

**Consolidated Annual Financial
Report of the Administrative Agent
of
JP Somalia - Local Governance and Decentralized
Service Delivery**

for the period 1 January to 31 December 2014

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

PARTICIPATING ORGANIZATIONS



International Labour Organization (ILO)



United Nations Capital Development Fund (UNCDF)



United Nations Development Programme (UNDP)



United Nations Human Settlements Programme (UN-HABITAT)



United Nations Children's Fund (UNICEF)

CONTRIBUTORS



Denmark



UK Department for International Development (DFID)



European Union



Norway



Swiss Agency for Development and Cooperation (SDC)



Swedish International Development Cooperation (Sida)

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 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.

US Dollar Amount

The financial data in the report is recorded in US Dollars and due to rounding off of numbers, the totals may not add up.

2014 FINANCIAL PERFORMANCE

This chapter presents financial data and analysis of the JP Somalia - Local Governance and Decentralized Service Delivery (Phase I and II) using the pass-through funding modality as of 31 December 2014. Financial information for this Fund is also available on the MPTF Office GATEWAY, at the following address: <http://mptf.undp.org/factsheet/fund/JS000>.

1. SOURCES AND USES OF FUNDS

As of 31 December 2014, six contributors have deposited US\$ 66,484,226 in contributions and US\$ 100,566 has been earned in interest, bringing

the cumulative source of funds to US\$ 66,584,791 (see respectively, Tables 2 and 3).

Of this amount, US\$ 65,819,301 has been transferred to five Participating Organizations, of which US\$ 53,882,156 has been reported as expenditure. The Administrative Agent fee has been charged at the approved rate of one percent on deposits and amounts to US\$ 617,693. Table 1 provides an overview of the overall sources, uses, and balance of the JP Somalia - Local Governance and Decentralized Service Delivery as of 31 December 2014.

Table 1. Financial Overview, as of 31 December 2014 (in US Dollars)

| | Annual 2013 | Annual 2014 | Cumulative |
|--|-------------------|--------------------|-------------------|
| Sources of Funds | | | |
| Gross Contributions | 20,077,173 | 18,059,421 | 66,484,226 |
| Fund Earned Interest and Investment Income | 6,534 | 10,843 | 82,211 |
| Interest Income received from Participating Organizations | - | - | 18,354 |
| Refunds by Administrative Agent to Contributors | - | - | - |
| Fund balance transferred to another MDTF | - | - | - |
| Other Revenues | - | - | - |
| Total: Sources of Funds | 20,083,707 | 18,070,264 | 66,584,791 |
| Use of Funds | | | |
| Transfers to Participating Organizations | 16,682,929 | 21,072,221 | 65,819,301 |
| Refunds received from Participating Organizations | - | - | - |
| Net Funded Amount to Participating Organizations | 16,682,929 | 21,072,221 | 65,819,301 |
| Administrative Agent Fees | 153,623 | 180,594 | 617,693 |
| Direct Costs: (Steering Committee, Secretariat...etc.) | - | - | - |
| Bank Charges | 154 | 312 | 636 |
| Other Expenditures | 47,149 | - | 47,149 |
| Total: Uses of Funds | 16,883,854 | 21,253,127 | 66,484,779 |
| Change in Fund cash balance with Administrative Agent | 3,199,853 | (3,182,864) | 100,012 |
| Opening Fund balance (1 January) | 83,023 | 3,282,876 | - |
| Closing Fund balance (31 December) | 3,282,876 | 100,012 | 100,012 |
| Net Funded Amount to Participating Organizations | 16,682,929 | 21,072,221 | 65,819,301 |
| Participating Organizations' Expenditure | 10,798,131 | 18,990,121 | 53,882,156 |
| Balance of Funds with Participating Organizations | | | 11,937,145 |

2. PARTNER CONTRIBUTIONS

Table 2 provides information on cumulative contributions received from all contributors to this Fund as of 31 December 2014.

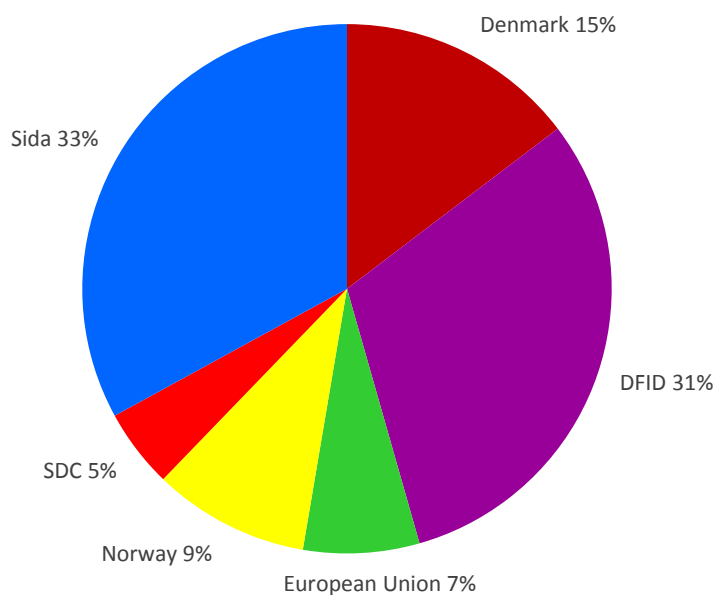
The JP Somalia - Local Governance and Decentralized Service Delivery is currently being financed by six contributors that have signed SAAs, namely the European Union, Governments of

Denmark and Norway, the UK's Department for International Development (DFID), the Swedish International Development Cooperation Agency (Sida), and the Swiss Agency for Development & Cooperation (SDC). In 2014, the JP Somalia - Local Governance and Decentralized Service Delivery received US\$ 18.06 million in contributions, bringing the total fund contributions to US\$ 66.48 million.

Table 2. Contributors' Deposits, as of 31 December 2014 (in US Dollars)

| Contributors | Prior Years as of 31-Dec-2013 | Current Year Jan-Dec-2014 | Total |
|--|----------------------------------|------------------------------|-------------------|
| Denmark | 9,016,370 | 729,940 | 9,746,310 |
| Department for International Development (DFID) | 13,270,953 | 7,286,396 | 20,557,349 |
| European Union | 4,714,920 | - | 4,714,920 |
| Norway | 5,592,933 | 755,687 | 6,348,620 |
| Swiss Agency for Development and Cooperation (SDC) | 1,295,197 | 1,909,898 | 3,205,095 |
| Swedish International Development Cooperation (Sida) | 14,534,432 | 7,377,500 | 21,911,932 |
| Grand Total | 48,424,805 | 18,059,421 | 66,484,226 |

Figure 1: Deposits by contributor, cumulative as of 31 December 2014



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 2014, Fund earned interest amounts to US\$ 82,211 and interest received from Participating Organizations amounts to US\$ 18,354, bringing the cumulative interest received to US\$ 100,566. Details are provided in the table below.

Table 3. Sources of Interest and Investment Income, as of 31 December 2014 (in US Dollars)

| Interest Earned | Prior Years as of 31-Dec-2013 | Current Year Jan-Dec-2014 | Total |
|--|----------------------------------|------------------------------|----------------|
| Administrative Agent | | | |
| Fund Earned Interest and Investment Income | 71,369 | 10,843 | 82,211 |
| Total: Fund Earned Interest | 71,369 | 10,843 | 82,211 |
| Participating Organization | | | |
| UNDP | 18,354 | | 18,354 |
| Total: Agency earned interest | 18,354 | | 18,354 |
| Grand Total | 89,723 | 10,843 | 100,566 |

4. TRANSFER OF FUNDS

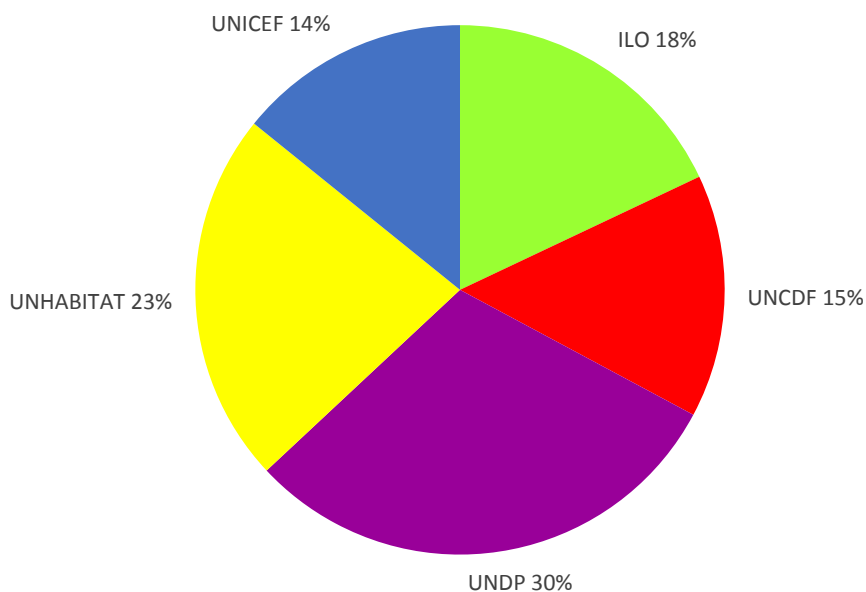
Allocations to Participating Organizations are approved by the Steering Committee and disbursed by the Administrative Agent. As of 31 December 2014, the AA has transferred US\$ 65,819,301 to five Participating Organizations (see list below).

As shown in Table 4 and Figure 2, UNDP received the largest share of cumulative net funded amount (US\$ 19.89 million or 30 percent), followed by UNHABITAT (US\$ 14.99 million or 23 percent), ILO (US\$ 11.83 million or 18 percent) and others.

Table 4. Transfer, Refund, and Net Funded Amount by Participating Organization, as of 31 December 2014 (in US Dollars)

| Participating Organization | Prior Years as of 31-Dec-2013 | | | Current Year Jan-Dec-2014 | | | Total | | |
|----------------------------|-------------------------------|---------|-------------------|---------------------------|---------|-------------------|-------------------|---------|-------------------|
| | Transfers | Refunds | Net Funded | Transfers | Refunds | Net Funded | Transfers | Refunds | Net Funded |
| ILO | 7,071,684 | | 7,071,684 | 4,757,105 | | 4,757,105 | 11,828,789 | | 11,828,789 |
| UNCDF | 6,006,059 | | 6,006,059 | 3,770,082 | | 3,770,082 | 9,776,141 | | 9,776,141 |
| UNDP | 13,652,138 | | 13,652,138 | 6,234,789 | | 6,234,789 | 19,886,927 | | 19,886,927 |
| UNHABITAT | 10,212,336 | | 10,212,336 | 4,774,396 | | 4,774,396 | 14,986,732 | | 14,986,732 |
| UNICEF | 7,804,863 | | 7,804,863 | 1,535,849 | | 1,535,849 | 9,340,712 | | 9,340,712 |
| Grand Total | 44,747,080 | | 44,747,080 | 21,072,221 | | 21,072,221 | 65,819,301 | | 65,819,301 |

Figure 2: Total Net funded amount by Participating Organization as of 31 December 2014



5. EXPENDITURE AND FINANCIAL DELIVERY RATES

All final expenditures reported for the year 2014 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 below, the cumulative net funded amount is US\$ 65,819,301 and cumulative expenditures reported by the Participating Organizations amount to US\$ 53,882,156. This equates to an overall Fund expenditure delivery rate of 82 percent. The agencies with the three highest delivery rates are: ILO (92 percent), UNCDF (88 percent) and UNDP (83 percent).

Table 5.1 Net Funded Amount, Reported Expenditure, and Financial Delivery by Participating Organization, as of 31 December 2014 (in US Dollars)

| Participating Organization | Approved Amount | Net Funded Amount | Expenditure | | | Delivery Rate % |
|----------------------------|-------------------|-------------------|-------------------------------|---------------------------|-------------------|-----------------|
| | | | Prior Years as of 31-Dec-2013 | Current Year Jan-Dec-2014 | Cumulative | |
| ILO | 11,828,789 | 11,828,789 | 6,422,297 | 4,421,185 | 10,843,482 | 91.67 |
| UNCDF | 9,776,141 | 9,776,141 | 3,757,900 | 4,827,050 | 8,584,949 | 87.82 |
| UNDP | 19,886,928 | 19,886,927 | 12,023,667 | 4,470,545 | 16,494,212 | 82.94 |
| UNHABITAT | 14,986,732 | 14,986,732 | 8,032,160 | 3,176,299 | 11,208,459 | 74.79 |
| UNICEF | 9,340,712 | 9,340,712 | 4,656,011 | 2,095,042 | 6,751,053 | 72.28 |
| Grand Total | 65,819,302 | 65,819,301 | 34,892,035 | 18,990,121 | 53,882,156 | 81.86 |

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 expenditure incurred prior to 1 January 2012 have been reported in the old categories; post 1 January 2012 all expenditure are reported in the new eight categories. The old and new categories are noted below.

Table 5.2 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.

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 5.2 Expenditure by UNDG Budget Category, as of 31 December 2014 (in US Dollars)

| Category | Expenditure | | | Percentage of Total Programme Cost |
|--|-------------------------------|---------------------------|-------------------|------------------------------------|
| | Prior Years as of 31-Dec-2013 | Current Year Jan-Dec-2014 | Total | |
| Supplies, Commodities, Equipment and Transport (Old) | 323,165 | - | 323,165 | 0.64 |
| Personnel (Old) | 5,263,171 | - | 5,263,171 | 10.47 |
| Training of Counterparts (Old) | 821,373 | - | 821,373 | 1.63 |
| Contracts (Old) | 5,656,989 | - | 5,656,989 | 11.25 |
| Other direct costs (Old) | 1,075,329 | - | 1,075,329 | 2.14 |
| Staff & Personnel Cost (New) | 5,025,905 | 3,793,747 | 8,819,653 | 17.54 |
| Suppl, Comm, Materials (New) | 168,441 | 3,238 | 171,679 | 0.34 |
| Equip, Veh, Furn, Depn (New) | 1,444,771 | 242,689 | 1,687,460 | 3.36 |
| Contractual Services (New) | 6,624,948 | 5,801,804 | 12,426,753 | 24.72 |
| Travel (New) | 1,187,502 | 1,081,374 | 2,268,876 | 4.51 |
| Transfers and Grants (New) | 3,487,095 | 4,962,821 | 8,449,916 | 16.81 |
| General Operating (New) | 1,628,423 | 1,683,695 | 3,312,118 | 6.59 |
| Programme Costs Total | 32,707,113 | 17,569,368 | 50,276,481 | 100.00 |
| ¹ Indirect Support Costs Total | 2,184,922 | 1,420,753 | 3,605,675 | 7.17 |
| Total | 34,892,035 | 18,990,121 | 53,882,156 | |

¹ Indirect Support Costs charged by Participating Organization, based on their financial regulations, can be deducted upfront or at a later stage during implementation.

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 2014, were as follows:

- **The Administrative Agent (AA) fee:** one percent 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\$ 180,594 was deducted in AA fees. Cumulatively, as of 31 December 2014, US\$ 617,693 has been charged in AA fees.
- **Indirect Costs of Participating Organizations:** Participating Organizations may charge seven percent indirect costs. In the current reporting period US\$ 1,420,753 was deducted in indirect costs by Participating Organizations. Cumulatively, indirect costs amount to US\$ 3,605,675 as of 31 December 2014.

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.