



**TERMS OF REFERENCE
PA – UN TRUST FUND
Occupied Palestinian Territory
(oPt TRUST FUND)**

Terms of Reference of the PA – UN Trust Fund (oPt Trust Fund)

I. Introduction

1 The Palestinian Authority has developed, with the support of national and international actors, broad and in-depth plans to establish a Palestinian state while meeting the socio-economic needs of Palestinians throughout the oPt, including in Gaza.

2. The United Nations is committed to supporting the achievement of those goals and objectives. In line with this commitment, the PA- UN Trust Fund (oPt 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.

3. The oPt 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 supporting to statebuilding, early recovery, and reconstruction efforts.

As such, the oPt 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.

4. The PRDP 2008 – 2010 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 Programme of the 13th Government and the 2010 Priority Action Plan provide a programmatic translation of the PRDP's vision and strategies. In addition, the "Palestinian National Early Recovery and Reconstruction Plan for Gaza, 2009-2010" was presented to the Sharm el Sheikh Conference held on March 2, 2009. It highlights the coordinated response of the PA and its local and international partners to the devastation inflicted on Gaza in December 2008 and January 2009 and provides a framework for early recovery and reconstruction operations in Gaza.

5. The UN's programmatic contribution to the PRDP and related national frameworks is reflected in its Medium Term Response Plan (MTRP). Organized around 5 strategic areas, the MTRP presents where and how the UN system can assist with the achievement of nationally-agreed priorities and needs. The MTRP reflects, inter alia, the UN's statebuilding objectives throughout the oPt, as well as its early recovery and reconstruction goals in Gaza. As such, projects and programmes submitted for funding by the oPt Trust Fund shall clearly demonstrate a contribution to national needs and results as articulated, inter alia, in the aforementioned frameworks.

6. The oPt Trust Fund will facilitate joint PA and UN coordination of UN activities and ensure transparent fund administration and project implementation in line with the reform agenda.

II. Purpose and Principles

7. The oPt Trust Fund is established to finance UN supported statebuilding and development goals throughout the oPt, including early recovery, and reconstruction initiatives in Gaza. The Fund consists of two distinct windows: one for the West Bank, and one of Gaza.

8. Contributing donors can opt to contribute to either the West Bank window or the Gaza window, or to both. Beyond this option, the Fund however does not accept any other form of earmarking, whether by recipient organization, or thematic area. .

9. The oPt Trust Fund governance structure and operational arrangements aim to ensure, in particular, that:

(a) Each project approved for funding is part of a nationally-approved priority programme of statebuilding, early recovery, and reconstruction, based on and formulated in consultation with concerned line ministries and beneficiary communities, established national structures tasked with overseeing statebuilding and development interventions throughout the oPt, including early recovery and reconstruction in Gaza as well as, to the extent possible, donors and other stakeholders;

(b) Funding and implementation are undertaken with special attention to transparency and accountability as well as to prompt delivery and efficient utilization of donor funds; and.

(c) National aid coordination mechanisms and instruments such as Local Aid Coordination Structure (LACS) and the Development Assistance and Reform Platform (DARP), are significantly strengthened

III. Governance Arrangements

Management Committee

10. The oPt Trust Fund shall be governed by a Management Committee, co-chaired by the Palestinian Authority and the UN Resident Coordinator (RC) / Humanitarian Coordinator (HC). The Management Committee will also include the World Bank, five contributing donors, two UN Heads of Agencies, on a rotating basis, designated by the RC. The Administrative Agent as ex-officio member of the Management Committee (see Terms of Reference).

11. Operating by consensus, the Management Committee shall provide strategic guidance and oversight, agree on funding criteria, and allocate oPt Trust Fund funds per geographic window (in cases where funds have not been earmarked to a particular window) and strategic sector. Decisions by the Management Committee will be informed, inter alia, 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.

12. The Management Committee will review the progress of the oPt Trust Fund operations and ensure reporting to all contributing donors and the PA, with the support of the Administrative Agent and the oPt Trust Fund Secretariat.

13. The Management Committee shall meet at least on a quarterly basis in Ramallah. Decisions, reports and recommendations of the Management Committee and minutes of its meetings will be shared with all oPt Trust Fund donors and all other relevant stakeholders.

14. The oPt Trust Fund Secretariat will support the Management Committee in formulating policy and strategic direction, meeting organization, communications with oPt Trust Fund stakeholders,

follow up on Management Committee decisions, and any other tasks requested by the Management Committee including project appraisal, resource tracking, reporting, monitoring and communications with the with support from UNSCO's coordination unit.

15. Participating entities will take on the tasks and responsibilities pertaining to their role in the Management Committee and the oPt Trust Fund Secretariat through their own resources and staffing.

Project Approval Process

16. A Project Approval Group, co-chaired by the Palestinian Authority and the RC or his/her designate and with the participation of two UN Heads of Agencies, on a rotating basis, shall review and approve project proposals of the Participating UN Organizations and national partners and allocate funds. The decision of the Project Approval Group with respect to such early recovery, recovery and reconstruction project proposals submitted by the Participating UN Organizations shall be based on the funding criteria and funding envelope agreed by the Management Committee. The Project Approval Group may chose to allocate funding through tranches on the basis of the criteria listed below.

17. Project funding decisions will be made on the basis of an agreed set of criteria, to be decided and reviewed by the Management Committee. These criteria may include, inter alia: 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 (i.e. LACS and other), demonstrable capacity to implement within the foreseen timeframe, efficiency in use of funds, including limits on certain types of expenditures, and available resources. Funding criteria will be presented in the Fund's Operations manual.

18. It is expected that each project proposal submitted by a Participating UN Organization and national partners to the Project Approval Group, through the oPt Trust Fund Secretariat, will have undergone a peer review process that includes discussion through relevant LAC structure and other mechanisms that involve national partners, relevant donors and other UN organizations. UN strategic area groups will be required in particular to discuss and appraise project proposals from their relevant sectors before submission to the PAG, and ensure adequate consultation with all relevant national and international stakeholders.

19. Participating UN organizations may submit projects on a continuous basis; however, decisions to design and submit projects should factor in overall oPt Trust Fund policy and strategic direction, priorities agreed to by the Management Committee and funding envelope for the West Bank and Gaza windows as well as to the relevant MTRP strategic area; Participating UN organizations and their partners are encouraged to contact the Joint PA-UN oPt Trust Fund Secretariat to discuss potential submissions.

20 Following consultations with the oPt Trust Fund Secretariat, and provided that all required documentation has been submitted to the oPt Trust Fund Secretariat within seven days of a scheduled Project Approval Group meeting, a project will be reviewed during that scheduled Project Approval Group meeting.

21. Funding criteria, guidelines, and details of the project approval process, including submission requirements and timelines, will be presented in the oPt Trust Fund Operations Manual, which will be accessible upon request to the oPt trust Fund Secretariat and/or the oPt Trust Fund website.

22. Through the Participating UN Organizations, other international organizations, non-governmental organizations and national institutions may receive funds from the oPt Trust Fund, as implementing

partners of the recipient UN organization, based on a project agreement concluded with such entities as implementing partners of the concerned Participating UN Organization in accordance with the regulations, rules and procedures of the particular Participating UN Organization. Use of funds, reporting obligations, liability, audit and other matters relating to the management of the funds provided and the activities shall be addressed in such project agreements in the manner that is customary for the concerned Participating UN Organization.

23. In addition to the regular project approval process, the Management Committee may decide on the creation of a reserve fund, not to exceed a percentage of total amount of contributions received as determined by the Management Committee, to finance unforeseen opportunities, beyond established allocation for each strategic area; decisions on allocation from the reserve fund shall be made by the Project Approval Group and sent to the Management Committee for approval on a no-objection basis within 7 days of receipt.

24. Monitoring and evaluation of projects funded by the oPt Trust Fund is the responsibility of the concerned Participating UN Organization. However, the Management Committee shall review, with the support of the Secretariat overall fund portfolio performance, using to that effect data and information collected within the context of the Palestinian Monitoring & Evaluation system and the MTRP Monitoring & Evaluation mechanism.

IV. Administration of the oPt Trust Fund

25 The Fund shall be administered by UNDP through its Multi-Donor Trust Fund (MDTF) Office, as Administrative Agent, on behalf of the Participating UN Organizations, as agreed with the Palestinian Authority. UNDP will administer the Fund in accordance with its regulations and rules. It will establish a separate ledger account for receipt of contributions to the oPt Trust Fund. The oPt Trust Fund will be established upon the signing of the MoU between the Participating UN Organization and the Administrative Agent and will be operational with the signing of the first SAA between a donor and the Administrative Agent.

26 Unless otherwise agreed by the PA, the UN and donors, the oPt Trust Fund shall terminate on such date as the contributed funds will have been fully disbursed and after satisfaction of all commitments and liabilities.

Contributions to the oPt Trust Fund

27 Contributions to the oPt Trust Fund may be accepted from governments, intergovernmental or nongovernmental organizations, and private-sector organizations upon signing of the Standard Administrative Arrangement (SAA) with the Administrative Agent.

28 Contributions to the oPt Trust Fund may be accepted in fully convertible currency or in any other currency that can be readily utilized. Such contributions shall be deposited into the bank account designated by UNDP.

29. The value of a contribution payment, if made in other than United States dollars, shall be determined by applying the United Nations operational rate of exchange in effect on the date of payment. Gains or losses on currency exchanges shall be recorded in the oPt Trust Fund account established by the Administrative Agent to transfer funds to Participating UN Organizations.

30. In exceptional cases, particularly during the start-up phase of the oPt Trust Fund, Participating UN Organizations may, subject to conformity with their financial regulations, rules and directives, start

implementation of early recovery and reform activities through pre-financing from their own resources. Such advance activities shall be undertaken in agreement with the Management Committee on the basis of funds that it has allocated or approved, through the Project Approval Group, for implementation by the particular Participating UN Organization following receipt by the Administrative Agent of an official donor commitment form or signature of the Standard Administrative Arrangement by donors contributing to the oPt Trust Fund. While expenses incurred will be recovered upon availability of oPt Trust Fund funds, participating UN Organizations shall be solely responsible for decisions to initiate such advance activities or other activities outside the parameters set forth above. This does not prejudice decisions to be taken by the Project Approval Group to approve a project document or not. As such, pre-financed funds are not recoverable from oPt Trust Fund if approval is denied.

Utilization of the oPt Trust Fund

31. Resources from the oPt Trust Fund will be utilized for the purpose of meeting the direct and indirect costs of projects managed by the Participating UN Organizations. Details of such projects, including respective budgets and implementation partners (national entities, NGOs/civil society organizations, intergovernmental organizations) will be set out in the relevant project documents. Participating UN Organizations shall be entitled to deduct their indirect costs on contributions received, taking into account the size and complexity of the particular project and the indirect costs will be reflected in the project proposal approved by the oPt Trust Fund Steering Committee, as described further below. Per United Nations Development Group (UNDG) agreement of indirect costs under MDTFs, such costs will not exceed 7 per cent.

32. The Administrative Agent will charge a one time fee of 1 per cent for fund management and fiduciary responsibilities, which will be deducted from the contributions to the oPt Trust Fund at the time that they are deposited.

33. Participating UN Organizations shall assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Such funds shall be administered by each Participating UN Organization in accordance with its own regulations, rules, directives and procedures. .

UNDP Responsibilities as Administrative Agent

34. The Administrative Agent shall be responsible for concluding Standard Administrative Arrangement (SAA) with donors and Memoranda of Understanding (MOU) with Participating United Nations Organizations. It shall receive, administer and transfer funds to Participating UN Organizations upon instructions from the Project Approval Group and submit periodic consolidated narrative and financial reports to the Management Committee for onward submission to all donors that are either members of the governance structure or have provided financial contributions to the oPt Trust Fund. The PA shall be knowledgeable of all actions being taken with regards to signed MOUs and Letters of Agreements and copies of such agreements should be shared with the PA and posted on the oPt Trust Fund public website (www.mdtf.undp.org).

35. Each Participating UN Organization shall sign a standardized MOU with UNDP as the Administrative Agent that sets out the duties and responsibilities of each party.

36. Each donor contributes to the oPt Trust Fund by signing a SSA with UNDP as Administrative Agent that sets out the terms and conditions governing the receipt and administration of the contribution.

37. Subject to the availability of funds, the Administrative Agent shall normally make each disbursement to the Participating UN Organization within three to four business days after receipt of instructions from the Project Approval Group accompanied with the approved relevant project document that has been signed by all parties concerned.

Participating United Nations Organizations

38. Each Participating UN Organization shall assume full programmatic and financial accountability for the funds disbursed to it by the Administrative Agent. Each of the Participating UN Organizations shall carry out its activities contemplated in the approved project proposal in accordance with the regulations, rules, directives and procedures applicable to it, using its standard implementation modalities.

39. UN Organization shall establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent from the oPt Trust Fund account. This separate ledger account shall be administered by each Participating UN Organization in accordance with its own regulations, rules, directives and procedures, including those relating to interest. This separate ledger account shall be subject exclusively to the internal and external auditing procedures laid down in the financial regulations, rules, directives and procedures applicable to the Participating UN Organization.

V. Reporting, Transparency and Accountability

40. Each Participating UN Organization will provide the Administrative Agent with the following statements and reports prepared in accordance with the accounting and reporting procedures applicable to the Participating UN Organization concerned. The Participating UN Organizations will endeavor to harmonize their reporting formats to the extent possible:

- (a) Annual narrative progress reports, to be provided no later than three months (31 March) after the end of the calendar year;
- (b) Annual financial statements and reports as of 31 December with respect to the funds disbursed to it from the oPt Trust Fund Account, to be provided no later than four months (30 April) after the end of the calendar year;
- (c) Final narrative reports, after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved programmatic document, to be provided no later than four months (30 April) of the year following the financial closing of the programme. The final report will give a summary of results and achievements compared to the oPt Trust Fund's strategic objectives; and
- (d) Certified final financial statements and final financial reports after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved programmatic document, to be provided no later than six months (30 June) of the year following the financial closing of the programme.

41. The Administrative Agent will prepare consolidated narrative progress and financial reports, based on the reports referred to in paragraph 1 above, and will provide by 31 May to the

Management Committee for onward submission by the Co-Chairs to all donors and Participating UN Organizations contributing to the oPt Trust Fund, in accordance with the timetable established in the SAA.

42 The Administrative Agent will also provide the Management Committee for onwards submission to the donors and Participating UN Organizations, with the following statements on its activities as Administrative Agent:

(a) Certified annual financial statement (“Source and Use of Funds”) to be provided no later than five months (31 May) after the end of the calendar year; and

(b) Certified final financial statement (“Source and Use of Funds”) to be provided no later than seven months (31 July) of the year following the financial closing of the oPt Trust Fund.

43. Consolidated reports and related documents will be posted on the website of the Administrative Agent (mdtf.undp.org).

44. The Administrative Agent shall consolidate the reports by sector and present them to the Management Committee. The Management Committee, through the Co-Chairs, shall forward the reports to all donors contributing to the oPt Trust Fund.

45. Decisions by the Management Committee and the Project Approval Group, including funding allocations, will be shared with all oPt Trust Fund stakeholders in order to ensure the full coordination and coherence of recovery efforts. A dedicated oPt Trust Fund web site shall be maintained to ensure appropriate transparency and accountability. Summaries of project information and periodic updates on project commitments and disbursements will be posted on the web site. The latter, along with selected highlights of project progress, will be distributed to the PA and donors in a quarterly oPt Trust Fund Newsletter. Procurement requests and contract awards will also be publicly posted. Participating UN Organizations will be requested to publish Expressions of Interest, Requests for Proposals and Invitations to Bid on the public web site. Contract awards will be posted by project, supplier name, type of award process, award date, origin of supplier and value of the award.

46. The Management Committee shall commission an independent “lessons-learned and review exercise” of the entire operation of the oPt Trust Fund .

47. Each Participating UN Organization shall take appropriate measures to publicize the oPt Trust Fund. Information given to the press and to the beneficiaries of the assistance provided through the oPt Trust Fund, all related publicity material, official notices, reports and publications shall acknowledge the leading role of national partners as well as the role of the Participating UN Organizations, the Administrative Agent and any other relevant parties. In particular, the Administrative Agent will include and ensure due recognition of the role of national partners in all external communications relating to the oPt Trust Fund.

VI. Other Matters

Ownership of Equipment, Supplies and Other Property

48. Ownership of equipment, supplies and other property financed from the oPt Trust Fund shall vest in the Participating UN Organization undertaking the activities. Matters relating to the transfer of ownership

by the Participating UN Organization shall be determined in accordance with the applicable policies and procedures of the Participating UN Organization.

Audit

49. Project-level auditing shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of the respective Participating UN Organization. The activities of the Administrative Agent shall be subject exclusively to the internal and external auditing procedures provided for in the financial regulations, rules and directives of UNDP.

Termination of the oPt Trust Fund

50. Notwithstanding the completion of the projects financed from the oPt Trust Fund, any unutilized balances shall continue to be held in the oPt Trust Fund account until all commitments and liabilities incurred in the implementation of the projects have been satisfied and project activities have been brought to an orderly conclusion.

51. Unless otherwise agreed by the PA, the UN and donors, the oPt Trust Fund shall terminate upon completion of all projects funded through the oPt Trust Fund upon a 24 month period and after satisfaction of all commitments and liabilities. Any balance then remaining shall be disposed of by the oPt Trust Fund Management Committee in consultation, as required, with the contributing donors and the Administrative Agent.