

**Consolidated Annual Financial
Report of the Administrative Agent
of the UN Joint Programme on Local Governance
and Decentralized Service Delivery in Somalia**

for the period 1 January to 31 December 2013

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

PARTICIPATING ORGANIZATIONS



International Labour
Organisation (ILO)



United Nations Capital
Development Fund (UNCDF)



United Nations Development
Programme (UNDP)



UN Centre for Human
Settlement (UN-HABITAT)



United Nations Children's Fund
(UNICEF)

CONTRIBUTORS



Denmark



Department for International
Development (DFID)



European Union



Norway



Swedish International Development
Cooperation (Sida)



Swiss Agency for Development and
Cooperation (SDC)

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 JPLG Somalia 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/JSO00>.

1. SOURCES AND USES OF FUNDS

As of 31 December 2013, six contributors have deposited **US\$ 48,424,805** in contributions and **US\$ 89,723** has been earned in interest,

bringing the cumulative source of funds to **US\$ 48,514,528** (see respectively, Tables 2 and 3).

Of this amount, **US\$ 44,747,080** has been transferred to five Participating Organizations, of which **US\$ 34,892,035** has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to **US\$ 437,099**. Table 1 provides an overview of the overall sources, uses, and balance of the JP Somalia Loc Gov & Decentral 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	6,621,194	20,077,173	48,424,805
Fund Earned Interest and Investment Income	9,869	6,534	71,369
Interest Income received from Participating Organizations	12,818	-	18,354
Refunds by Administrative Agent to Contributors	-	-	-
Fund balance transferred to another MDTF	-	-	-
Other Revenues	-	-	-
Total: Sources of Funds	6,643,881	20,083,707	48,514,528
Uses of Funds			
Transfers to Participating Organizations	10,789,950	16,682,929	44,747,080
Refunds received from Participating Organizations	-	-	-
Net Funded Amount to Participating Organizations	10,789,950	16,682,929	44,747,080
Administrative Agent Fees	66,212	153,623	437,099
Direct Costs: (Steering Committee, Secretariat...etc.)	-	-	-
Bank Charges	50	154	323
Other Expenditures	-	47,149	47,149
Total: Uses of Funds	10,856,212	16,883,854	45,231,652
Change in Fund cash balance with Administrative Agent	(4,212,331)	3,199,853	3,282,876
Opening Fund balance (1 January)	4,295,354	83,023	-
Closing Fund balance (31 December)	83,023	3,282,876	3,282,876
Net Funded Amount to Participating Organizations	10,789,950	16,682,929	44,747,080
Participating Organizations' Expenditure	10,049,474	10,798,131	34,892,035
Balance of Funds with Participating Organizations			9,855,045

* 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
DENMARK, Government of	7,909,624	1,106,746	9,016,370
DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)	8,848,645	4,422,308	13,270,953
EUROPEAN UNION	-	4,714,920	4,714,920
NORWAY, Government of	2,367,231	3,225,702	5,592,933
SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION	9,222,132	5,312,300	14,534,432
SWISS AGENCY FOR DEVELOPMENT & COOPERATION	-	1,295,197	1,295,197
Grand Total	28,347,632	20,077,173	48,424,805

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\$ 71,369** and interest received from Participating Organizations amounts to **US\$ 18,354**, bringing the cumulative interest received to **US\$ 89,723**. 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	64,835	6,534	71,369
Total: Fund Earned Interest	64,835	6,534	71,369
Participating Organization			
UNDP	18,354	-	18,354
Total: Agency earned interest	18,354	-	18,354
Grand Total	83,189	6,534	89,723

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\$ 44,747,080** to five 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
ILO	4,782,150	-	4,782,150	2,289,534	-	2,289,534	7,071,684	-	7,071,684
UNCDF	2,224,477	-	2,224,477	3,781,582	-	3,781,582	6,006,059	-	6,006,059
UNDP	9,097,848	-	9,097,848	4,554,290	-	4,554,290	13,652,138	-	13,652,138
UNHABITAT	7,385,932	-	7,385,932	2,826,404	-	2,826,404	10,212,336	-	10,212,336
UNICEF	4,573,744	-	4,573,744	3,231,119	-	3,231,119	7,804,863	-	7,804,863
Grand Total	28,064,151	-	28,064,151	16,682,929	-	16,682,929	44,747,080	-	44,747,080

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\$ 44,747,080** and cumulative expenditures reported by the Participating Organizations amount to **US\$ 34,892,035**. This equates to an overall Fund expenditure delivery rate of 78 percent. The agencies with the three highest delivery rates are ILO (91%), UNDP (88%) and UN HABITAT (79%).

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	
ILO	7,071,684	7,071,684	4,331,014	2,091,283	6,422,297	90.82
UNCDF	6,006,059	6,006,059	1,712,899	2,045,001	3,757,900	62.57
UNDP	13,652,138	13,652,138	8,697,823	3,325,844	12,023,667	88.07
UNHABITAT	10,212,336	10,212,336	5,718,707	2,313,453	8,032,160	78.65
UNICEF	7,804,863	7,804,863	3,633,461	1,022,551	4,656,011	59.66
Grand Total	44,747,080	44,747,080	24,093,903	10,798,131	34,892,035	77.98

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 Contractual services, followed by Transfers and grants and Staff and personnel costs.

2012 CEB Expense Categories	2006 UNDG Expense Categories
1. Staff and personnel costs	1. Supplies, commodities, equipment & transport
2. Supplies, commodities and materials	2. Personnel
3. Equipment, vehicles, furniture and depreciation	3. Training counterparts
4. Contractual services	4. Contracts
5. Travel	5. Other direct costs
6. Transfers and grants	6. Indirect costs
7. General operating expenses	
8. 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)	323,165	-	323,165	0.99
Personnel (Old)	5,263,171	-	5,263,171	16.09
Training of Counterparts (Old)	821,373	-	821,373	2.51
Contracts (Old)	5,656,989	-	5,656,989	17.30
Other direct costs (Old)	1,075,329	-	1,075,329	3.29
Staff & Personnel Costs (New)	2,653,374	2,372,532	5,025,905	15.37
Suppl, Comm, Materials (New)	1,702,198	(1,533,756)	168,441	0.51
Equip, Veh, Furn, Depn (New)	1,167,140	277,631	1,444,771	4.42
Contractual Services (New)	1,871,640	4,753,309	6,624,948	20.26
Travel (New)	787,187	400,315	1,187,502	3.63
Transfers and Grants (New)	630,210	2,856,885	3,487,095	10.66
General Operating (New)	529,834	1,098,589	1,628,423	4.98
Programme Costs Total	22,481,609	10,225,504	32,707,113	100.00
Indirect Support Costs Total	1,612,294	572,628	2,184,922	6.68
Total	24,093,903	10,798,131	34,892,035	

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\$ 153,623** was deducted in AA-fees. Cumulatively, as of 31 December 2013, **US\$ 437,099** has been charged in AA-fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge 7% indirect costs. In the current reporting period **US\$ 572,628** was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to **US\$ 2,184,922** 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.