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**Consolidated Annual Report on Activities Implemented
under the Joint Programme
“Strengthening Capacity and Service Delivery of Local Administrations”
in Lao**

**Report of the Administrative Agent
for the period 1 January - 31 December 2013**

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

31 May 2014

PARTICIPATING ORGANIZATIONS



United Nations Capital Development Fund (UNCDF)



United Nations Development Programme (UNDP)

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CONTRIBUTORS



Government of Luxembourg



Swiss Agency for Development Cooperation
(SDC)

Table of Contents

EXECUTIVE SUMMARY	4
PART I: ANNUAL NARRATIVE REPORT	5
ABBREVIATIONS AND ACRONYMS	6
I. PURPOSE	7
II. RESULTS.....	7
III. PROGRAMMATIC REVISIONS.....	19
PART II: ANNUAL FINANCIAL REPORT	20
DEFINITIONS	21
2013 FINANCIAL PERFORMANCE	22
1. SOURCES AND USES OF FUNDS.....	22
2. PARTNER CONTRIBUTIONS	23
3. INTEREST EARNED	23
4. TRANSFER OF FUNDS.....	23
5. EXPENDITURE AND FINANCIAL DELIVERY RATES	24
6. COST RECOVERY.....	26
7. ACCOUNTABILITY AND TRANSPARENCY	26

EXECUTIVE SUMMARY

This Consolidated Annual Report on activities implemented under the Strengthening Capacity and Service Delivery of Local Administrations Joint Programme in Lao covers the period from 1 January to 31 December 2013. This report is in fulfillment of the reporting requirements set out in the Standard Administrative Arrangement (SAA) concluded with the Contributor. In line with the Memorandum of Understanding (MOU), the report is consolidated based on information, data and financial statements submitted by Participating Organizations. It is neither an evaluation of the Joint Programme nor an assessment of the performance of the Participating Organizations. The report provides the Steering Committee (Programme Board) with a comprehensive overview of achievements and challenges associated with the Joint Programme, enabling it to make strategic decisions.

In 2013, the Joint Programme (JP) continued to make steady progress in all the strategic areas including policies and frameworks, for a more effective local administration and related local capacity building. These include the on-going introduction of new district performance-enhancing systems, such as performance based district block grants (District Development Fund based) and a local service delivery monitoring system (DDF linked) that will encourage improvements in the local public service delivery, and enhanced community participation in the selection and information-sharing on local service interventions, to improve the lives of the local citizens. Additionally, the District Development Fund (DDF) implementation is now reaching 53 districts in support of locally defined service interventions, together with associated capacity development actions including training and coaching for district officials. The JP is also helping to define a more coherent approach for the expansion of the district One Door Service Centres (ODSC) and further 15 government offices have benefited from the Capacity Development and Modernization Fund (CADEM) small grants scheme in support of strategic innovations in Public Administration reforms.

The Multi-Partner Trust Fund Office (MPTF Office) of the United Nations Development Programme (UNDP) serves as the Administrative Agent for the pass-through funded portion of the Joint Programme. The MPTF Office receives, administers and manages contributions from the Contributor, and disburses these funds to the Participating Organizations in accordance with the decisions of the Programme Board. The AA is responsible for consolidation of reports submitted by each Participating Organization.

This report is presented in two parts. Part I is the Annual Narrative Report and Part II is the Annual Financial Report for the pass-through funded portion of the Joint Programme.



PART I: ANNUAL NARRATIVE REPORT

<p>Programme Title & Project Number</p> <ul style="list-style-type: none"> • Programme Title: Strengthening Capacity and Service Delivery of Local Administrations • Programme Number UNDP/00081322 • MPTF Office Project Reference Number: 00083210 	<p>Country, Locality(s), Priority Area(s) / Strategic Results</p> <p>Lao PDR: Vientiane Capital and other 5 provinces</p> <p>By 2015, the poor and vulnerable benefit from the improved delivery of public services, an effective protection of their rights and greater participation in transparent decision making</p>
<p>Participating Organization(s)</p> <ul style="list-style-type: none"> • UNDP, UNCDF 	<p>Implementing Partners</p> <ul style="list-style-type: none"> • Ministry of Home Affairs (MoHA)
<p>Programme/Project Cost (US\$)</p> <p>JP Contribution (pass-through):</p> <ul style="list-style-type: none"> • SDC \$ 4,000,000 • Govt of Luxembourg \$1,000,000 <p>Agency Contribution</p> <ul style="list-style-type: none"> • UNDP \$ 400,000 • UNCDF \$ 1,300,000 <p>Government Contribution</p> <p>Govt of Lao PDR (in kind) \$702,000</p> <p>Other Contributions (donors)</p> <p>Govt of Republic of Korean \$ 2,000,000</p> <p>GEF \$2,145,000 (in parallel)</p> <p>TOTAL: \$ 11,547,000</p>	<p>Programme Duration</p> <p>Overall Duration (<i>months</i>)</p> <p>Start Date 18.06.2012</p> <p>Original End Date 31.12.2015</p> <p>Current End date 31.12.2015</p>
<p>Programme Assessment/Review/Mid-Term Eval.</p> <p>Assessment/Review - if applicable <i>please attach</i></p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: <i>dd.mm.yyyy</i></p> <p>Mid-Term Evaluation Report – <i>if applicable please attach</i></p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: <i>dd.mm.yyyy</i></p>	<p>Report Submitted By</p> <ul style="list-style-type: none"> ○ Name: Sudha Gooty ○ Title: Head of Governance Unit ○ Participating Organization (Lead): UNDP ○ Email address: sudha.gooty@undp.org

Abbreviations and Acronyms

BoL – Bank of Lao PDR
CADEM - Capacity Development and Modernization Fund
CRC – Citizens Report Card
CTA – Chief Technical Advisor
DDF – District Development Fund
EOI – Expression of Interest
GPAR – Governance and Public Administration Reform
GSWG – Governance Sector Working Group
LSB – Lao Statistics Bureau
MAF – MDG Acceleration Framework
MDGs – Millennium Development Goals
MoHA – Ministry of Home Affairs
NGPAR – National Governance and Public Administration Reform
ODSC – One-Door Service Centre
OEBG – Operation Expenditure Block Grant
PACSA – Public Administration and Civil Service Authority
PAM – Performance Assessment Manual
PST – Provincial Support Team
SCSD – Strengthening Capacity and Service Delivery of Local Administrations
UNDP – United Nations Development Fund
UNCDF – United Nations Capital Development Fund

I. Purpose

The overall objective of this project is “increased capacity in the local administration, leading to better delivery of services which improve the lives of the poor, especially in rural areas of Lao PDR”. This will be realised through two specific outcomes:

- Improved policies and capacities of local administrations to initiate, and monitor, locally prioritised MDG service delivery interventions, and
- improved capacities of district administrations to finance and implement service infrastructure and delivery that lead to improved access to public services.

The strategy is to build around a series of interrelated outputs that take forward proven results and innovations to realise the overall outcome.

II. Results

i) Narrative reporting on results:

Output 1: Support to develop policies & regulatory framework for more effective local administration at province and district level.

- Coinciding with the first pilot year of Sam Sang or ‘3 builds’ initiative (build the province as a strategic unit, build the district as a comprehensive strengthening unit, and build the village as a development unit – refer to the Politburo Resolution 03/2012 and Prime-Minister (PM) Decree no. 16/2012), the JP SCSD supported the implementation in 5 provinces to help further transfer of responsibilities, functions and resources from central ministries to the sub-national administration in order to improve transparency and accountability in the delivery of services through capacity strengthening of local officials in planning, budgeting, financial management, and reporting.
- At the same time, the JP SCSD has supported various consultations aiming to amend the Law on Local Administration. With the extension of the Sam Sang pilot initiative until October 2014, further work will be needed to incorporate the lessons learned in the pilot implementation of Sam Sang into the Law on Local Administration.
-
- The DDF has invested about \$323,300 USD (2.6 Billion Kip) during the Fiscal Year 2012/13 in districts that are also participating in the Sam Sang pilot. This investment is mainly to improve infrastructure, namely in the health sector, to promote mother and child health in remote villages; in the education sector, to improve the enrollment rate and quality of primary education; in the agriculture sector, to improve the dry season rice production; and in the public works and transport sector, to perform a better road maintenance by the road maintenance committee.

Output 2: Improved capacity of local administration to fulfill its service delivery mandates.

- The DDF was expanded to 16 new districts (12 Luang Prabang and remaining 4 Luang Namtha), bringing to a total of 53 the number of districts now benefiting from the DDF support and trainings.
- 447 district officials (57 women) from these 16 new districts, benefited from the DDF trainings and are now able to plan local service investments. This brings to a total of 1,157 the number of local officials (170 women) that have been given capacity support under DDF system, through the JP SCSD project in 2012 and 2013. These new skills gained by the local officials, in planning, budgeting, financial management, and reporting, together with the funds being provided under the DDF for the districts in the FY 2013/14 will result in a better local service delivery.
- A new DDF-based local services delivery monitoring system was designed (District Service Delivery Monitoring System or DSDMS), which will further help to encourage improvements in local public service delivery, and an enhanced community participation in the selection and information-sharing, on local service interventions to improve the lives of local citizens. A draft concept note on performance appraisal framework for district was discussed with MoHA's Department of Civil Service Appraisal & Development (DCSAD) with a view to assessing the possibilities for developing and pilot testing a performance-based civil service evaluation framework at the district level. Discussions with DCSAD revealed that there is currently no existing performance appraisal system. The current performance management system is under-development. The proposed initiative is intended to lay the groundwork and inform the development of the overall performance management system and pilot test it at district level. The 2014 work plan was developed by DCSAD supported by the JP SCSD.

Output 3: Improved MDG focused service delivery provided through formula base and equity focused block grants to the districts.

- Performance Assessment Manual introduction and training in 12 districts in Saravane and Sekong provinces took place in 2013. A total of 221 district/ provincial officials (25 Women), in Saravane and Sekong provinces are now actively involved in applying the DDF-based performance assessment standards for district administrations.
- Through the DDF1 block grants, local officials were able to successfully deliver 23 local infrastructures plus complete 159 local services interventions benefiting their communities across the 37 Districts that received block grants in the FY 2012/13.
- These DDF service interventions delivered by the district administrations, invested about \$655,000 USD (or 5,230 million Kip) to the direct benefit of 60,000 people; (88,908 people benefited from the 23 capital investments and 49% of these were women; and 371,572 people benefited from the

¹ The DDF initiative couples sub-national capacity development / skills learning with the provision of district budget in form of untied block grants. DDF has 2 main types of block grants; (i) a capital expenditure block grant ("BBG") for local service infrastructures and an operational expenditure block grant ("OEBG") for service interventions and outreach within districts. In addition, the capital block grant (BBG) incorporates a performance incentive system, introduced in 2012 and the first assessment of district performance, against 21 indicators, being undertaken during 2013. The results of the performance assessment will become known in 2014 and will affect the size of BBG being allocated to participating districts in FY 2014/15. The DDF district performance system applies to BBG only and is not yet applied to OEBG.

operational expenditure support to direct service interventions and 53% were women). These figures are typical of the excellent Gender balance arising out of the DDF system.

Output 4: Improving Access to citizen Services through One Door Service.

- In 2013 the Government approved PM Ordinance 09/2013 on the expansion of ODSC implementation. The new Ministerial Ordinance together with the new guidelines were disseminated and discussed at a national workshop and in workshops organized in 17 provinces (82 sub-national offices). This helped to improve the understanding of the government policy as well as provided valuable information to guide the establishment of ODSC. Support will be provided under NGPAR to disseminate and provide training on the new guidelines.
- An Action Plan to advance the implementation of the PM Decree on One Door Service Centre expansion, intended to propose solutions to identified problems/issues affecting the effective implementation of the ODS, as well as a proposed institutional mechanism for policy coordination and oversight, was originally planned for 2013. However, this has not been achieved due to the need for further clarity and cross sectorial agreement on the composition and responsibilities of agencies participating in the ODSC model. Competing priorities (e.g. amendment of the Law Administration Law; conduct of National Civil Service Examination, support to the pilot implementation of Sam Sang) have also been a source of delay for this initiative. The development of the Action Plan will be pursued in 2014 as a priority to provide a clear and coherent road map to help guide policy actions and support to improve the operation of existing ODSCs and provide proper guidance to the expansion of ODSCs at both the national and local levels.

Output 5: GPAR Capacity Development and Modernisation Fund (CADEM) supports strategic innovations in Public Administration reforms.

- 15 small grants were delivered to central and sub-national organizations to implement governance improvements under the CADEM scheme. Nine (9) of the projects support implementation of Sam Sang initiatives in 5 provinces and four (4) support gender mainstreaming interventions.
- 15 government offices (5 central & 10 local organizations) are using the GPAR CADEM Fund to improve administrative procedures and 1,068,167,000 kip (about \$ 135,000 USD) have been invested in 2013 on 13 public administration reform initiatives.

Output 6: Citizen Feedback and district mechanisms for responsive and accountable service delivery

- A District Service Delivery Monitoring System was designed and is currently under further development in collaboration with the Lao Statistics Bureau (LSB). Based on a MoHA assessment and feedback from the local level discussions, it has been decided to limit the field trials to 2 districts instead of the 4 originally planned. It is now assured that two districts will be sufficient to field trial and further develop/refine the D-SDMS model, with a view to wider roll out later in 2014 and 2015.
- To complement efforts to improve citizen access to services, a new community feedback mechanism for key local services is being designed. This mechanism will enable the communities to report their perception of the quality of public services and improvements in the recent period.

This exercise will pay special attention to the feedback provided by women and ethnic groups on the service access and quality.

Describe any delays in implementation, challenges, lessons learned & best practices:

Graduation from project based management and implementation of the new national Programme approach involves an expansion of the coordination mechanisms, organizational structures and monitoring/oversight bodies. This additional burden has come at the same time as the establishment of the new Ministry of Home Affairs, which is the Implementing Partner for the project, thus increasing the overall challenges.

The inherent challenges in achieving effective cross-sectoral coordination also affected the pace of implementation of the One Door Service Centre (ODSC). The development of an action plan deferred due to the need for further clarity and cross sectorial agreement on the composition and responsibilities of agencies participating in the ODS model. Competing priorities (e.g. amendment of the Law Administration Law; conduct of National Civil Service Examination) have also been a source of delay in progressing this initiative.

The adoption of the new NGPAR programme Management Arrangements (i.e. Cluster Groups) by the concerned MoHA departments proved to be difficult, as these are not existing groupings within MoHA.

Qualitative assessment:

Overall, the SCSD joint programme is being well managed, functions effectively and is progressing well on the implementation of activities in line with the plans and budgets, towards the achievement of the overall outcomes of the programme by 2015. In complement to the regular monitoring and assurance, partnership coordination with key stakeholders is deemed very to be good, both in frequency and quality of engagement. Effective partnership is facilitated through a series of regular activities including: Quarter and Annual Progress Reports, half-year and annual review meetings, programme board meetings and other ad-hoc events such as the “Sam Sang” national briefing workshop and GPAR/DDF field visits for interested DPs. Annual external Audits and follow up actions are also being conducted in compliance with the standard operating procedures. The independent Audit of the year 2012 conducted during 2013 recorded an overall satisfactory opinion.

ii) Indicator Based Performance Assessment:

	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
<p>Outcome 1 Improved policies and capacities that enable local administrations to initiate and monitor service delivery interventions against localized priorities which accelerate progress towards the MDGs</p> <p>Indicator 1: Regulations and instructions from relevant ministries strengthening the mandate of all 144 district administrations across Lao PDR, on financing and improving public service delivery</p> <p>Indicator 2. At least 810 staff from 66 district administrations and 378 Kumban representatives, equipped with skills to plan and monitor local investments in public services</p>	<p>Note: For details of the activities and progress during 2013, please refer to the SCSD 2013 Annual Project Report</p>	<p>Support to initiatives aimed at developing policies, regulations, systems and related capacity development aimed at the provincial and district levels temporarily deferred due to the pilot implementation of the Government ‘sam sang’ designed to transfer functions, responsibility and resources to sub-national administration has been extended to another year.</p>	<p>JP Annual Progress Report 2013 and DDF training / financial records</p> <p>(* the JP annual Progress Report can be applied to all Outputs Source of Verification)</p>
<p>Output 1. Support to develop policies & regulatory framework for more effective local administration at province and district level</p>			
<p>Annual target1: Support the pilot of the PM 16/2012 (Sam Sang) in 51 target districts.</p>	<p>Annual target partially achieved:</p> <p>Support given towards the ongoing implementation of large scale national pilot “Sam Sang” on new national policies for devolution of greater authority to local administrations. (Politburo Resolution 03/2012 and PM</p>		

<p>Annual target 2: Amendments on the Law on Local Administration is finalized in 2013.</p> <p>Annual target 3: Design, development and endorsement of the new District Service Delivery Monitoring System in 2013 (Linked to Output 6)</p>	<p>16/2012).</p> <p>Annual target partially achieved:</p> <p>Law on Local Administration:. The Government decided to integrate the proposed laws; the Law on Local Administration & the Law on City and Municipality under one Law on Local Administration. Also decided to defer further revision / amendments until 2015 after Sam Sang lessons.</p> <p>Annual target achieved:</p> <p>A District Service Delivery Monitoring System / MIS has been designed and is under development with collaboration of the Lao Bureau of Statistics.</p>		
<p>Output 2. Improved capacity of local administration to fulfill its service delivery mandates</p> <p>Annual target 1: Additional 224 local officers from 16 new districts able plan and monitor investments related to local service priorities.</p>	<p>Annual target achieved</p> <p>The 12 districts of Luang Prabang and 4 remaining districts of Luang Namtha, bring to a total of 53 districts now benefiting from the DDF support and trainings.</p> <p>A total 447 district official including 57 women participated the training</p>		

<p>Annual target 2: An assessment report with recommendations for applying the civil servant performance assessment framework at district level prepared</p>	<p>from these 16 new districts and are able to plan local service investments. (Monitoring will be fully activated once investments are made during FY 2013/14).</p> <p>This brings to a total of 1,157 local officials (170 women) trained/refreshed during FY 2012/13 and FY 2013/14 on planning, budgeting, financial management , monitoring/reporting for better local service delivery.</p> <p>Annual target partially achieved:</p> <p>Discussions are ongoing with MoHA's Department of Civil Service Appraisal & Development re field testing the civil servant performance assessment framework at the district level in 2014.</p>		
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	<u>Achieved</u> Indicator Targets	Reasons for Variance with Planned Target (if any)	Source of Verification
<p>Outcome 2. Improved capacities of district administrations to finance and implement service infrastructure and delivery that lead to improved access to public services and as well as improvements in human development levels, including key indicators related to women and children</p>			

<p>Indicator1: At least 540 MDG infrastructure and/or service delivery initiatives implemented by district administrations improve access to services for at least 40,000 households, of which 50% serve women and girl children</p> <p>Indicator 2: Tangible improvements in availability and usage of health and education services contributing to 10% improvement in attendance of girl students in primary schools, 10% improvement in access to safe drinking water and 10% increase in mothers accessing maternal and child health services</p>			
<p>Output 3 Improved MDG focused service delivery provided through formula base and equity focused block grants to the districts</p> <p>Annual target 1: At least 50 district officials across 8 districts are able to apply performance assessment Standard to district administration functions.</p> <p>Annual target 2: Officials in 16 new</p>	<p>Annual target achieved.</p> <p>Performance Assessment Manual introduction and training in 12 districts in Saravane and Sekong provinces given in 2013. A total of 221 district/ provincial officials e.g. Provincial Support Team and Provincial Assessment Team (25 Women) are now actively involved in applying the DDF-based performance assessment standards for district administrations.</p> <p>Annual target achieved:</p>		

<p>districts and 37 existing districts have increased capacity in planning, budgeting, management and finance functions.</p>	<p>The increased capacity of officials in 53 districts in planning, budgeting, management and finance functions is evidenced by the enhanced service delivery provided;-</p> <p>For FY 2012/13 district plans were approved with a total value of 5,230,124,000 Kip equivalent to \$655,158 USD for the 37 districts. This represents 56% of overall 66 Project target districts by year 2015, as defined by the project design document. The DDF investment for FY2012/13 comprise;</p> <p>DDF-BBG Capital grants –for 8 districts of Saravane provinces amounting to 3,456,001,000 Kip equivalent to \$432,920 USD, to deliver 23 small scale infrastructures (SSI) which spread across 4 main sectors e.g. Education, Health (including WATSAN), PWT (Road and Bridge) and Agriculture (Irrigation). A total 88,908 local people benefited and 49% of these were women.</p> <p>DDF-OEBG Services grants – for 37 districts and a total of 159 activities amounting to 1,774,123,000 Kip equivalent to \$222,238 USD, which was again spread across 4 main sector e.g.</p>		
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	Education, Health , PWT and Agriculture. . A total 371,572 local people benefited, of which 53% were women.		
Output 4: Improving Access to citizen Services through One Door Service			
Annual target 1: Action Plan for implementation of PM Decree on One Door Service expansion developed in 2013.	Annual target not achieved: Action plan for the expansion of ODS not achieved.	Development of action plan deferred due to the need for further clarity and cross sectorial agreement on the composition and responsibilities of agencies participating in the ODSC model. Competing priorities (e.g. amendment of the Law Administration Law; conduct of National Civil Service Examination) have also been a source of delay in progressing this initiative.	
Annual target 2: Officials in 17 provinces have understanding of new ODS Guidelines and be able to apply the guidelines.	Annual target partially achieved: Officials in 17provinces (82 sub-national offices) are now aware of the new Prime-Minister 09/2013 Decree and revised guidelines for ODS PM 09/2013, on expansion of ODSC signed on January 28, 2013 and revised guidelines on ODS have now been approved by the Minister of Home Affairs. The new Ministerial Instruction and guidelines were disseminated and discussed at a national workshop.		

<p>Output 5: GPAR Capacity Development and Modernisation Fund (CADEM) supports strategic innovations in Public Administration reforms</p> <p>Annual target 1: 15 government offices are using CADEM grants to improve administrative practices.</p> <p>Annual target 2: At least 4 government offices are implementing gender focused interventions using CADEM grants in 2013.</p>	<p>Annual target achieved:</p> <p>15 government offices (5 central & 10 local organizations) are using GPAR CADEM Fund to improve administrative procedures – apply some 1,068,167,000 kip (about \$ 135,000 USD) in 2013 on 13 public administration reform initiatives.</p> <p>Annual target achieved:</p> <p>4 projects focus on gender mainstreaming and 5 projects focus on Sam Sang initiatives.</p> <p>Formal request for Expressions Of Interest (EOI) issued. 284 EOIs received and short listed to initial 14 EOIs, with 10 from local levels. These shortlisted applicants received capacity development on CADEM / proposal development.</p> <p>The final selected 11 proposals for 2012/13 benefit from addition capacity development for implementation of CADEM projects.</p>		
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<p>Output 6: Citizen Feedback and district mechanisms for responsive and accountable service delivery</p>			
<p>Annual target 1: The new District Service Delivery Monitoring System for selected services in at least 4 districts designed and endorsed.</p> <p>Annual target 2: The new citizen feedback mechanism for selected local service delivery at district level developed.</p>	<p>Annual target achieved:</p> <p>A District Service Delivery Monitoring System/MIS designed and under further development with collaboration of the Lao Bureau of Statistics. Based on MoHA assessment and feedback from the local level discussions, it has been decided to limit the field trials to 2 districts instead of 4 originally planned. It is now assured that two districts will be sufficient to field trial and further develop/refine the D-SDMS model, with a view to wider roll out later in 2014 and 2015.</p> <p>Annual target not achieved:</p> <p>A new community feedback mechanism on perception of local service delivery has been deferred to Quarter 1, 2014.</p>	<p>Due to pressure of competing priorities within MoHA, a new community feedback mechanism on perception of local service delivery has been deferred to Quarter 1/2014. This is linked to the new District Service Delivery Monitoring System (D-SDMS)</p>	

III. Programmatic Revisions

While the overall project goals, targets and indicators remain unchanged, the project team took the opportunity during the annual planning and budget exercise to develop clearer annualized targets and indicators. These assist in more clearly tracking the yearly progress towards the overall end of project objectives.

PART II: ANNUAL FINANCIAL REPORT

DEFINITIONS

Allocation

Amount approved by the Steering Committee for a project/programme.

Approved Project/Programme

A project/programme including budget, etc., that is approved by the Steering Committee for fund allocation purposes.

Contributor Commitment

Amount(s) committed by a donor to a Fund in a signed Standard Administrative Arrangement (SAA) with the UNDP Multi-Partner Trust Fund Office (MPTF Office), in its capacity as the Administrative Agent. A commitment may be paid or pending payment.

Contributor Deposit

Cash deposit received by the MPTF Office for the Fund from a contributor in accordance with a signed Standard Administrative Arrangement.

Delivery Rate

The percentage of funds that have been utilized, calculated by comparing expenditures reported by a Participating Organization against the 'net funded amount'.

Indirect Support Costs

A general cost that cannot be directly related to any particular programme or activity of the Participating Organizations. UNDG policy establishes a fixed indirect cost rate of 7% of programmable costs.

Net Funded Amount

Amount transferred to a Participating Organization less any refunds transferred back to the MPTF Office by a Participating Organization.

Participating Organization

A UN Organization or other inter-governmental Organization that is an implementing partner in a Fund, as represented by signing a Memorandum of Understanding (MOU) with the MPTF Office for a particular Fund.

Project Expenditure

The sum of expenses and/or expenditure reported by all Participating Organizations for a Fund irrespective of which basis of accounting each Participating Organization follows for donor reporting.

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 programmatic activities for which Participating Organization(s) received funding have been completed.

Project Start Date

Date of transfer of first instalment from the MPTF Office to the Participating Organization.

Total Approved Budget

This represents the cumulative amount of allocations approved by the Steering Committee.

2013 FINANCIAL PERFORMANCE

This chapter presents financial data and analysis of the JP “Strengthening Capacity and Service Delivery of Local Administrations” in Lao funds using the pass-through funding modality as of 31 December 2013. Financial information for this Fund is also available on the MPTF Office GATEWAY, at the following address: <http://mptf.undp.org/factsheet/fund/JLA10>.

1. SOURCES AND USES OF FUNDS

As of 31 December 2013, two contributors have deposited US\$ 2,600,000 in contributions and US\$ 1,470 has been earned in interest,

bringing the cumulative source of funds to US\$ 2,601,470 (see respectively, Tables 2 and 3).

Of this amount, US\$ 2,574,001 has been transferred to two Participating Organizations, of which US\$ 2,106,113 has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ 26,000. Table 1 provides an overview of the overall sources, uses, and balance of the JP Lao Local Admin Capacity as of 31 December 2013.

Table 1. Financial Overview, as of 31 December 2013 (in US Dollars)*

	Annual 2012	Annual 2013	Cumulative
Sources of Funds			
Gross Contributions	1,250,000	1,350,000	2,600,000
Fund Earned Interest and Investment Income	1,049	421	1,470
Interest Income received from Participating Organizations	-	-	-
Refunds by Administrative Agent to Contributors	-	-	-
Fund balance transferred to another MDTF	-	-	-
Other Revenues	-	-	-
Total: Sources of Funds	1,251,049	1,350,421	2,601,470
Uses of Funds			
Transfers to Participating Organizations	990,000	1,584,001	2,574,001
Refunds received from Participating Organizations	-	-	-
Net Funded Amount to Participating Organizations	990,000	1,584,001	2,574,001
Administrative Agent Fees	12,500	13,500	26,000
Direct Costs: (Steering Committee, Secretariat...etc.)	-	-	-
Bank Charges	15	31	46
Other Expenditures	-	-	-
Total: Uses of Funds	1,002,515	1,597,532	2,600,047
Change in Fund cash balance with Administrative Agent	248,534	(247,111)	1,422
Opening Fund balance (1 January)	-	248,534	-
Closing Fund balance (31 December)	248,534	1,422	1,422
Net Funded Amount to Participating Organizations	990,000	1,584,001	2,574,001
Participating Organizations' Expenditure	179,499	1,926,613	2,106,113
Balance of Funds with Participating Organizations			467,888

* Due to rounding of numbers, totals may not add up. This applies to all numbers in this report.

2. PARTNER CONTRIBUTIONS

Table 2 provides information on cumulative contributions received from all contributors to this Fund as of 31 December 2013.

Table 2. Contributors' Deposits, as of 31 December 2013 (in US Dollars)*

Contributors	Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Total
Government of Luxembourg	250,000	250,000	500,000
Swiss Agency for Development Cooperation (SDC)	1,000,000	1,100,000	2,100,000
Grand Total	1,250,000	1,350,000	2,600,000

3. INTEREST EARNED

Interest income is earned in two ways: 1) on the balance of funds held by the Administrative Agent ('Fund earned interest'), and 2) on the balance of funds held by the Participating Organizations ('Agency earned interest') where their Financial Regulations and Rules allow return of interest

to the AA. As of 31 December 2013, Fund earned interest amounts to US\$ 1,470 and there is no interest received from Participating Organizations. Details are provided in the table below.

Table 3. Sources of Interest and Investment Income, as of 31 December 2013 (in US Dollars)*

Interest Earned	Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Total
Administrative Agent			
Fund Earned Interest and Investment Income	1,049	421	1,470
Total: Fund Earned Interest	1,049	421	1,470
Participating Organization			
Total: Agency earned interest	-	-	-
Grand Total	1,049	421	1,470

4. TRANSFER OF FUNDS

Allocations to Participating Organizations are approved by the Steering Committee and disbursed by the Administrative Agent. As of 31 December 2013, the AA has transferred US\$ 2,574,001 to two Participating Organizations (see list below).

Table 4 provides additional information on the refunds received by the MPTF Office, and the net funded amount for each of the Participating Organizations.

Table 4. Transfer, Refund, and Net Funded Amount by Participating Organization, as of 31 December 2013 (in US Dollars)*

Participating Organization	Prior Years as of 31-Dec-2012			Current Year Jan-Dec-2013			Total		
	Transfers	Refunds	Net Funded	Transfers	Refunds	Net Funded	Transfers	Refunds	Net Funded
UNCDF	264,290	-	264,290	1,025,291	-	1,025,291	1,289,581	-	1,289,581
UNDP	725,710	-	725,710	558,710	-	558,710	1,284,420	-	1,284,420
Grand Total	990,000	-	990,000	1,584,001	-	1,584,001	2,574,001	-	2,574,001

5. EXPENDITURE AND FINANCIAL DELIVERY RATES

All final expenditures reported for the year **2013** were submitted by the Headquarters of the Participating Organizations. These were consolidated by the MPTF Office.

5.1 EXPENDITURE REPORTED BY PARTICIPATING ORGANIZATION

As shown in table 5 below, the cumulative net funded amount is US\$ **2,574,001** and cumulative expenditures reported by the Participating Organizations amount to US\$ **2,106,113**. This equates to an overall Fund expenditure delivery rate of **82** percent. The agency with the highest delivery rate is UNCDF (90%) followed by UNDP (74%).

Table 5. Net Funded Amount, Reported Expenditure, and Financial Delivery by Participating Organization, as of 31 December 2013 (in US Dollars)*

Participating Organization	Approved Amount	Net Funded Amount	Expenditure			Delivery Rate %
			Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Cumulative	
UNCDF	1,289,581	1,289,581	179,499	976,499	1,155,998	89.64
UNDP	1,284,420	1,284,420	-	950,115	950,115	73.97
Grand Total	2,574,001	2,574,001	179,499	1,926,613	2,106,113	81.82

5.2 EXPENDITURE REPORTED BY CATEGORY

Project expenditures are incurred and monitored by each Participating Organization and are reported as per the agreed categories for inter-agency harmonized reporting. In 2006 the UN Development Group (UNDG) established six categories against which UN entities must report inter-agency project expenditures. Effective 1 January 2012, the UN Chief Executive Board (CEB) modified these categories as a result of IPSAS adoption to comprise eight categories. All expenditures incurred prior to 1 January 2012 have been reported in the old categories; post 1 January 2012 all expenditures are reported in the new eight categories. The old and new categories are noted to the right.

Table 6 reflects expenditure reported in the UNDG expense categories. Where the Fund has been operational pre and post 1 January 2012, the expenditures are reported using both categories. Where a Fund became operational post 1 January 2012, only the new categories are used.

In **2013**, the highest percentage of expenditure was on Transfers and grants (47%). The second highest expenditure was on Staff and personnel costs (13%), and the third highest expenditure was on Travel (11%).

2012 CEB Expense Categories

1. Staff and personnel costs
2. Supplies, commodities and materials
3. Equipment, vehicles, furniture and depreciation
4. Contractual services
5. Travel
6. Transfers and grants
7. General operating expenses
8. Indirect costs

2006 UNDG Expense Categories

1. Supplies, commodities, equipment & transport
2. Personnel
3. Training counterparts
4. Contracts
5. Other direct costs
6. Indirect costs

Table 6. Expenditure by UNDG Budget Category, as of 31 December 2013 (in US Dollars)*

Category	Expenditure			Percentage of Total Programme Cost
	Prior Years as of 31-Dec-2012	Current Year Jan-Dec-2013	Total	
Supplies, Commodities, Equipment and Transport (Old)	-	-	-	
Personnel (Old)	-	-	-	
Training of Counterparts (Old)	-	-	-	
Contracts (Old)	-	-	-	
Other direct costs (Old)	-	-	-	
Staff & Personnel Costs (New)	-	254,487	254,487	12.99
Suppl, Comm, Materials (New)	104	23,201	23,305	1.19
Equip, Veh, Furn, Depn (New)	162,000	155,755	317,755	16.21
Contractual Services (New)	-	29,698	29,698	1.52
Travel (New)	36	218,091	218,128	11.13
Transfers and Grants (New)	-	911,263	911,263	46.50
General Operating (New)	69	204,954	205,023	10.46
Programme Costs Total	162,209	1,797,449	1,959,659	100.00
Indirect Support Costs Total	17,290	129,164	146,454	7.47
Total	179,499	1,926,613	2,106,113	

Indirect Support Costs: The timing of when Indirect Support Costs are charged to a project depends on each Participating Organization's financial regulations, rules or policies. These Support Costs can be deducted upfront on receipt of a transfer based on the approved programmatic amount, or a later stage during implementation.

Therefore, the Indirect Support Costs percentage may appear to exceed the agreed upon rate of 7% for on-going projects, whereas when all projects are financially closed, this number is not to exceed 7%.

6. COST RECOVERY

Cost recovery policies for the Fund are guided by the applicable provisions of the JP Project Document, the MOU concluded between the Administrative Agent and Participating Organizations, and the SAAs concluded between the Administrative Agent and Contributors, based on rates approved by UNDG. The policies in place, as of 31 December **2013**, were as follows:

- **The Administrative Agent (AA) fee:** 1% is charged at the time of contributor deposit and covers services provided on that contribution for the entire duration of the Fund. In the reporting period US\$ **13,500** was deducted in AA-fees. Cumulatively, as of 31 December **2013**, US\$ **26,000** has been charged in AA-fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge 7% indirect costs. In the current reporting period US\$ **129,164** was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to US\$ **146,454** as of 31 December **2013**.
- **Direct Costs:** The Fund governance mechanism may approve an allocation to a Participating Organization to cover costs associated with Secretariat services and overall coordination, as well as Fund level reviews and evaluations. These allocations are referred to as 'direct costs'. In **2013**, there were no direct costs charged to the Fund.

7. ACCOUNTABILITY AND TRANSPARENCY

In order to effectively provide fund administration services and facilitate monitoring and reporting to the UN system and its partners, the MPTF Office has developed a public website, the MPTF Office Gateway (<http://mptf.undp.org>). Refreshed in real time every two hours from an internal enterprise resource planning system, the MPTF Office Gateway has become a standard setter for providing transparent and accountable trust fund administration services.

The Gateway provides financial information including: contributor commitments and deposits, approved programme budgets, transfers to and expenditures reported by Participating Organizations, interest income and other expenses. In addition, the Gateway provides an overview of the MPTF Office portfolio and extensive information on individual Funds, including their purpose, governance structure and key documents. By providing easy access to the growing number of narrative and financial reports, as well as related project documents, the Gateway collects and preserves important institutional knowledge and facilitates knowledge sharing and management among UN Organizations and their development partners, thereby contributing to UN coherence and development effectiveness.