Office	Multi-Partner Trust Fund Office
MTRP	Medium Term Response Plan
NDP	National Development Plan
NDS	National Development Strategy
PA	Palestinian Authority
PAG	Programme Approval Group
PCN	Programme/Project Concept Note
PRDP	Palestinian Reform and Development Plan
PWG	Priority Working Groups
SAG	Strategic Area Group
TOR	Terms of Reference
UN	United Nations
UNCT	United Nations Country Team
UNDAF	UN Development Assistance Framework
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNICEF	United Nations Children’s Fund
UNODC	United Nations Office on Drugs and Crime
UNPRIS	UN Project Information System
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
UNSCO	Office of the UN Special Coordinator for the Middle East Peace Process
UNWOMEN	United Nations Entity for Gender Equality and the Empowerment of Women
WFP	World Food Programme

## **Definitions**

### **Allocation**

Amount approved by the relevant steering committee for a project/programme.

### **Annual Work Plan (AWP)**

Annual plans that set out the activities to be undertaken during the year to reach the results specified in the project/programme. AWP include a timeframe, budget and responsibilities for completing the activities.

### **Approved Project/Programme**

A project or programme that has been approved by the PA-UN Trust Fund Steering Committee for fund allocation purposes.

### **Contributor Commitment**

A contribution expected to be received or already deposited by a contributor, as per signed Standard Administrative Arrangement (SAA) with the UNDP Multi-Partner Trust Fund Office (MPTF Office), in its capacity as the Administrative Agent (AA) of the Fund.

### **Contributor Deposit**

Cash deposit received by the MPTF Office for the Fund.

### **Direct Cost**

Cost that can be traced to or identified as part of the cost of a project or programme.

### **Delivery Rate**

A financial indicator of the percentage of funds that have been utilized by comparing the expenditures reported by a Participating Organization against the 'net funded amount.'

### **Indirect Support Cost**

A general cost that cannot be directly related to any particular programme or activity of the Participating Organisations. Under UN MPTFs, these costs amount to 7 percent as per the UNDG agreed MPTF cost recovery.

### **Net Funded Amount**

Amount transferred to a Participating Organisation less any refunds transferred back by a Participating Organisation.

### **Participating Organisations**

Organisations that have signed a Memorandum of Understanding (MoU) with the MPTF Office.

### **Project Expenditure**

The sum of expenses reported by all Participating Organizations irrespective of which basis of accounting a Participating Organization follows.

### **Project Financial Closure**

A project or programme is considered financially closed when all financial obligations of an operationally completed project or programme have been settled, and no further financial charges may be incurred.

**Project Operational Closure**

A project or programme is considered operationally closed when all activities for which a Participating Organisation is responsible under the approved programmatic document have been completed.

**Project/Programme/Joint Programme Document**

An Annual Work Plan (AWP) or a programme/project document that has been approved by the steering committee for fund allocation purposes.

**Project Start Date**

Date of transfer of first instalment from the MPTF Office to the Participating Organisation

**Total Approved Budget**

Amount approved by the Steering Committee

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## **Foreword**

The PA-UN Trust Fund played an important role in 2012, contributing to the reconstruction of Gaza and addressing one of its most pressing long-term challenges: a shortage of schools that will only get worse in the coming years if not addressed. The UN Relief and Works Agency (UNRWA), which implements this project, is doing an outstanding job in providing education to more than 225,000 refugee children in Gaza. The Trust Fund could support this work thanks to a generous contribution from the UK's Department for International Development.

In 2013, I will work with the UN Country Team to adjust the Trust Fund so that it is linked to the UN Development Assistance Framework, or UNDAF, for 2014-2016. The UNDAF, the first-ever of its kind for Palestine, is the UN's strategy for our development work over the coming three years. It was prepared in tandem with the Government of Palestine to ensure that its objectives will be in line with those of the Palestinian Authority's National Development Plan, which will cover the same three years, while also ensuring that UNDAF will focus on those areas where UN agencies have a comparative advantage.

The UN's strategy in the UNDAF is framed by the need to improve human development and human security in Palestine. The UN will work towards this goal by supporting the Palestinian state-building agenda and by strengthening community resilience and working with civil society.

The Trust Fund will be a reliable financing mechanism for donors that want to support the UNDAF. The use of its funds will be decided by a committee in which the Palestinian Authority, UN and donors are represented and decisions are made locally to ensure that the highest development priorities are addressed first. It will also be a convenient yet dependable mechanism for donors. The UN's Multi-Partner Trust Fund Office, which has transferred more than \$6 billion worldwide, is responsible for the financial management of the fund. Administratively, donors interact with only one counterpart – the Fund's secretariat – and receive a consolidated annual report on all development programming supported by the Trust Fund.

I am hopeful that the Trust Fund will play an important role in supporting the human development of Palestinians in the future, and that it will help us implement our development strategy outlined in the UNDAF.

**James W. Rawley**

**Deputy Special Coordinator, UN Resident and Humanitarian Coordinator**

## **Executive Summary**

### **Introduction**

The PA-UN Trust Fund was established in August 2010 following formal consultations between the Office of the UN Special Coordinator for the Middle East Peace Process (UNSCO), the UN Country Team (UNCT), the Ministry of Planning, the Ministry of Finance, and the Prime Minister. Subsequently, a Memorandum of Understanding (MOU) was concluded between 11 UN Participating Organisations and the UNDP Multi-Partner Trust Fund Office (MPTF Office) in its capacity as the Administrative Agent (AA).

The Fund consists of two distinct windows: one for the West Bank (including Area C and Jerusalem), and one for Gaza. The Fund supports the Palestinian Authority (PA) in the achievement of its goals and objectives to establish a Palestinian state while meeting the socio-economic needs of Palestinians throughout the oPt. In line with this objective and the UN's commitment to supporting the achievement of these goals, the PA-UN Trust Fund has been designed to ensure that early recovery, recovery and reconstruction activities can be implemented in the most effective and efficient manner as possible in the West Bank and Gaza, specifically. The Fund's Terms of Reference provide detailed procedures for the operations and management of the PA-UN Trust Fund.

### **Strategic Framework**

The Fund is established, under a common governance structure, to finance UN-supported statebuilding and development goals throughout the oPt including the West Bank, and early recovery, recovery and reconstruction initiatives in Gaza. As such, the PA-UN Trust Fund constitutes a joint effort by the PA and the UN to implement best aid practices using globally agreed partnership principles, as articulated in the Paris Declaration, to which the PA subscribed in 2008.

The Palestinian National Development Plan (NDP) for 2011-2013, represents the overarching planning, programming and budgeting framework for the achievement of the Palestinian national policy agenda, while the UN's programmatic contribution to the NDP and related national frameworks are reflected in its Medium Term Response Plan (MTRP), 2011-2013.

In 2013, the PA-UN Trust Fund will be upgraded and linked to the UN Development Assistance Framework (UNDAF) for 2014-2016. The UNDAF, the first-ever of its kind for Palestine, is the UN's strategy for the development work over the coming three years, considering national priorities and UN comparative advantages. It has been developed in tandem with the Government of Palestine to ensure that its objectives will be in line with those of the Palestinian Authority's National Development Plan, which will cover the same three years.

### **Project Approval Status**

The Management Committee approved the first PA-UN Trust Fund allocation during first quarter of 2012 for a total of \$22,368,715. The funding was approved to support the construction of schools in Gaza by United Nations Relief and Works Agency (UNRWA).

### **Implementation Achievements**

The PA-UN Trust Fund played an important role in 2012, contributing to the reconstruction of Gaza and addressing one of the most pressing long-term challenges, the acute shortage of schools. As of 31 December

2012 with the support from the Fund, 13 schools were under construction with one completed and six which will be completed in the first half of year 2013, some months after the expected date of completion. The number of schools has been increased from the originally planned 12 schools to 13, thanks to cost savings in the construction, and the time-frame has been extended until 31 March 2014. The project will enable 24,000 Palestinian refugee children, who face the challenging circumstances of Gaza on a daily basis, to have better access to education through financing the construction, equipping and furnishing of UNRWA schools in Gaza. The Trust Fund could support the project thanks to the contribution from the UK's Department for International Development.

### **Financial Performance**

The first contribution to the PA-UN Trust Fund was received in December 2011 from the United Kingdom for a total of \$22,594,661. There were no additional contributions in 2012. As of 31 December 2012, Fund-earned interest income totalled \$61,201 and the AA fee of one percent amounted to \$225,947. During first quarter 2012, a total of \$22,368,715 was transferred to a UN Participating Organisation, UNRWA, leaving a balance remaining with the AA of \$60,580 as of 31 December 2012. UNRWA reported an expenditure of \$21,217,299 in 2012.

### **Transparency and Accountability**

The MPTF Office provides regular information on the operations of the PA-UN Trust Fund on its GATEWAY page at (<http://mptf.undp.org/factsheet/fund/PS100>). The MPTF Office GATEWAY (<http://mptf.undp.org/>) is a knowledge platform providing real-time data, with a maximum two-hour delay, on financial information from the MPTF Office accounting system on donor contributions, programme budgets and transfers to Participating Organisations. All narrative reports are posted on the GATEWAY which provides easy access to over 9,600 relevant reports and documents, with tools and tables displaying financial and programme data.

By providing easy access to the growing number of progress reports and related documents uploaded by users in the field, it facilitates knowledge sharing and management among UN Organisations. It is designed to provide transparent, accountable fund-management services to the UN system to enhance its coherence, effectiveness and efficiency. The MPTF Office GATEWAY has been recognised as a 'standard setter' by peers and partners.

# 1 Introduction

The joint Palestine Authority (PA) – United Nations (UN) Trust Fund (PA-UN Trust Fund) was formally established on 1 August 2010. A MOU between 11 UN Participating Organisations in the occupied Palestinian territories and the UNDP Multi-Partner Trust Fund Office (MPTF Office) in its capacity as the Administrative Agent (AA) of the PA-UN Trust Fund was concluded.

The Fund was established, under a common governance structure, to finance UN supported statebuilding and development goals throughout the oPt including the West Bank, and early recovery, recovery and reconstruction initiatives in Gaza. As such, the PA-UN Trust Fund constitutes a joint effort by the PA and the UN to implement best aid practices using globally agreed partnership principles, as articulated in the Paris Declaration, to which the PA subscribed in 2008.

The PA-UN Trust Fund was established to consolidate resource mobilisation by the UN following the Sharm el Sheikh Conference on Gaza held in March 2009 and in support of Palestinian Reform and Development Plan (PRDP) 2008-2010 and Palestinian National Early Recovery and Reconstruction Plan for Gaza 2009-2010, which provides a framework for early recovery and reconstruction activities in Gaza. The Fund was later extended also to cover the West Bank, including Jerusalem.

The Gaza Strip is home to 1.7 million Palestinians; 1.2 million of the population are refugees<sup>1</sup>. More than 50 percent of Gaza’s population is under the age of 18 and as many as 44 percent are under the age of 15. The ongoing conflict and the blockade on Gaza affect all aspects of life. Further, a slight easing of the closure in June 2010 has so far failed to deliver meaningful change to the levels of unemployment, poverty, food insecurity and to the overall vulnerability of a population caught in increasingly difficult circumstances.

In past years there has also been deterioration in the socio-economic and human rights situation of Palestinians in East Jerusalem that has rendered daily life increasingly difficult and led to a range of inter-related challenges, in areas of housing, economic deterioration including unemployment and lack of access to basic social services. Similarly, restrictions in Area C have meant that much of the area’s potential remains unrealized, and that the 150,000 people living here face daily difficulties, such as access to water and education, housing and sometimes demolition and displacement. In response, the work of the UN and the PA-UN Trust Fund also focuses on these regions.

The Annual Progress Report covers the period from 1 January 2012 to 31 December 2012. It provides information and financial data on Fund level activities and progress. The PA-UN Trust Fund received a contribution from the Government of United Kingdom (UK) for a total of \$22,594,661 in year 2011.



<sup>1</sup> UNRWA, Emergency Appeal 2013 (oPt 2012 project progress report)

Subsequently, the PA-UN Management Committee approved a project to support the construction of 12 new schools in Gaza for a total of amount of \$ 22,368,715. Following an efficient procurement process, the funds will be able to cover 13 schools.

## **2 PA-UN Trust Fund Establishment**

### **2.1 Establishment of the PA-UN Trust Fund**

The PA-UN Trust Fund was established following formal consultations between the Office of the UN Special Coordinator (UNSCO), the UN Country Team (UNCT), the Ministry of Planning, the Ministry of Finance, and the Prime Minister. The Fund consists of two distinct windows: one for the West Bank (including Area C and Jerusalem), and one for Gaza. The Fund supports the PA in the achievement of its goals and objectives to establish a Palestinian state while meeting the socio-economic needs of Palestinians throughout the oPt. In line with this objective and the UN's commitment to supporting the achievement of these goals, the PA-UN Trust Fund has been designed to ensure that early recovery, recovery and reconstruction activities can be implemented in the most effective and efficient manner as possible in the West Bank and Gaza.

A total of 11 UN Organisations signed the Memorandum of Understanding (MOU) to become Participating Organisations. The Fund's ToR and Operational Manual provide detailed procedures for the operations and management of the PA-UN Trust Fund.

In the spirit of providing a coherent response to the national challenges, all agencies are encouraged to submit joint programmes for funding as this helps enhance the impact of UN's work, while reducing the transaction costs including those related to reporting, and monitoring and evaluation.

#### **2.1.1 Fund Start and End Dates**

The PA-UN Trust Fund was established on 1 August 2010 and will operate and approve programming until the Fund end date of 30 August 2013.

#### **2.1.2 Fund Extension**

It is expected that the Fund will be extended in 2013 and aligned with the first ever UNDAF 2014-2016. The Fund's Terms of Reference shall therefore be revised in 2013 to reflect the UNDAF priorities that will guide UN development work during those years, with the Fund functioning as a key financing mechanism for the UNDAF.

### **3 Strategic Framework and Governance Arrangements**

The PA developed, with the support of national and international actors, plans to establish a Palestinian state while meeting the socio-economic needs of Palestinians throughout the oPt, including in Gaza.

The PA-UN Trust Fund is designed to respond to the following imperatives:

- The importance of further strengthening the alignment of UN programmes and projects with national priorities and establishing a partnership between national authorities, the UN and other actors, including donors, in the allocation of resources for UN supported interventions;
- PA and donor recognition of the UN's role in implementing statebuilding and development interventions throughout the oPt, including early recovery and reconstruction responses in Gaza;
- Donor interest in a UN pooled funding mechanism as one of the funding channels for support to statebuilding, early recovery and reconstruction efforts.

#### **3.1 Palestinian National Development Plan**

The National Development Plan 2011-2013 represents the overarching planning, programming and budgeting framework for the achievement of the Palestinian national policy agenda. As such, it constitutes the main reference for all national and international assistance. The National Development Plan for 2014-2016 will guide development work during those three years.

#### **3.2 Medium Term Response Plan 2011-13 and UNDAF 2014-2016**

The UN's programmatic contribution to the PRDP and related national frameworks is currently reflected in its Medium Term Response Plan (MTRP), 2011-13. Organised around six strategic areas, the MTRP presents where and how the UN system can assist with the achievement of nationally-agreed priorities and needs. In 2013, the PA-UN Trust Fund will be adjusted so that it is linked to the UN Development Assistance Framework (UNDAF) for 2014-2016. The UNDAF, the first-ever of its kind for Palestine, is the UN's strategy for its development cooperation over the coming three years. It was developed together with the Government of Palestine to ensure that its objectives will be in line with those of the next Palestinian Authority's National Development Plan, which will cover the same three years. As such, projects and programmes submitted for funding by the PA-UN Trust Fund shall clearly demonstrate a contribution to national needs as identified in the aforementioned framework and subsequent discussions between the UN, PA, contributing donors, and civil society partners.

#### **3.3 Governance Arrangements**

##### **3.3.1 Management Committee**

The PA-UN Trust Fund is governed by a Management Committee, which is co-chaired by the Palestinian Prime Minister and the UN RC/HC.

The Management Committee also included the World Bank, contributing donors (on a rotational basis), and two UN Heads of Agencies, also on a rotating basis, designated by the RC. Donors are selected by the Co-Chairs based on geographical and/or financial considerations. Since DFID is the only donor so far, it was the only donor representative on the Management Committee. Donor composition is reviewed by the Co-Chairs on an annual

basis. The AA participates as ex-officio member of the Management Committee. Other participants may be invited on an ad hoc basis, as required, and as observers.

Operating by consensus, the Management Committee provides strategic guidance and oversight, agrees on funding criteria, and allocates PA-UN Trust Fund funds per geographic window (in cases where funds have not been earmarked to a particular window) and strategic sector of the MTRP. Decisions by the Management Committee are informed by on-going analysis of needs and funding gaps in development interventions in the West Bank and in early recovery and reconstruction efforts in Gaza. The Management Committee reviews the progress of the PA-UN Trust Fund operations and ensures reporting to all contributing donors and the PA, with the support of the AA and the PA-UN Trust Fund Secretariat.

### **3.3.2 Project Approval Group**

A Project Approval Group (PAG), co-chaired by the PA and the RC or his/her designate, and with the participation of two UN Heads of Agencies on a rotating basis, reviews and approves individual project proposals submitted by the Participating Organisations and national partners and allocates funds. This is done together with established coordination mechanisms such as the sector groups. The decisions of the PAG are based on funding criteria and a funding envelope agreed by the Management Committee. The PAG may choose to allocate funding through tranches.

### **3.3.3 Participating Organisations**

Each Participating Organisation signs a standardised MOU with UNDP as the AA that sets out the duties and responsibilities of each party. Each Participating Organisation thereafter assumes full programmatic and financial accountability for the funds disbursed to it by the AA and carries out its activities in the approved project proposal in accordance with the regulations, rules, directives and procedures applicable to it, using its standard implementation modalities.

### **3.3.4 Administrative Agent/Multi-Partner Trust Fund Office (MPTF Office)**

The UNDP MPTF Office is the AA for the PA-UN Trust Fund. It is responsible for the receipt, administration and management of contributions from Donors; disbursement of funds to the Participating Organisations in accordance with instructions from the Management Committee, and consolidation of narrative and financial reports produced by each of the Participating Organisations as well as the provision of these reports to the Management Committee and Donors. The MPTF Office performs the full range of AA functions in accordance with the UNDG-approved "Protocol on the Administrative Agent for MDTF and JP, and One UN Funds".

In line with the MOU concluded between Participating Organisations and the MPTF Office, a clear delineation, including distinct reporting lines and an accountability framework, has been established and is maintained within UNDP between its functions as an AA performed by the MPTF Office and its functions as a Participating Organisation performed by UNDP in oPt.

## 4 Project Approval and Decision Making Processes

The PA-UN Trust Fund ToR outlines the decision-making process in detail. In summary, the PAG reviews and approves project proposals of the Participating Organisations and national partners and allocates funds. The decision shall be based on the funding criteria and funding envelope agreed by the Management Committee. Each project proposal submitted will have undergone a various review process to appraise project proposals from relevant sectors before submission to the PAG, and ensure adequate consultation with all relevant national and international stakeholders.

Project funding decisions are made on the basis of an agreed set of criteria including: quality of project proposal, alignment with national priorities, level of participation and ownership by national partners, level of consultation with and buy in from relevant stakeholders, including through the UN strategic area groups and other established peer review mechanisms, demonstrable capacity to implement within the foreseen timeframe, efficiency in use of funds, including limits on certain types of expenditures, and available resources.

Table 4-1 outlines the process followed in the development, submission, review and approval of projects and joint programmes.

**Table 4-1 Project/Programme Development, Submission, Review and Approval**

<b>Step/Action</b>	
<b>1</b>	<p><b>Management Committee Sets Priorities</b></p> <ul style="list-style-type: none"> <li>Geographic and sectoral priorities set by Management Committee, based on analysis of ongoing situation and funding gaps</li> <li>Secretariat communicates decision to all Participating Organisations</li> </ul>
<b>2</b>	<p><b>Project concept note submission</b></p> <ul style="list-style-type: none"> <li>Participating Organisation develops project concept note, in collaboration with relevant actors/partners</li> <li>Participating Organisation submits project concept note to Secretariat</li> </ul>
<b>3</b>	<p><b>Project concept note review</b></p> <ul style="list-style-type: none"> <li>Secretariat reviews project concept note against agreed criteria, including discussion / meeting with Participating Organisation</li> <li>The Secretariat informs, in written communication, the PAG of project concept note and decision to move to full project proposal development</li> </ul>
<b>4</b>	<p><b>Project proposal development &amp; submission</b></p> <ul style="list-style-type: none"> <li>Following project concept note review, Participating Organisation develops project document</li> <li>Project document is shared / presented to relevant UN MTRP Working Group,</li> <li>At discretion of Participating Organisations, project document is shared / presented with other relevant aid coordination structures</li> <li>Project document, along with all required documentation, is submitted by the participating UN organisation to the Secretariat within forty five (45) working days of concept note approval</li> <li>If the project document, along with all required documentation, is received at least seven (7) business days prior to a scheduled PAG meeting, the Secretariat puts the project submission on the agenda of</li> </ul>

the next PAG meeting and sends the project proposal to the members of the PAG

**5 PAG decision**

- Provides “no objection” approval for project proposal
- Rejects the project proposal
- Approves the project proposal with requests for clarification / amendments
- Secretariat informs the Participating Organisation of the PAG decision

**6 Follow up to PAG decision**

- Upon approval with “no objection”, the Secretariat informs and sends all relevant documentation to the MPTF Office
- Upon receipt of all required documentation, the UNDP MPTF Office transfers funds to the Participating Organisation
- If the PAG has approved the project proposal with requests for clarification / amendments, the Participating Organisation provides additional information at any time within a 30 day time frame
- If the Participating Organisation provides the additional information to the Secretariat within a 10 business day time frame, the revised project proposal is submitted to the PAG for electronic review or at PAG meeting, if called by the co-chairs.
- The Secretariat informs the Participating Organisation of the PAG decision

## 5 Project/Programme Approvals and Achievements

The Management Committee approved the first project in February 2012 following the deposit of the first, so far only, donor contribution in December 2011. A total of \$22,368,715 million was approved for implementation by UN Relief and Works Agency for Palestine Refugees (UNRWA) as highlighted in Table 5-1 below.

**Table 5-1 Approved New Projects/Programmes, cumulative as of 31 December 2012**

Project Title	Region	Participating Organisation	Net Total Amount Transferred (USD)	Date of Transfer
Improving Access to Education in Gaza	Gaza	UNRWA	22,368,715	17 Feb 2012
<b>Total</b>			<b>22,368,715</b>	

### 5.1 Programme Achievements:

#### Background

The Gaza Strip is home to 1.7 million Palestinians out of which 1.2 million are refugees<sup>2</sup>. The young generation in Gaza is being shaped by the immediate environment and its physical, socio-economic and psycho-social factors. Within this context, the role of education is critical in developing and reinforcing positive values and behaviours and giving the youth a chance for a better future. Years of conflict and restrictions on movement, including the closure, have left 80% of the population dependent on international assistance;<sup>3</sup> access to all basic services, including education, has been seriously affected. A ban on the import of construction materials during the period June 2007 to July 2010 significantly affected the ability of repair and construction of schools to meet the growing needs of the population. Many schools have been forced to operate on double and triple shifts, leading to reduced class time. It is estimated that 260 new schools are needed to accommodate new students and to reduce the pressure on schools operating on double and triple shifts<sup>4</sup>; 100 schools for the United Nations Relief and Works Agency (UNRWA) and 160 for the Palestinian Authority (PA).

UNRWA's capacity in Gaza is overstretched. The agency is currently running 238 schools in 125 school buildings (95% of them operating on double shifts) with many of the buildings being 50-60 years old. Population growth and the Agency's inability to build new schools, or repair existing ones during the ban of import of construction materials, has resulted in the overcrowding of schools with more students enrolled than what the schools are designed to serve.



<sup>2</sup> UNRWA, Emergency Appeal 2013 (oPt 2012 progress report)

<sup>3</sup> UNRWA (2012) 'Where UNRWA works- Gaza report' pp. 1 (oPt 2012 project progress report)

<sup>4</sup> UN OCHA Special Focus: Easing the blockade, March 2011 (oPt 2012 project progress report)

The physical space available for students (1 sq. m per child) is below the UNESCO standard.<sup>5</sup> Temporary solutions have included allowing more students per classroom, providing education in shipping containers and rotating students between classrooms and the school yard. The student population is expected to continue to grow at 3% per year. This means an increase of 10,000 children at a proper age for school per year.



### **Programme Objectives**

This project will enable 24,000 Palestinian refugee children, who reside in two of the most conflict-prone areas, are socio-economically deprived and face the challenging circumstances of Gaza on a daily basis, to have better access to education through financing the construction, equipping and furnishing of United Nations Relief and Works Agency (UNRWA) schools in Gaza. The contribution will allow the construction of 13 new schools, which is one more school than the original target. The project also expects to generate secondary benefits such as locally generated employment opportunities. The intended outcome of the interventions is improved access to a UN human rights-based education for vulnerable refugee students.

### **Main achievements**

As of 31 December 2012, 13 schools were under construction with one completed and six which will be completed in the first half of year 2013, some months after the expected date of completion. The anticipated student enrolment for the six schools is 600,000 in the 2012-13 school years, with the school operating on a single-shift basis, and up to 12,000 in proceeding years depending on demographic pressure and the number of schools that transition to double-shift. The latter will largely be determined by the ability to construct additional schools in target areas. The increase in the number of schools from the originally planned 12 schools to 13 has been possible because of cost savings in the construction. In addition, UNRWA will utilise a remaining saving amount of about \$364,000 for the construction of an additional floor at one school (the Jabalia camp school), where the construction of more classrooms is particularly urgent in order to address student overcrowding. The time-frame for the construction of the 13 schools has been extended until 31 March 2014.

School designs were prepared in full accordance with UNRWA standards, and incorporate the use of standard materials and components.<sup>6</sup> Contracting companies registered with the Palestinian Contractors Union in the Gaza Strip were invited to a competitive tender on the construction contract. In accordance with its internal rules, UNRWA vetted each company who submitted a bid for the construction of schools to verify that no funding is used to benefit terrorist or militant organisations.

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<sup>5</sup> UNESCO standard is 1.4-1.5 square meters per child (oPt 2012 project progress report)

<sup>6</sup> Including reinforced concrete frame, block work in-fill panels, aluminium windows and timber and metal doors, internal plaster and paint, external render, tyrolean finish, and a flat roof with a plasticised bitumen membrane

UNRWA's Field Education Department in coordination with the Field Procurement & Logistics Department are currently working to procure furniture and equipment items required for the schools. All essential furniture and equipment items related to the project are scheduled for delivery to the schools once the construction per each school is completed.



The schools will use the same (Palestinian Authority) curriculum as a basis, as all other schools in Gaza. The UNRWA schools also use additional methods and materials, for example, they teach human rights and conflict resolution in all of their schools in the region. UNRWA's human rights curriculum includes reference to the significance of the Universal Declaration of Human Rights, and emphasises the importance of tolerance.

The project has further generated secondary benefits by creating 110,000 days of employment so far through schools construction. This is below target as construction has been delayed and many of the work days are generated during the final stages of construction. However, the number of man days of employment created is expected to meet the milestone once the construction of the five schools is completed.

### **Challenges and Way Forward**

Two of the planned schools did not receive approval from the Coordinator of Government Activities in the Territories (COGAT) for the needed construction of materials until the end of March 2012, which delayed construction by several months. The funding was eventually reallocated to another two schools which had approvals, but this process took time. The UK, currently the only donor of the Trust Fund, raised the issue at a political level with the Israeli authorities and will continue to monitor the situation.

False claims of land ownership / usage rights by local parties also posed a challenge and were addressed and resolved through UNRWA's legal department.

In November 2012 escalation of conflict between Gaza and Israel impeded all UNRWA construction activities which are estimated by UNRWA to have delayed the project for two to six weeks. The escalation of conflict in

Gaza in November 2012 highlighted the continuing volatility of the region and its potential to affect this project. Other challenges were the dearth of skilled-labour in the local market. As a result, the average time required for construction was lengthened to a minimum of 10 months per school instead of nine months.

The project will conduct a Project Improvement Plan and a further review within six months to monitor the results and in particular to ensure that the schools are completed and students enrolled by the spring semester 2013.

The UK will continue to lobby the Israeli Government through for the full, unconditional opening of Gaza crossings, and revise the lists of restricted dual use goods to allow the entry of goods that are important for the Palestinian economy into Gaza, and streamline and accelerate the approval process of humanitarian and developmental projects. The UK also supports the UN Access Coordination Unit which provides support to implementing partners on access issues.

## **6 Overall Fund Achievements, Challenges and Way Forward**

### **6.1 Achievements**

The primary achievement in 2012 was the significant implementation progress that was made in 2012 following receipt of the first contribution of \$22.6 million to the Fund. The United Kingdom's contribution is seen as an important catalyst to enable the UN to demonstrate its capacity to deliver tangible recovery initiatives and encourage other donors and contributors to support the UN's work in the oPt through this mechanism.

The RC, PA and UN Country Team coordinated their efforts and took the required steps to establish the Fund and sustain the momentum, strengthening the PA-UN Trust Fund as an important pillar of support which enables the UN to deliver jointly.

### **6.2 Challenges and Way Forward**

A challenge faced by the PA-UN Trust Fund is familiarising non-traditional donors, particularly from the region, with the practical benefits of the Multi-Donor Trust Fund (MDTF) mechanism as a complement to bi-lateral funding. Broadening historic partnerships and practices away from strictly bi-lateral funding and individual agency implementation towards a combination of bilateral as well as MDTF and joint programming has indeed proven to be a challenge that will continue to be addressed moving forward. The contribution of DFID is so far the only donor contribution to the Trust Fund, and the UNRWA project of \$22.4 million the only supported project. To increase both the donor base and the scope of supported projects, in 2013, the UN Country Team will focus on how the Trust Fund can be improved to address the needs of both donors and UN agencies. A participatory process has begun to revise the Fund's terms of references, with the two main changes.

First, the Fund will be linked to the UNDAF, the UN's development strategy for Palestine for 2014-2016. The UNDAF provides a coherent strategy for the UN's development work, and positioning the Fund as a reliable financing mechanism for this strategy would help UN agencies in their implementation of it, and would improve their position in negotiating access in Gaza and Area C of the West Bank. A Trust Fund linked to the UNDAF will also mean that donors that are interested in supporting the UN's development strategy in Palestine have the option of interacting with one counterpart and receiving a consolidated annual report of all the fund's activities.

Second, the Fund will allow donors two types of earmarking, although the UN will continue to encourage non-earmarked contributions, which allow for more flexibility. They can choose to earmark their contributions to the fund either for Gaza or for the West Bank including East Jerusalem. They can also choose to earmark their contributions to one of the UNDAF outcomes. This will give donors the reassurance that their contributions are used according to their priorities while still leaving enough flexibility for the Fund's Management Committee to define the highest priorities.

The MDTF mechanism has several additional advantages over traditional bilateral funding. First, they can lead to more coherent, as opposed to fragmented and uncoordinated, funding. Second, since the Fund will be linked to the UNDAF, funding can be used in a more strategic way. Third, making decisions about which projects to support locally, rather than in donor capitals, helps to ensure that the highest priorities are addressed first.

## 7 Financial Performance

### 7.1 Financial Overview

The Financial Performance section includes key financial data on the PA-UN Trust Fund. Financial information is also available on the <http://mptf.undp.org/factsheet/fund/PS100> on the MPTF Office GATEWAY.

Table 7.1 provides an overview of the entire PA-UN Trust Fund financial portfolio including the source, use and balance of funds.

**Table 7-1 Financial Overview, as of 31 December 2012**

	Annual 2011	Annual 2012	Cumulative
<b>Sources of Funds</b>			
Gross Contributions	22,594,661	-	22,594,661
Fund Earned Interest and Investment Income	39,193	22,009	61,201
Interest Income received from Participating Organizations	-	-	-
Refunds by Administrative Agent to Contributors	-	-	-
Fund balance transferred to another MPTF	-	-	-
Other Revenues	-	-	-
<b>Total: Sources of Funds</b>	<b>22,633,854</b>	<b>22,009</b>	<b>22,655,863</b>
<b>Use of Funds</b>			
Transfer to Participating Organizations	-	22,368,715	22,368,715
Refunds received from Participating Organizations	-	-	-
<b>Net Funded Amount to Participating Organizations</b>	<b>-</b>	<b>22,368,715</b>	<b>22,368,715</b>
Administrative Agent Fees	225,947	-	225,947
Direct Costs: (Steering Committee, Secretariat...etc.)	-	-	-
Bank Charges	267	355	622
Other Expenditures	-	-	-
<b>Total: Uses of Funds</b>	<b>226,213</b>	<b>22,369,070</b>	<b>22,595,283</b>
<b>Change in Fund cash balance with Administrative Agent</b>	<b>22,407,641</b>	<b>-22,347,061</b>	<b>60,580</b>
Opening Fund balance (1 January)	-	22,407,641	-
<b>Closing Fund balance (31 December)</b>	<b>22,407,641</b>	<b>60,580</b>	<b>60,580</b>
Net Funded Amount to Participating Organizations	-	22,368,715	22,368,715
Participating Organizations` Expenditure	-	21,217,299	21,217,299
<b>Balance of Funds with Participating Organizations</b>	<b>-</b>	<b>-</b>	<b>1,151,416</b>

## 7.2 Donor Contributions

The first and so far only contribution to the PA-UN Trust Fund was received from the UK's Department for International Development (DFID) in December 2011 for a total of \$22,594,661 as highlighted in Table 7-2 below. This represented 100 per cent of the total commitments made by donors. There were no additional contributions to the Fund in 2012.

**Table 7-2 Total Donor Deposits, as of 31 December 2012**

<b>Contributors</b>	<b>Prior Years as of 31 Dec 2011</b>	<b>Current Year Jan-Dec 2012</b>	<b>Total</b>
United Kingdom (DFID)	22,594,661	-	22,594,661
<b>Grand Total</b>	<b>22,594,661</b>	<b>-</b>	<b>22,594,661</b>

## 7.3 Earned Interest

**Table 7-3 Received Interest (Agency and Fund), as of 31 December 2012**

	<b>Prior Years as of 31 Dec 2011</b>	<b>Current Year Jan-Dec 2012</b>	<b>TOTAL</b>
Fund Earned Interest (Administrative Agent)	39,193	22,009	61,201
<b>Total - Fund Earned Interest</b>	<b>39,193</b>	<b>22,009</b>	<b>61,201</b>
<b>Total - Interest Income Received from PO</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Interest Earned</b>	<b>39,193</b>	<b>22,009</b>	<b>61,201</b>

Interest earned from PA-UN Trust Fund donor contributions is reported from two sources. Fund-earned interest is the interest earned by the MPTF Office as the AA on the balance of funds remaining in the PA-UN Trust Fund bank account (maintained by UNDP/Treasury). Agency-earned interest is the amount earned by Participating UN Organisations on the undisbursed balance of PA-UN Trust Fund funds that have been transferred to the Participating Organisation(s) for project implementation.

As of 31 December 2012, the cumulative total of Fund-earned interest income amounted to \$61,201.

## 7.4 Transfer of Funds

During the first quarter 2012, the PA-UN Trust Fund Management Committee approved the first project for a total of \$22,368,715. Approved funds were transferred to UNRWA in February 2012. The approved funding is highlighted in Table 7-4 below.

**Table 7-4 Net Funded Amount by Participating Organisation, as of 31 December 2012**

Participating Organization	Net Funded Amount		
	Prior Years as of 31 Dec 2011	Current Year Jan-Dec 2012	TOTAL
UNRWA	22,368,715	-	22,368,715
<b>Total</b>	<b>22,368,715</b>	<b>-</b>	<b>22,368,715</b>

Support to Gaza and the West Bank are priorities for the PA-UN Trust Fund. Therefore contributions are tracked by region. Table 7-5 highlights the approved funding to support ‘Improving Access to Education in Gaza’, which was approved specifically for activities in Gaza.

**Table 7-5 Net Funded Amounts by Region, as of 31 December 2012**

Region	Net Funded Amount		
	Prior Years as of 31 Dec 2011	Current Year Jan-Dec 2012	TOTAL
Gaza	22,368,715	-	22,368,715
<b>Total</b>	<b>22,368,715</b>	<b>-</b>	<b>22,368,715</b>

#### 7.4.1 Balance of Funds Available

A balance of \$60,580 remains with the AA as of 31 December 2012, representing 0.3% as percentage of deposits. Until such time that the MPTF Office is instructed by the Management Committee to release funding, it will be reflected in balance of funds with the AA.

### 7.5 Expenditure Reported by Participating Organisations

The expenditure for the reporting period for the Participating Organisations amounted to \$21,217,299. As reflected in the table 7-6 below, UNRWA shows a delivery rate over 94 percent; however, as described in Section 5.1, the project has received a no-cost extension and will continue implementation in 2013. The delivery rate therefore reflects both UNRWA’s actual expenditures incurred and obligations. UNRWA’s internal financial reporting procedures define hard commitments (obligations) is as follows: “Hard Commitment reserve funds for future expenditure evidenced by a contract. The term contract is understood by definition to include purchase order, service contract, construction contract, special service agreement and travel authorization which is considered as legal commitment.” Therefore, most of the obligations are related to the construction contracts and purchase orders. In terms of the construction contracts, it is UNRWA’s policy to obligate the full amount of the construction contracts once the contract is signed. However, actual payments are made as the project progresses. It is expected that the fund balance as well as obligations will be expended by March 2014, which is consistent with the requested extension.

**Table 7-6 Financial Delivery Rate by Participating Organizations, as of 31 December 2012**

Participating Organization	Approved Amount	Net Funded Amount	Expenditure	Delivery Rate Percentage
UNRWA	22,368,715	22,368,715	21,217,299	94.85
<b>Grand Total</b>	<b>22,368,715</b>	<b>22,368,715</b>	<b>21,217,299</b>	

Project expenditures are incurred and monitored by each Participating Organization and are reported as per the agreed upon categories for harmonized inter-agency reporting. In 2006 the UN Development Group (UNDG) set six categories against which UN entities must report project expenditures. Effective 1 January 2012, the UN Chief Executive Board modified these categories as a result of IPSAS adoption to comprise eight categories. All expenditures reported up to 31 December 2011 are presented in the previous six categories, and all expenditures reported from 1 January 2012 are presented in the new eight categories. The old and new categories are noted below.

### UNDG Categories

Current UNDG Categories/	Revised Harmonized Categories
1. Personnel (staff, consultants, travel and training)	1. Staff and other personnel costs
2. Supplies, commodities, equipment and transport	2. Supplies, Commodities, Materials
3. Training of counterparts	3. Equipment, Vehicles and Furniture including Depreciation
4. Contracts	4. Contractual Services
5. Other direct costs	5. Travel
6. Indirect Support Costs	6. Transfers and Grants Counterparts
	7. General Operating and Other Direct Costs
	8. Indirect support costs

**Table 7-7 Total Expenditure by Category, as of 31 December 2012**

Category	Expenditure			Percentage of Total Programme Cost
	Prior Year as of 31-Dec-2011	Current Year Jan-Dec-2012	Total	
Supplies, Commodities, Equipment and Transport (Old)	-	-	-	0.00
Personnel (Old)	-	-	-	0.00
Training of Counterparts (Old)	-	-	-	0.00
Contracts (Old)	-	-	-	0.00
Other direct costs (Old)	-	-	-	0.00
Staff & Personnel Cost (New)	-	6	6	0.00
Supply, Commodities, Materials (New)	-	109,942	109,942	0.55
Equip, Vehicle, Furniture, Depreciation (New)	-	2,606,512	2,606,512	13.14
Contractual Services (New)	-	-	-	0.00
Travel (New)	-	-	-	0.00

Transfer and Grants (New)	-	-	-	0.00
General Operating (New)	-	17,112,791	17,112,791	86.30
<b>Programme Costs Total</b>	-	<b>19,829,251</b>	<b>19,829,251</b>	<b>100.00</b>
Indirect Support Costs Total	-	1,388,048	1,388,048	7.00
<b>Total</b>	-	<b>21,217,299</b>	<b>21,217,299</b>	

## 7.6 Cost Recovery

The cost recovery of the PA-UN Trust Fund is guided by the PA-UN Fund ToR, and the associated MOU and SAA. For the period from 1 January 2011 to 31 December 2012, the actual costs were as follows:

- 1) The MPTF Office AA fee of \$225,947 (one percent of total funds deposited) was charged upon receipt of the donor deposit. The AA fee, as a one-time fee, is used towards covering the required full range of AA responsibilities throughout the duration of the PA-UN Trust Fund.
- 2) Indirect support costs of Participating Organisations were \$1,388,048 (7 percent) during the reporting period.
- 3) Direct costs may cover the estimated costs of the PA-UN Trust Fund Secretariat but no costs were charged by UNSCO in 2011 or 2012 for the secretariat services it provided.

## 7.7 Transparency and Accountability

The MPTF Office provides regular information on the operations of the PA-UN Trust Fund on its GATEWAY page at (<http://mptf.undp.org/factsheet/fund/PS100>). The MPTF Office GATEWAY (<http://mptf.undp.org/>) is a knowledge platform providing real-time data, with a maximum two-hour delay, on financial information from the MPTF Office accounting system on donor contributions, programme budgets and transfers to Participating Organisations. All narrative reports are posted on the GATEWAY which provides easy access to over 9,600 relevant reports and documents, with tools and tables displaying financial and programme data.

By providing easy access to the growing number of progress reports and related documents uploaded by users in the field, it facilitates knowledge sharing and management among UN Organisations. It is designed to provide transparent, accountable fund-management services to the UN system to enhance its coherence, effectiveness and efficiency. The MPTF Office GATEWAY has been recognised as a 'standard setter' by peers and partner.