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# **Consolidated Annual Report on Activities Implemented under the Joint Programme “Local Governance Support” (LGSP) in Timor-Leste**

**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

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## PARTICIPATING ORGANIZATIONS



United Nations Capital Development Fund (UNCDF)



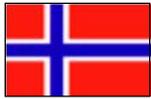
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United Nations Development Programme (UNDP)

## CONTRIBUTORS



Irish Aid



Norway

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## **Executive Summary**

This Consolidated Annual Report under the Joint Programme Local Governance Support Programme (LGSP) covers the period from 1 January to 31 December 2013. This report is in fulfilment of the reporting requirements set out in the Standard Administrative Arrangement (SAA) concluded with the Contributors. In line with the Memorandum of Understanding (MOU) signed by Participating Organizations, 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 (Project Board) with a comprehensive overview of achievements and challenges associated with the Joint Programme, enabling it to make strategic decisions and take corrective measures, where applicable.

Since 2007, the LGSP has been supporting the Ministry of State Administration in establishing improved public expenditure and public financial management systems at the sub-national level and in strengthening local capacities to plan, budget and implement small scale infrastructure projects related to service delivery, which particularly focus on the rural poor.

This has led to a remarkable increase in sub-national investments, with 467 new infrastructure projects implemented in 2013 for a total of more than 68 million US dollars from the State Budget. In 2013 the LGSP has continued to support the improvement of bottom-up planning procedures, as well as the drafting of legislation that establishes a competitive tendering system for the implementation of infrastructure projects by local contractors.

In addition, the LGSP has supported the expansion of the piloting of the District Strategic Development Plans (DSDP) to three districts, to provide a guiding framework for aligning all district-level development activities to the National Strategic Development Plan (NSDP). Moreover, the DSDP process in pilot districts have also mainstreamed gender issues through the development of a multi-sector strategy of gender equality and women empowerment by prioritizing infrastructure projects that will address gender equality concerns.

The LGSP has also supported the design of the first of the two pillars of Capacity Development Strategy and content for the training of the new administrative pre-deconcentration structures that are being introduced following the Government's countrywide decentralization consultation in early 2013

The LGSP is scheduled to end in June 2014. UNDP and UNCDF have already initiated the design of a successor programme that will focus on supporting both, local development and decentralization.

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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 Contributors, and disburses these funds to the Participating Organizations in accordance with the decisions of the Project Board as per the requests submitted to the MPTF Office. The Administrative Agent receives and consolidates annual reports and submits to the Project Board through the Resident Coordinator.

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.



**Local Governance Support Programme**  
**PART I: ANNUAL NARRATIVE REPORT**  
**REPORTING PERIOD: 1 JANUARY – 31 DECEMBER 2013**

<b>Programme Title &amp; Project Number</b>	<b>Country, Locality(s), Priority Area(s) / Strategic Results</b>
<ul style="list-style-type: none"> <li>• Programme Title: Local Governance Support Programme (LGSP)</li> <li>• Programme Number: 53898 (UNDP); 54392 &amp; 54393 (UNCDF)</li> <li>• MPTF Office Project Reference Number:: 55656</li> </ul>	Timor-Leste
<b>Participating Organization(s)</b>	Local Governance and Decentralization Poverty Reduction
UNCDF and UNDP	<b>Implementing Partners</b>
<b>Programme/Project Cost (US\$)</b>	Ministry of State Administration
Donor Contribution (JP) committed: Pass-through funding 2007-2013: <b>US\$3,552,541.00</b> <ul style="list-style-type: none"> <li>• Irish Aid US\$ 2,422,123.00</li> <li>• Norway Government US\$ 1,130,418.00</li> </ul> Donor Contribution through Cost-Sharing <ul style="list-style-type: none"> <li>• Irish Aid: US\$ 2,220,119.00</li> <li>• Government of Norway: US\$ 119,328.00</li> </ul> Agency Contribution 2007 – 2013: <ul style="list-style-type: none"> <li>• UNDP US\$ 942,159.00</li> <li>• UNCDF US\$ 865,255.00</li> </ul> Government Contribution 2007-2012 (Parallel Funding) US\$19,538,515.00	<b>Programme Duration</b>
<b>TOTAL as of December 2013: US\$27,237,917.00</b>	Overall Duration: 7,5 years
<b>Programme Assessment/Review/Mid-Term Eval.</b>	Start Date: 01/01/2007
Assessment/Review - if applicable <i>please attach</i> <input type="checkbox"/> Yes <input type="checkbox"/> No Date: <i>dd.mm.yyyy</i> Mid-Term Evaluation Report – <i>if applicable please attach</i> <input type="checkbox"/> Yes <input type="checkbox"/> No Date: <i>dd.mm.yyyy</i>	Original End Date: 01/01/2011 Current End date: 30/06/2014
	<b>Report Submitted By</b>
	<input type="checkbox"/> Name: Alessandro Righetti <input type="checkbox"/> Title: Chief Technical Advisor <input type="checkbox"/> Participating Organization (Lead): UNCDF <input type="checkbox"/> Email address: alessandro.righetti@uncdf.org

## List of Acronyms

BoQ	Bill of Quantity
DSDP	District Strategic Development Plan
DSF	Decentralization Strategic Framework
GoTL	Government of Timor-Leste
ISD	Infrastructure and Service Delivery
LDP	Local Development Program
LG	Local Governance
LGSP	Local Governance Support Program
LoA	Letter of Agreement
MC	Minimum Conditions
M&E	Monitoring & Evaluation
MIS	Management Information Systems
MoF	Ministry of Finance
MSA	Ministry of State Administration
NGO	Non-Governmental Organization
NSDP	National Strategic Development Plan
PDID	District Integrated Development Planning
PEM	Public Expenditure Management
PFM	Public Financial Management
PM	Performance Measures
SEDA	Secretaria de Estado de Decentralização Administrativa/Secretary of State for Administrative Decentralization
SEFI	Secretaria de Estado de Fortalecimento Institucional/Secretary of State for Institutional Strengthening
UNCDF	United Nations Capital Development Fund
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program

## **I. Programme Purpose**

The overall programme outcome is to contribute towards poverty reduction in Timor-Leste through improved local capacity to deliver an efficient, accountable and gender-responsive basic service by local administrations to poor communities in rural areas.

The LGSP has the primary objective of supporting the establishment of a fully-fledged local government system in Timor-Leste by: i) supporting the implementation of improved local governance and local development procedures and processes in order to ensure increased participation in local decision-making processes, effective and efficient local-level infrastructure and service delivery (ISD) through expanded capacity development support; ii) supporting further policy dialogue and direct technical assistance, with the objective of establishing an appropriate, comprehensive and gender-responsive institutional, legal, and regulatory framework for local government/local service delivery by the Government, with citizen participation in local decision-making processes and implementation of local development initiatives. These should be based on international best practices and on policy relevant lessons generated from the Timor-Leste context and experience.

Through achieving its primary objective, the LGSP will thus contribute towards improving local-level infrastructure and service delivery, and reducing poverty.

## **II. Key Results for 2013**

### **i) Programme Outcome**

Increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations.

During the reporting period the LGSP has continued to support participatory planning processes in all 13 districts, taking into account the local development needs and aiming to provide improved basic infrastructure and service delivery. Under the new (2012) PDID legislation, proposals come from the suco (village) level as well as from sector departments at the local (sub-district and district) levels, and the main direct beneficiaries are the communities and citizens who are close to the project sites. Rural communities therefore get access to an improved quality of basic services and infrastructure facilities.

Projects are largely concentrated in sectors, such as rural water and health, for which women are the biggest beneficiaries. Budget allocations have increased from \$6 per capita in 2011 to \$62 dollars per capita in 2013, which underlines the transformational impact that the LGSP has had in influencing levels of local public expenditure and the transparency with which sub-national infrastructure has been planned, financed and implemented.

The 2013 project cycle was the first one to be entirely planned and implemented under the PDID legislation. A critical improvement was introduced in 2013 through the approval of a PDID

procurement decree law drafted with the LGSP support that introduced a transparent and competitive tendering process.

## ii) Programme Output 1: Local Development Programme

Improved capacity for local Infrastructure and Service Delivery (ISD) by sub-national bodies with increased citizen participation

*2013 Annual Target Indicator:*

- Training on PDID procedures conducted in 13 districts and the knowledge and understanding of the members of the District Development Committees increased.
- District Strategic Development Plan pilot in Liquica district completed and the assessment of the implementation conducted.

The LGSP supported policy design, legal frameworks, and capacity building of national and sub-national level institutions. Citizens influence local development priorities and budget allocations through bottom up planning procedures that were designed under the support of the LGSP and that identify local needs and priorities. In 2013, 467 infrastructure projects identified by communities and prioritized by sub-national structures were implemented with a budget of \$68 million (equivalent to \$62 per capita as compared with \$6 per capita under the Local Development Plan in 2011). Although it is not easy – on the basis of existing information and evidence – to demonstrate a direct causal link between improvements in social and economic outcomes and the specific social investments promoted by the LGSP, there is no doubt that the *access* to services has greatly increased over the years as a result of the LGSP interventions.

The two main achievements during this reporting period were:

### **1. The piloting of District Strategic Development Plans (DSDP) in three districts**

The LGSP introduced the design, developed manuals, trained government staff and supported the local level implementation of the District Strategic Development Plans, which for the first time exposes the district authority to and provide a district-level link between long-term national development priorities and local annual investment plans. During the process of formulation of the first three District Strategic Development Plans in Liquica, Oecusse and Viqueque districts, climate change concerns were mainstreamed through the involvement of all sectors and community representatives in special workshops. This resulted in climate change being mainstreamed into the drafting of district-level plans through the identification of infrastructure investments that increase communities' resilience to climate change.

### **2. The rolling out of a training programme to increase the capacities of district-level technical staff to design infrastructure projects and to monitor their implementation**

The LGSP designed and started the implementation of a comprehensive three-year long training programme for Government technical staff at the district level, aimed at: (i) improving the quality of project design; (ii) better preparation of technical drawings, BoQs and cost estimates; (iii) more robust contracts with clearer and more precise technical specifications; and (iv) more effective

project supervision and management. Eight training modules have been planned, of which the first one (Site Investigation Survey) was delivered in 2013 to all 13 districts.

### iii) Programme Output 2: Policy and Legislation

Improved institutional, legal and regulatory Framework established in support of effective local governance

*2013 Annual Target Indicator:*

Bottom-up PDID planning for 2014 conducted following the PDID procedures

The LGSP has continued to support the government in the conceptualization, design and implementation of policies and programs to deliver improved infrastructure at the sub-national level, with a focus on greater participation and ownership and on more accountable procedures for planning and implementation. In 2013 this has been translated into the approval of a new legislation introducing bottom up-planning and tendering procedures for government infrastructure projects that are implemented at the sub-national level.

The main achievements during this reporting period were:

#### **1. The drafting of legislation that establishes a competitive tendering system for the implementation of infrastructure projects by local contractors**

The approval of the PDID Procurement Decree Law that requires the establishment of a tendering system for PDID projects marked an important step towards the consolidation of a coherent Public Expenditure Management framework. The LGSP supported the drafting of the decree law and all the related subsidiary legislation (including a ministerial decree regulating the PDID procurement regime and complete a procurement manual and detailed procurement guidelines). The LGSP also supported the establishment of the district procurement committees and the training of their members. The LGSP also pioneered the use of pre-qualification as a way of determining the eligibility of companies to implement PDID projects.

#### **2. The continued improvement of bottom-up planning procedures**

Bottom up planning procedures, which were initially established in the PDID Decree Law in 2012, were further strengthened in 2013 through the approval of: (i) a revised Ministerial Decree on the PDID planning steps; and (ii) the related manual for the elaboration of District Investment Plans for FYs 2014 and 2015. In particular, the modifications to the planning calendar will allow districts to improve the quality of project design, while the improvements to the Indicative Menu of eligible project proposals will ensure that PDID target infrastructure projects that have the most direct impact on Service Delivery. In addition, the prioritization process was also amended to raise the ranking of proposals: (i) that are located in remote areas; (ii) that propose the rehabilitation of existing infrastructure (rather than the construction of new infrastructure); (iii) that help in attaining the Millennium Development Goals; and (iv) that provide direct benefits to women.

#### **3. The design of a Capacity Development Strategy for the training of the new pre-deconcentration structure that are being introduced by the Government**

Following the Government countrywide decentralization consultation led by Prime Minister RDTL, the Government of Timor-Leste requested UNDP to support designing an Administrative Pre-deconcentration capacity building strategy and content to respond to the capacity building need of the Pre-deconcentration structure to be established at 13 districts. A capacity building concept paper was later submitted and approved by the Government for further elaboration into strategy and content. Through two assessment missions conducted in July and August, the LGSP supported the Secretary of State for Institutional Strengthening (SEFI in Portuguese Language) RDTL to develop a capacity building strategy to respond to the immediate needs of the future Administrative Pre-deconcentration structure to be established in 2014. The first phase of this administrative capacity building strategy will focus, in 2014, on the training of the officials appointed for the Administrative Pre-deconcentration structure who will serve as district managers, executive secretaries and the institutional units established under the District Manager and the Secretary to the District Manager under the new structure. The LGSP also supported the laying down of some ground works for a comprehensive administrative capacity building strategy targeting all bodies of the pre-deconcentration structures. Further elaboration of the Second Phase strategy will be carried out in 2014. During the last quarter of the year the LGSP also supported the SEFI to develop concrete programmes and contents for its training plan. In parallel, the LGSP also provided support to the Secretary of State for Administrative Decentralization (SEDA in Portuguese Language) MSA in the design of tools for the identification of functional assignments that should be devolved to the local level as a part of the new pre-deconcentration strategy.

#### **iv) Challenges & Lessons Learned**

##### *Challenges:*

- At the national level, there is still little clarity on critical issues such as the predictability of budget allocations over the years and the final inclusion of project proposals in the State Budget. There is also little clarity regarding the roles that different agencies have in the final selection process. While the LGSP has an invited space for continuing to support the work of the MSA, it has little leverage with respect to other involved institutions (over which the MSA itself has limited leverage).
- This year's government allocation to PDID has resulted in a mixed bag, with a combination (approx.50/50) of bottom-up projects prioritized according to the established procedures and top-down projects that appear to have been mostly included by the Budget Review Committee following *ad hoc* criteria.
- Technical capacity in planning and project design at the national and local level remains a major issue.
- The recently approved legislation that foresees the introduction of Administrative Pre-deconcentration structures that are still to be put in place, and the announced change in government expected to take place during 2014 could add further uncertainty about Administrative Pre-deconcentration structures implementation plans and modalities.
- The proposed pre-deconcentration structures also pose serious challenges in terms of the establishment of a coherent framework that links them to the PDID. In particular, it will be necessary to define whether the PDID will continue to be the key government instrument for

Local Development, and how will it need to evolve in order to become the backbone of the development budget of future municipalities.

*Lessons learned:*

- The quality of the planning process at the sub-national level is improving year after year: although there are not yet functioning M&E mechanisms for the PDID, indications are that sucos and sectors are submitting better proposals and that the district committees are starting to submit better designed projects and BoQs. Also the prioritization process at the sub-district and district levels follows clearer criteria, based on an analysis of the real benefits of each proposal and on the quality of its technical design.
- The recently introduced revisions to the PDID planning process should further improve the quality of planning at the sub-national level.

### **III. Qualitative assessment:**

Over the seven years of its intervention (2007-2013), the LGSP has contributed to improving the access of the poor and the vulnerable to public services in Timor-Leste. Through its support to the LDP first and the PDID later, the programme has successfully contributed to the establishment of systems and procedures for better local governance. There are now established organs at the village, sub-district, district, and national levels, and their capacity to plan, implement and monitor infrastructure projects at the local level has considerably increased. The achievements of the LDP have been well recognized by the adoption of its best practices into the government umbrella programme, the PDID, which harmonizes all local development programmes in the country and which is seen by the government as a fundamental step towards the emergence of municipalities.

#### IV. Indicator Based Performance Assessment

	Achievements	Reasons for Variance with Planned Target (if any)	Source of Verification
<p><b>Programme Outcome:</b> increased capacity for efficient, accountable and gender-responsive delivery of services by local administrations</p>	<ul style="list-style-type: none"> <li>• PDID framework provides scope for increased local capacity. About 467 community project proposals \$68 million PDID budget were approved through bottom-up planning processes</li> <li>• Gender issues mainstreamed in the DSDP pilot</li> </ul>	<p>Inadequate regulatory framework for the implementation of PDID projects. Subsidiaries legislations such as financial procedures have not been approved and implemented</p>	<p>PDID decree law DSDP document</p>
<p><b>Output 1:</b> Improved capacity for local service delivery (ISD) by sub-national bodies with increased citizen participation</p>			
<p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>• Percentage of districts which meet MC/MP measured through annual evaluations</li> <li>• Percentage of districts develop and approves local development plans and budget each years</li> <li>• MIS system in use and provides direct input to management strategies and decisions</li> <li>• Percentage of suco plans updated and included in overall district planning framework</li> </ul>	<p>n/a</p> <p>All 13 districts (100%) plans and their respective district investment plan for 2014 approved</p> <p>M&amp;E framework was designed but not yet operated</p> <p>All 442 Suco (100%) plans were updated</p>	<p>No evaluation of MC/MP</p> <p>PDID data being collected from the districts but have not been entered into the system</p>	<p>District investment plan proposals</p> <p>Consultant mission report Project's quarterly and annual report</p> <p>Suco development plan and project proposals</p>

<ul style="list-style-type: none"> <li>Percentage of suco councils able to provide effective oversight of local development initiatives</li> </ul> <p><b>Baseline:</b></p> <ul style="list-style-type: none"> <li>MC performance system operational in 10 districts but no PM system in place</li> <li>No integrated planning processing linking various levels</li> <li>No MIS in place</li> <li>Suco plans prepared but not integrated in overall district planning</li> </ul>	<p>All 442 Suco councils (100%) signed-off completion of projects</p>		<p>Certification of work completion signed by the chief of village</p>
<p><b>Output 2:</b> Improved institutional, legal and regulatory framework established in support of effective local governance</p>			
<p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Revised DSF II approved</li> <li>Revised PEM/PFM procedural framework approved</li> </ul>	<p>n/a</p> <p>PDID and its subsidiary legislations for planning and implementation in place</p>	<p>Continue with DSF I. Development of legal framework for LG (i.e. DSF II) is based on the assumption on the completion of DSF I: basic law on LG passed by the National Parliament. However, the approved law has not been fully implemented by the government</p> <p>Formula allocation in place (ministerial decree respected internally by the district but not by the</p>	<p>n/a</p> <p>approved decree law and its subsidiary legislations ministerial decree on formula</p>

<ul style="list-style-type: none"> <li>• Availability of functional PBGS (PBGS is established and operational by end of 2012)</li> <li>• Revised capacity development strategy approved</li> <li>• Percentage of district capacity assessment completed (3-4 assessment completed by 2013)</li> <li>• Gender issues considered in all new policies and strategies</li> </ul> <p><b>Baseline:</b></p> <ul style="list-style-type: none"> <li>• Outdated road map for local governance reform</li> <li>• Incomplete and contradictory PEM/PFM framework for local level</li> <li>• No capacity assessment done at the local level and no capacity development strategy in place</li> <li>• No gender mainstreaming strategy in place</li> </ul>	<p>The system was designed and foreseen in the PDID decree law but not yet formally adopted by the government:</p> <p>The CD strategy was drafted but not implemented as the government still continues with the DSF I.</p> <p>gender issues (indicators) mainstreamed in every government policies</p>	<p>central line-ministries</p> <p>planned for 2013 as per approved annual work plan</p>	<p>allocation</p> <p>project annual work plan 2013 endorsed by the PSC on 17 Dec 2012</p> <p>project annual work plan 2013 endorsed by the PSC on 17 Dec 2012</p> <p>PDID planning manual and DSDP documents</p>
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## **V. Programmatic Revisions**

The Programme Steering Committee (PSC) of the LGSP approved a six month (1<sup>st</sup> January to 30 June 2014) no-cost-extension of the LGSP II 2012-2013.

A mission of UNDP and UNCDF was deployed to Timor-Leste in July 2013 to review the LGSP II and to formulate a new UNDP-UNCDF Joint Programme of Support to the Government of Timor-Leste on local governance and decentralization. Two separate draft project documents of support to Decentralization pillar and Support to Local Development pillar for 2014-2018 was prepared and presented to the Government of Timor-Leste (Ministry of State Administration). Further refinement of the two drafts will need to be done in early 2014. The new programme should be approved prior to the completion of the LGSP II no-cost-extension to sustain the supports.

**PART II: ANNUAL FINANCIAL REPORT  
OF THE ADMINISTRATIVE AGENT OF THE  
LGSP IN TIMOR LESTE  
FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2013**

## 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 LGSP in Timor Leste 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/JTP00>.

### 1. SOURCES AND USES OF FUNDS

As of 31 December 2013, two contributors have deposited US\$ 3,538,837 in contributions and US\$ 38,216 has been earned in interest,

bringing the cumulative source of funds to US\$ 3,577,053 (see respectively, Tables 2 and 3).

Of this amount, US\$ 3,503,417 has been transferred to two Participating Organizations, of which US\$ 2,694,033 has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ 35,388. Table 1 provides an overview of the overall sources, uses, and balance of the JP as of 31 December 2013.

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

	Annual 2012	Annual 2013	Cumulative
<b>Sources of Funds</b>			
Gross Contributions	972,847	597,117	3,538,837
Fund Earned Interest and Investment Income	1,689	491	14,131
Interest Income received from Participating Organizations	5,969	-	24,085
Refunds by Administrative Agent to Contributors	-	-	-
Fund balance transferred to another MDTF	-	-	-
Other Revenues	-	-	-
<b>Total: Sources of Funds</b>	<b>980,506</b>	<b>597,608</b>	<b>3,577,053</b>
<b>Uses of Funds</b>			
Transfers to Participating Organizations	404,960	1,554,233	3,503,417
Refunds received from Participating Organizations	-	-	-
<b>Net Funded Amount to Participating Organizations</b>	<b>404,960</b>	<b>1,554,233</b>	<b>3,503,417</b>
Administrative Agent Fees	9,728	5,971	35,388
Direct Costs: (Steering Committee, Secretariat...etc.)	-	-	-
Bank Charges	34	44	98
Other Expenditures	-	-	-
<b>Total: Uses of Funds</b>	<b>414,722</b>	<b>1,560,248</b>	<b>3,538,903</b>
<b>Change in Fund cash balance with Administrative Agent</b>	<b>565,784</b>	<b>(962,640)</b>	<b>38,150</b>
Opening Fund balance (1 January)	435,006	1,000,790	-
<b>Closing Fund balance (31 December)</b>	<b>1,000,790</b>	<b>38,150</b>	<b>38,150</b>
Net Funded Amount to Participating Organizations	404,960	1,554,233	3,503,417
Participating Organizations' Expenditure	611,386	1,085,949	2,694,033
<b>Balance of Funds with Participating Organizations</b>			<b>809,384</b>

\* 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
IRISH AID	2,422,123	-	2,422,123
Government of Norway	519,597	597,117	1,116,714
<b>Grand Total</b>	<b>2,941,720</b>	<b>597,117</b>	<b>3,538,837</b>

## 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\$ **14,131** and interest received from Participating Organizations amounts to US\$ **24,085**, bringing the cumulative interest received to US\$ **38,216**. 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
<b>Administrative Agent</b>			
Fund Earned Interest and Investment Income	13,640	491	14,131
<b>Total: Fund Earned Interest</b>	<b>13,640</b>	<b>491</b>	<b>14,131</b>
<b>Participating Organization</b>			
UNDP	24,085	-	24,085
<b>Total: Agency earned interest</b>	<b>24,085</b>	<b>-</b>	<b>24,085</b>
<b>Grand Total</b>	<b>37,724</b>	<b>491</b>	<b>38,216</b>

## 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\$ **3,503,417** 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	1,040,782	-	1,040,782	777,116	-	777,116	1,817,898	-	1,817,898
UNDP	908,402	-	908,402	777,116	-	777,116	1,685,519	-	1,685,519
<b>Grand Total</b>	<b>1,949,184</b>	<b>-</b>	<b>1,949,184</b>	<b>1,554,233</b>	<b>-</b>	<b>1,554,233</b>	<b>3,503,417</b>	<b>-</b>	<b>3,503,417</b>

## 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\$ **3,503,417** and cumulative expenditures reported by the Participating Organizations amount to US\$ **2,694,033**. This equates to an overall Fund expenditure delivery rate of **77** percent. The agency with the highest delivery rate is UNCDF (79%), 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	2,778,180	1,817,898	624,104	815,119	1,439,223	79.17
UNDP	2,410,334	1,685,519	983,980	270,830	1,254,810	74.45
<b>Grand Total</b>	<b>5,188,514</b>	<b>3,503,417</b>	<b>1,608,084</b>	<b>1,085,949</b>	<b>2,694,033</b>	<b>76.90</b>

### 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 Staff and personnel costs (56%). The second highest expenditure was on Contractual services (18%) and the third highest expenditure was on General operating (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)	207,576	-	207,576	8.52
Personnel (Old)	1,074,079	-	1,074,079	44.07
Training of Counterparts (Old)	9,830	-	9,830	0.40
Contracts (Old)	-	-	-	
Other direct costs (Old)	(402,116)	-	(402,116)	(16.50)
Staff & Personnel Costs (New)	430,706	605,475	1,036,181	42.52
Suppl, Comm, Materials (New)	61,538	7,419	68,956	2.83
Equip, Veh, Furn, Depn (New)	-	4,548	4,548	0.19
Contractual Services (New)	-	201,522	201,522	8.27
Travel (New)	2,989	72,504	75,493	3.10
Transfers and Grants (New)	5,548	(5,252)	296	0.01
General Operating (New)	37,705	122,945	160,650	6.59
<b>Programme Costs Total</b>	<b>1,427,855</b>	<b>1,009,161</b>	<b>2,437,016</b>	<b>100.00</b>
Indirect Support Costs Total	180,230	76,788	257,017	10.55
<b>Total</b>	<b>1,608,084</b>	<b>1,085,949</b>	<b>2,694,033</b>	

**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\$ **5,971** was deducted in AA-fees. Cumulatively, as of 31 December **2013**, US\$ **35,388** has been charged in AA-fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge 7% indirect costs. In the current reporting period US\$ **76,788** was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to US\$ **257,017** 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.