

**Consolidated Annual Report
for the Afghanistan LOTFA MPTF**

for the period 1 January to 31 December 2018

31 May 2019

INTRODUCTION

This Consolidated Annual Report of the Afghanistan LOTFA MPTF is prepared by the LOTFA Trust Fund Management Unit and the Multi-Partner Trust Fund Office (MPTF Office) in fulfillment of their obligations, as per the Fund's Terms of Reference (TOR), the Memorandum of Understanding (MOU), and the Standard Administrative Arrangement (SAA) signed with contributors.

This consolidated report covers the period 1 January to 31 December 2018 and provides narrative and financial data on progress made in the implementation of projects of the Afghanistan LOTFA MPTF. It is posted on the MPTF Office GATEWAY (<http://mptf.undp.org/factsheet/fund/LTF00>).

SECTION 1: PROGRESS REPORT

The Terms of Reference (TOR) for the Law and Order Trust Fund for Afghanistan (LOTFA) Multi-Partner Trust Fund (MPTF) were approved by the Government of the Islamic Republic of Afghanistan (GIROA) and donors during the first LOTFA Steering Committee meeting held on 25 November 2018. The Steering Committee members also approved the Fund's Operational Manual, Strategic Framework and Fund-level Results Framework. The approval of the TOR concluded an extensive consultation process between the GIROA, donors and UNDP, which started in February 2017, to restructure and redesign the LOTFA.

The MPTF Office and UNDP signed a Memorandum of Understanding (MOU) on 12 December 2018 to formalize UNDP's participation as a Recipient UN Organization (RUNO) under the Fund. Discussions are ongoing with other UN Agencies, Funds and Programmes to join the Fund.

UNDP will also host the Trust Fund Management Unit (TFMU) to provide technical and administrative support to the Steering Committee and the Technical Working Groups (TWG) and to organize the processes of projects' proposals revisions, Fund's monitoring, evaluation and reporting as well as risk management. The Steering Committee approved an initial fund allocation to finance the TFMU's activities for 2019, based on the proposed Organigram and Annual Work Plan (AWP). UNDP will annually submit to the Steering Committee a revised TFMU Organigram and budget based on the needs for the following year's operations.

The Fund is investing strongly in establishing a robust Monitoring & Evaluation (M&E) system, which will sit at the heart of Fund planning, programming and monitoring. The TFMU will house the Fund's M&E capacity to ensure that M&E is applied consistently throughout all projects against set quality standards and procedures and that M&E data is managed on a centralized LOTFA Results and Impact Platform covering the whole Fund. The TFMU will conduct a series of assessments, surveys and studies to establish baselines with qualitative and quantitative data within the sector to enable the measurement of progress and impact over-time. Digital Dashboards will be established for each Thematic Window to collate, analyze and visualize data so as identify trends and developments within the sector, allow for performance monitoring at the Fund- and project-levels and inform decision-making within the Fund. Recruitments of qualified M&E staff within the TMFU against the approved Organigram are ongoing and should be completed by mid-2019.

The Fund's governance structure consists of a Steering Committee with TWG's at the level of each Thematic Window. The priority for the first half of 2019 will be to complete the set-up for the TWG under each Thematic Window and operationalize the Fund's governance structure. The TWG's are central to the Fund's performance as these are the designated platforms where discussion, planning, monitoring, as well as project review and appraisals take place at the technical level to inform the Fund's decision-making at the level of the Steering Committee. TWG's will be established for the Payroll, Security, Justice and Anti-Corruption Windows under the Fund.

The Government and donors will nominate representatives to function as Chair and Co-Chair, respectively, for each of the TWG's. The TFMU will recruit independent Senior Advisors and National Coordinators for each TWG to provide advisory and logistical support to the TWG Chairmanship in organizing and facilitating the meetings and subsequent thematic discussion and analysis.

At the start of 2019, the LOTFA MPTF will focus on the design and development of project proposals to be implemented under the Fund. Fund programming will be evidence-based and demand-driven. To this end, the TFMU has initiated a set of baseline assessments and surveys to provide a robust evidence-base for project development. The project design process will follow an inclusive and participatory approach involving Government, donors, UN and national and international partners.

The TFMU strives to have the first set of project proposals ready for review and approval by Government and donors by mid-2019.

SECTION 2: 2018 FINANCIAL PERFORMANCE

This chapter presents financial data and analysis of the Afghanistan LOTFA MPTF Fund using the pass-through funding modality as of 31 December 2018. Financial information for this Fund is also available on the MPTF Office GATEWAY, at the following address: <http://mptf.undp.org/factsheet/fund/LTF00>.

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

2.1. SOURCES AND USES OF FUNDS

As of 31 December 2018, 3 contributors deposited US\$ 29,093,534 in contributions and US\$ 30,113 was earned in interest. The cumulative source of funds was US\$ 29,123,647.

Of this amount, US\$ 6,810,273 has been transferred as Direct Costs to UNDP. The Administrative Agent fee has been charged at the approved rate of 1% on deposits and amounts to US\$ 123,882. Table 1 provides an overview of the overall sources, uses, and balance of the Afghanistan LOTFA MPTF Fund as of 31 December 2018.

Table 1. Financial Overview, as of 31 December 2018 (in US Dollars)

	Annual 2018	Cumulative
Sources of Funds		
Contributions from donors	29,093,534	29,093,534
Fund Earned Interest and Investment Income	30,113	30,113
Interest Income received from Participating Organizations	-	-
Refunds by Administrative Agent to Contributors	-	-
Fund balance transferred to another MDTF	-	-
Other Income	-	-
Total: Sources of Funds	29,123,647	29,123,647
Use of Funds		
Transfers to Participating Organizations	-	-
Refunds received from Participating Organizations	-	-
Net Funded Amount	-	-
Administrative Agent Fees	123,882	123,882
Direct Costs: (Steering Committee, Secretariat...etc.)	6,810,273	6,810,273
Bank Charges	2	2
Other Expenditures	-	-
Total: Uses of Funds	6,934,157	6,934,157
Change in Fund cash balance with Administrative Agent	22,189,490	22,189,490
Opening Fund balance (1 January)	-	-
Closing Fund balance (31 December)	22,189,490	22,189,490
Net Funded Amount (Includes Direct Cost)	6,810,273	6,810,273
Participating Organizations' Expenditure (Includes Direct Cost)	-	-
Balance of Funds with Participating Organizations		6,810,273

2.2 PARTNER CONTRIBUTIONS

Table 2 provides information on cumulative contributions received from all contributors to this Fund as of 31 December 2018.

The Afghanistan LOTFA MPTF Fund is currently being financed by 3 contributors, as listed in the table below.

The table below includes commitments made up to 31 December 2018 through signed Standard Administrative Agreements, and deposits made through 2018. It does not include commitments that were made to the fund beyond 2018.

Table 2. Contributors' Commitments and Deposits, as of 31 December 2018 (in US Dollars)

Contributors	Total Commitments	Current Year Jan-Dec-2018 Deposits	Total Deposits
CZECH REPUBLIC	217,656	217,656	217,656
DENMARK	12,170,540	12,170,540	12,170,540
UNITED NATIONS DEVELOPMENT PROGRAMME	16,705,337	16,705,337	16,705,337
Grand Total	29,093,534	29,093,534	29,093,534

2.3. 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 2018, Fund earned interest amounts to US\$ 30,113. Details are provided in the table below.

Table 3. Sources of Interest and Investment Income, as of 31 December 2018 (in US Dollars)

Interest Earned	Current Year Jan-Dec-2018	Total
Administrative Agent		
Fund Earned Interest and Investment Income	30,113	30,113
Total: Fund Earned Interest	30,113	30,113
Participating Organization		
Total: Agency earned interest		
Grand Total	30,113	30,113

2.4. 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 2018, 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\$ 123,882 was deducted in AA-fees. Cumulatively, as of 31 December 2018, US\$ 123,882 has been charged in AA-fees.
- Indirect Costs of Participating Organizations: Participating Organizations may charge 7%

indirect costs (except for the payroll window).

2.5. 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.

2.6. 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 the reporting period, direct costs charged to the fund amounted to US\$ **6,810,273**.

Table: Direct Costs

Participating Organization	Net Funded Amount	Expenditure	Delivery Rate
UNDP	6,810,273		
Total:	6,810,273		