



Third 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 2013**

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

31 May 2014

PA-UN Trust Fund

Participating Organizations



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 Management Committee for a project/programme.

Approved Project/Programme

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

Contributor Commitment

Amount(s) committed by a donor to a Fund in a signed Standard Administrative Arrangement 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 (SAA).

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.

Table of Contents

1	INTRODUCTION	7
2	STRATEGIC FRAMEWORK AND GOVERNANCE ARRANGEMENTS.....	8
2.1	Palestinian National Development Plan	8
2.2	UNDAF 2014-2016	8
2.3	Governance Arrangements	8
3	PROJECT APPROVAL AND DECISION MAKING PROCESSES	10
4	PROJECT/PROGRAMME APPROVALS AND ACHIEVEMENTS.....	12
4.1	Programme Achievements:	12
5	OVERALL FUND ACHIEVEMENTS, CHALLENGES AND WAY FORWARD.....	15
5.1	Achievements	15
5.2	Challenges and Way Forward	15
6	FINANCIAL PERFORMANCE	16

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 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 were reflected in its Medium Term Response Plan (MTRP), 2011-2013.

In 2013, the United Nations developed its' first UN Development Assistance Framework (UNDAF) for 2014-2016. The UNDAF shall guide the UN's development work in 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.

Implementation Status and Achievements

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). Since 2012 there have been no further programmes approved.

As of 31 December 2013 with the support from the Fund, a total of 12 schools have been completed and are being used with an additional school scheduled to be completed by the end of March 2014. The number of schools has been increased from the originally planned 12 schools to 13, as a result of cost savings in the construction. The time-frame for implementation has been extended until 31 March 2014. Another achievement is the number of work days of employment created through schools construction. The target was 140,000 (308,000 cumulative) and as of 31 December 2013, the project had achieved 297,552 (465,552 cumulative). The total number is also already substantially ahead the target for the end of the project (420,000 work days).

The PA-UN Trust Fund was scheduled to close in August 2013, but was extended to accommodate the extension of the existing project under implementation. The Fund shall be closed in 2014 and a new Fund shall be established to support implementation of the UNDAF 2014-2016.

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 or 2013. As of 31 December 2013, Fund-earned interest income totalled \$61,425 and the AA fee of one percent amounted to \$225,947. There were no new fund transfers during 2013. The balance of remaining cash with the AA was \$60,799 as of 31 December 2013. UNRWA reported an expenditure of \$929,059 in 2013 bringing the total expenditure to \$22,146,358 or 99 percent of the total amount allocated.

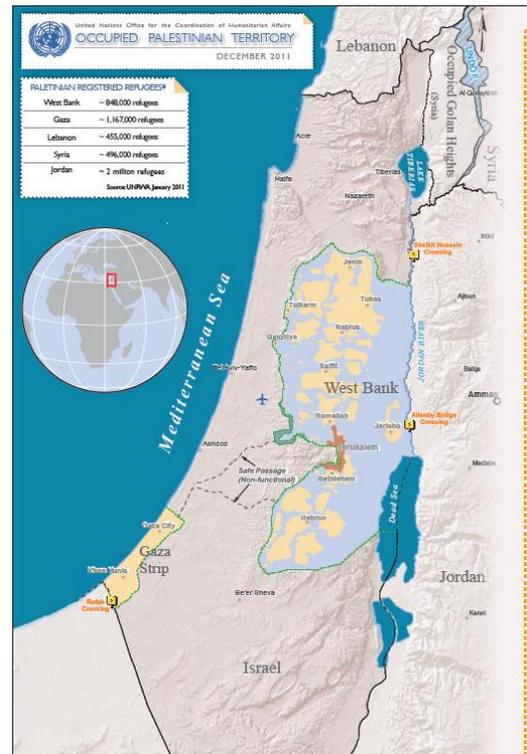
1 Introduction

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 Gaza Strip is home to 1.7 million Palestinians; 1.2 million of the population are refugees¹. 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. A slight easing of the closure took place in June 2010. This was subsequently rescinded following the October 2013 discovery of tunnels leading from Gaza to Israel and the movement of goods and people further restricted. As a result there has been little meaningful change to the levels of unemployment, poverty, food insecurity and to the overall vulnerability of a population caught in increasingly difficult circumstances. For example, Gaza’s unemployment rate reached 41 per cent in the first quarter of 2014. This was 10 percentage points higher than the first quarter of 2013.

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 people living here in 150 communities 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.



¹ UNRWA, Emergency Appeal 2013 (oPt 2012 project progress report)

2 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.

2.1 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.

2.2 UNDAF 2014-2016

In 2013, the United Nations developed its first 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.

2.3 Governance Arrangements

2.3.1 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.

2.3.2 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.

2.3.3 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.

2.3.4 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.

3 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 3-1 Project/Programme Development, Submission, Review and Approval

Step/Action	
1	<p>Management Committee Sets Priorities</p> <ul style="list-style-type: none"> Geographic and sectoral priorities set by Management Committee, based on analysis of ongoing situation and funding gaps Secretariat communicates decision to all Participating Organisations
2	<p>Project concept note submission</p> <ul style="list-style-type: none"> Participating Organisation develops project concept note, in collaboration with relevant actors/partners Participating Organisation submits project concept note to Secretariat
3	<p>Project concept note review</p> <ul style="list-style-type: none"> Secretariat reviews project concept note against agreed criteria, including discussion / meeting with Participating Organisation The Secretariat informs, in written communication, the PAG of project concept note and decision to move to full project proposal development
4	<p>Project proposal development & submission</p> <ul style="list-style-type: none"> Following project concept note review, Participating Organisation develops project document Project document is shared / presented to relevant UN MTRP Working Group, At discretion of Participating Organisations, project document is shared / presented with other relevant aid coordination structures 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 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

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

4 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 4-1 Approved New Projects/Programmes, cumulative as of 31 December 2013

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
Total			22,368,715	

4.1 Programme Achievements:

Background

The Gaza Strip is home to 1.7 million Palestinians out of which 1.2 million are refugees². 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;³ 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 shifts⁴; 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.



² UNRWA, Emergency Appeal 2013 (oPt 2012 progress report)

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

⁴ 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.⁵ 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 was originally designed to 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 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.

However, during the course of the year, the indicator was changed from the number of refugee students enrolled in the newly constructed schools to number of students per classroom in the newly constructed schools. It was agreed that the indicator required refining to better reflect the purpose of the project.

Main achievements

As of 31 December 2013, UNRWA had exceeded the original objectives of increasing access to schools for vulnerable refugees through the construction of new schools. The original indicator for the project targets the construction of 9 schools; however, as of 31 December 2013, 12 schools had been constructed and additional 1 school was under construction or 93 percent completed. The additional construction was a direct result of the savings made throughout the project. The number of students per classroom in the newly constructed schools however is slightly below the average for UNRWA schools in Gaza, which is 36 students, while the project achieved 34 students per classroom. Students have been enrolled and have been using the 12 new schools since September 2013.

A second output of the project considered the number of work days of employment created through schools construction. The target was 140,000 (308,000 cumulative) and as of 31 December 2013, the project had achieved 297,552 (465,552 cumulative). The number represents the total cumulative employment days created through the construction of the 13 schools. The total number is also already substantially ahead the target for the end of the project (420,000 work days).

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

Feedback has been elicited by teachers in the new school, asking what difference the new school has made on their daily lives:

Salma A.E, a student in the sixth grade in Bureij elementary school A, moved to new Bureij elementary school (located in Johr El-Deek):

"I was studying in a school far away from my house; I wake up very early and take the long walk to my school even before sunshine. I used to arrive home late and tired that I could hardly do my homework. Now, the school is very near; no more tiring walks and I have time to study and do my homework and improve my grades". Her father added: "my daughter used to arrive home tired and exhausted after school, she used to walk nearly 5 km. Well, not anymore!"

Lubna & Ruba's two sister from Gaza
Lubna (eighth class) & Ruba (fifth grade) moved from Gaza elementary school to new Moghragha elementary school

Lubna & Ruba: "For the first time, no more carts pulled by donkeys, no more taxis. The school is few meters away from home; I can even hear the school bell ringing, what a relief".

Lubna & Ruba's father: "The old school was very far from our home, every month I struggled to afford the cost of transportation, in some months I had to make the choice between sending my daughters to school or buy bread for my family. Thanks to the new school, they enjoy walking to school and saved me so much worries and bread is available on daily basis.

In the context of rising unemployment rates in the construction sector caused by the restrictions on the import of construction materials (and the closure of illegal smuggling tunnels), the high achievement of this output has been of particular importance. The unemployment rate surged to 38.5% in the fourth quarter of 2013, from 27.9% in the second quarter of the same year. The construction sector lost an estimated 11,000 jobs between the second and fourth quarters of 2013, representing a reduction by 45% in its initial workforce⁶.

The impact of short and long term interventions incorporating construction activities, like school construction, goes beyond the improvement of social infrastructure and reaches the socio-economic status of an important group of the Gaza population, who would otherwise find themselves unemployed.

Challenges and Way Forward

As highlighted in the previous annual review, there were a number of issues that resulted in the project being delayed including gaining access to land, and recruitment. In 2013, the ban imposed by the Israeli authorities on the import of certain construction materials into Gaza caused further delays to the construction of the final school. Following intensive negotiations with Coordination of Government Activities in Territories (COGAT), the suspension was lifted to allow construction materials for this project to be imported in December 2013.

5 Overall Fund Achievements, Challenges and Way Forward

5.1 Achievements

The planned outcome is improved access to United Nations human rights-based education for vulnerable students. Activities related to the outcome and outputs are still under progress, however, UNRWA anticipates that the 2014 outcome indicator targets will be met. This assessment is based on current progress and target completion enrolment dates related to the new schools under construction.

Enrolment rate for refugee children in Gaza are currently at 87.60 per cent of the total eligible population - well above the targets set for 2013 in the proposal (80 per cent). As for the second outcome indicator, “the proportion of eligible refugee students entering UNRWA schools at grade 1”, the data for this is only collected at the time UNRWA’s harmonized donor report is produced; UNRWA was therefore not able to report against this at the time of this annual review.

5.2 Challenges and Way Forward

The success of the UNRWA project is visible and the value for money due to the harmonized cost structure of 8% for management / administration fees compared to UNRWA’s 11% rate is also visible with approximately £440,000 in savings that enabled additional school construction. However, the Trust Fund did not manage to mobilize additional donor support beyond DFID’s original contribution.

Moving forward the UNCT intends to focus future resource mobilization toward a new Trust Fund that is 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 may position a new Trust Fund as a reliable financing mechanism for this strategy to help UN agencies in their implementation. 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.

Additionally, a new UNDAF focused Trust 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.

6 Financial Performance

2013 FINANCIAL PERFORMANCE

This chapter presents financial data and analysis of the occupied Palestinian territory 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/PS100>.

6.1. SOURCES AND USES OF FUNDS

As of 31 December 2013, 1 contributor has deposited US\$ 22,594,661 in contributions and US\$ 61,425 has been earned in interest, bringing the

cumulative source of funds to US\$ 22,656,087 (see respectively, Tables 2 and 3).

Of this amount, US\$ 22,368,715 has been transferred to 1 Participating Organization, of which US\$ 22,146,358 has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ 225,947. Table 1 provides an overview of the overall sources, uses, and balance of the Palestine Authority – UN TF 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	-	-	22,594,661
Fund Earned Interest and Investment Income	22,009	224	61,425
Interest Income received from Participating Organizations	-	-	-
Refunds by Administrative Agent to Contributors	-	-	-
Fund balance transferred to another MDTF	-	-	-
Other Revenues	-	-	-
Total: Sources of Funds	22,009	224	22,656,087
Uses of Funds			
Transfers to Participating Organizations	22,368,715	-	22,368,715
Refunds received from Participating Organizations	-	-	-
Net Funded Amount to Participating Organizations	22,368,715	-	22,368,715
Administrative Agent Fees	-	-	225,947
Direct Costs: (Management Committee, Secretariat...etc.)	-	-	-
Bank Charges	355	5	627
Other Expenditures	-	-	-
Total: Uses of Funds	22,369,070	5	22,595,288
Change in Fund cash balance with Administrative Agent	(22,347,061)	219	60,799
Opening Fund balance (1 January)	22,407,641	60,580	-
Closing Fund balance (31 December)	60,580	60,799	60,799
Net Funded Amount to Participating Organizations	22,368,715	-	22,368,715
Participating Organizations' Expenditure	21,217,299	929,059	22,146,358
Balance of Funds with Participating Organizations			222,357

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

6.2. 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
DEPARTMENT FOR INT'L DEVELOPMENT (DFID)	22,594,661	-	22,594,661
Grand Total	22,594,661	-	22,594,661

6.3. 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\$ 61,425. 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	61,201	224	61,425
Total: Fund Earned Interest	61,201	224	61,425
Participating Organization			
Total: Agency earned interest			
Grand Total	61,201	224	61,425

6.4. TRANSFER OF FUNDS

Allocations to Participating Organizations are approved by the Management Committee and disbursed by the Administrative Agent. As of 31 December 2013, the AA has transferred US\$ 22,368,715 to 1 Participating Organization (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
UNRWA	22,368,715		22,368,715				22,368,715		22,368,715
Grand Total	22,368,715		22,368,715				22,368,715		22,368,715

6.5. 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.

6.5.1 EXPENDITURE REPORTED BY PARTICIPATING ORGANIZATION

As shown in the table below, the cumulative net funded amount is US\$ **22,368,715** and cumulative expenditures reported by the Participating Organizations amount to US\$ **22,146,358**. This equates to an overall Fund expenditure delivery rate of **99** percent.

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	
UNRWA	22,368,715	22,368,715	21,217,299	929,059	22,146,358	99.01
Grand Total	22,368,715	22,368,715	21,217,299	929,059	22,146,358	99.01

6.5.2 EXPENDITURE BY PROJECT

Table 6 displays the net funded amounts, expenditures reported and the financial delivery rates by Participating Organization.

Table 6. Expenditure by Project within Sector, as of 31 December 2013 (in US Dollars)

Sector / Project No. and Project Title		Participating Organization	Total Approved Amount	Net Funded Amount	Total Expenditure	Delivery Rate %
Occupied Palestinian territory						
00081721	GAZA: Improving Access to Education	UNRWA	22,368,715	22,368,715	22,146,358	99.01
Occupied Palestinian territory: Total			22,368,715	22,368,715	22,146,358	99.01
Grand Total			22,368,715	22,368,715	22,146,358	99.01

6.5.3 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 7 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 General operating expenses, 34%. The second highest expenditure was on Equipment, vehicles, furniture and depreciation, 32%.

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 7. 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 Cost (New)	6	66,658	66,664	0.32
Suppl, Comm, Materials (New)	109,942	205,782	315,724	1.53
Equip, Veh, Furn, Depn (New)	2,606,512	281,551	2,888,063	13.95
Contractual Services (New)	-	18,681	18,681	0.09
Travel (New)	-	-	-	
Transfers and Grants (New)	-	-	-	
General Operating (New)	17,112,791	295,608	17,408,399	84.11
Programme Costs Total	19,829,251	868,280	20,697,531	100.00
Indirect Support Costs Total	1,388,048	60,779	1,448,827	7.00
Total	21,217,299	929,059	22,146,358	

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%.

6.6. COST RECOVERY

Cost recovery policies for the Fund are guided by the applicable provisions of the Terms of Reference, 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\$ **0** was deducted in AA-fees. Cumulatively, as of 31 December **2013**, US\$ **225,947** has been charged in AA-fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge 7% indirect costs. In the current reporting period US\$ **60,779** was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to US\$ **1,448,827** 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'. As of 31 December **2013**, there were no direct costs charged to the Fund.

6.7. 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.