

**Joint Financing Arrangement**  
**On the**  
**Nepal Peace Trust Fund**  
**Between**  
**The Government of Nepal**  
**And**  
**The Donor Group<sup>1</sup>**

1. Whereas the Government of Nepal (GoN) has requested the support of the Donor Group (Donors) to continue contributing to the Nepal Peace Trust Fund (Peace Fund) towards the implementation of the Comprehensive Peace Accord (CPA) signed with the then Communist Party of Nepal Maoist (CPN-M) and other relevant peace agreements. The GoN and the Donors together are hereafter referred to as the Signatories. The list of the signatory Donors is attached to this Joint Financing Arrangement (JFA) as Annex A.
2. Whereas GoN and Donors have agreed to jointly support a new strategy as an exit phase for the NPTF covering the period 2014 to 2017. The strategy is included as annex B to this JFA.
3. Whereas the GoN has committed itself to provide funding to the Peace Fund, and the Donors in turn have committed themselves to support the Peace Fund with technical and financial assistance as requested by the GoN.
4. Whereas the technical and financial contributions by the Donors will be decided on within the bilateral arrangements/agreements between the GoN and the respective Donors.
5. Whereas the Donors have committed themselves to the principles of harmonisation as reflected in this JFA and strive for the highest degree of alignment with the budgetary and accountability system and legislation of the GoN so as to enhance effective implementation, reduce the administrative burden on the GoN and minimise transaction costs.
6. Whereas the GoN and the Donors have reached an understanding on common procedures for consultation and decision-making, disbursement mechanism, technical assistance, monitoring and reporting, review and evaluation, audit, financial management and the exchange of information and cooperation between the Signatories as reflected in this JFA.
7. Whereas respect for human rights, democratic principles, the rule of law and good governance, which governs the domestic and international policies of the Signatories, are the fundamental principles on which the cooperation among the Signatories rests and which constitute essential elements of this JFA.

Now, therefore, the Signatories have decided as follows:

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<sup>1</sup> See the Annex A for list of signing Donors

## Section I - Goals of the Programme and scope of the JFA

8. The Overall Goal<sup>2</sup> of the Peace Fund is: A sustainable peace process in Nepal through effective implementation of the CPA and subsequent peace agreements thus establishing a long term peace in Nepal.
9. The Mandate of the NPTF covers: (a) to function as a coordinating body for peace related initiatives, (b) act as a funding mechanism for assistance to the peace process for GoN and donor resources, and (c) monitor the peace process.<sup>3</sup>
10. The Programme is defined in the "NPTF strategy for 2014 to 2017" and any further revisions thereof that are mutually agreed in writing by the signatories. The logical framework matrix of the strategy and of approved programs and projects will be used to assess the progress of the implementation of the strategy and of the outcomes and impact of the joint support.
11. The Peace Fund will be managed in accordance with "The Peace Fund Operation Rules, 2065 (2008), with amendments" (PFoR), attached as Annex C, to finance activities as outlined in the strategy. A prerequisite for Donors' support through the Peace Fund is that the GoN will strive to establish a diverse program/project portfolio duly consulted with Civil Society and stakeholders and commensurate with the NPTF strategy.
12. This JFA will apply to all activities budgeted and accounted for in Nepal under the Peace Fund budget head 3491013 as per GoN current chart of accounts. In the context of this JFA these budget heads will comprise the Programme for financial reporting purposes. In the event that these budget heads are changed due to revision of GoN chart of accounts, GoN will notify the Donors of the new budget heads which will comprise the Programme for financial reporting purposes. The financial reporting will include project/program wise information, activity based information under each specific program/project and data under 26412 and 26423 economic heads.
13. This JFA sets forth the jointly agreed terms and procedures for financial support to the Programme and serves as a coordinating framework for consultation with the GoN, for joint planning and decisions, reviews of performance, for common procedures on disbursement, for reporting and for audits.
14. The Donors will establish bilateral arrangements/agreements that are compatible with the spirit and provisions of this JFA and will refrain, as far as possible, from setting conditions in the bilateral arrangements/agreements which contradict or diverge from the spirit or provisions of this JFA. If there is any inconsistency or contradiction between the terms and conditions of this JFA and any of the bilateral arrangements/agreements, the provisions of the bilateral arrangements/agreements will prevail. Insofar as specific provisions of a bilateral arrangement/agreement deviate from the JFA, the Donor concerned will inform the other Donors thereof, by supplying a copy of it to each other Donor, specifying the provision(s) concerned.
15. The Donors will base their actual support on the expected results to be achieved and on the progress attained in the implementation of the Program. Progress will be measured through the procedures for reporting and review as described in Sections VIII and IX.

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<sup>2</sup> The logical framework used by the GON terminology is used in this JFA

<sup>3</sup> Related to Monitoring and Coordination, the main responsibility lies with the MoPR. NPTF will support MoPR in this process.

## Section II - Responsibilities and Representation

### 16. The GoN will:

- a. have the overall responsibility for the planning, administration, personnel management, procurement, financial management, implementation, monitoring and reporting of the Peace Fund and the Programme;
- b. maintain a Foreign Currency Account ("FCA") in Euros with Nepal Rastra Bank ("NRB") in which the Donors will disburse their grants and from which funds will be released to be utilised exclusively for the Programme;
- c. ensure that accounts for the Programme are kept in accordance with procedures set forth in the Financial Procedure Act ("FPA"), 2055 (1999) and Financial Procedure Rules ("FPR"), 2064 (2007) of GoN (and as amended);
- d. maintain a financial management system adequate to reflect the transactions, resources, expenditures incurred for each activity of the respective project, and assets under the Programme and will ensure that the GoN is able to produce timely, relevant and reliable financial information including annual audit with management letter for planning and implementation of the Programme, and monitoring of progress toward its objectives that will also allow the Donors to evaluate compliance with agreed procedures;
- e. provide sufficient qualified personnel and release all financial and other resources that are required over and above the funding from the Donors for the successful implementation of the Programme; and
- f. promptly inform the Donors of any condition which interferes or threatens to interfere with the successful implementation of the Programme and call for a meeting to consult with the Donors on remedial actions to be taken.
- g. Ensure that the financial statements will show all sources of funding, with sufficient breakdowns of data. In the case of earmarked funding to permit identification of individual sources of funds and disbursements on major activities or types of expenditure.

### 17. The Donor Group:

- a. will interact with the peace fund through a donor group, as outlined in section IV. The donor group will include all donors that have contributed to the Peace Fund as signatories to the JFA. The donor group may also include other bilateral and multilateral donors providing parallel funding through and support to the MoPR and NPTF.
- b. are committed to support the Peace Fund in such a way that it can effectively and accountably be led by the GoN under the oversight of a board whose membership is inclusive of the high political commitment of the GoN and plurality of the parties to the agreements referred in section V below. It includes representatives of the five major political parties in the Constituent Assembly/Legislature Parliament. Other parties and/or members of the CA /Legislative Parliament may be invited to participate in the Board meetings as agreed between the parties.

c. do not bear any responsibility and/or liability to any third party with regard to the implementation of the Programme

18. The Signatories will cooperate and communicate fully and in a timely manner with each other on all matters relevant to the implementation of the Programme and this JFA. Signatories will share information on aid flows, technical reports, and any other documentation/initiative related to the Peace Fund and its activities which are relevant to the support.
19. In matters pertaining to the implementation of this JFA, the GoN will be represented by the Secretary, Ministry of Peace and Reconstruction (MoPR).

### **Section III - Contributions**

20. The Donors will confirm their contribution and time span of their support through the bilateral arrangements/agreements.
21. Donors will, as part of their bilateral agreement/ arrangement with the GoN, have the possibility for providing a) pooled funding and/or b) earmarked funding for specific programmes or projects financed by the NPTF.
22. The Donors will make available to GoN funds deposited in the FCA in the name of the Financial Comptroller General's Office ("FCGO") in the NRB to be used exclusively to finance the Programme.
23. The PFS will keep separate accounts for the pooled fund and for earmarked funds respectively for reporting purposes.
24. On an annual basis, the Donors will review the programmes planned and estimated budget for utilisation of the Peace Fund and as well as the GoN budgeted contributions and as far as possible commit their contributions by presenting a tentative schedule showing amount and time of contribution by each Donor as further described in Section VI.
25. The Donors will ensure timely release of their commitments to the FCA in accordance with the provisions of Section VI below and the bilateral agreements/arrangements.

### **Section IV - Consultations, Decision Making**

26. Regular consultations among the Signatories are essential to continued engagement by the Donors and effective implementation of the Peace Fund.
27. The main venues for these consultations will be through a high level meeting Joint Annual Consultation (JAC) to review the programmes planned for the next fiscal year in April and another high level Annual Review Meeting (ARM) in October/ November to review the performance of the Peace Fund for the previous fiscal year.
28. Between these meetings the donors will further meet with MoPR on technical level (GON DG meetings) on at least a <sup>4</sup>quarterly basis to review progress based on the quarterly progress reports and address relevant issues.

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<sup>4</sup>In the Nepalese context this means in practice four monthly intervals.

29. The meeting in October/November will serve as the annual review meeting for the Signatories to review the performance of the Programme during the previous fiscal year based on the annual reports as mentioned in Section VIII and reports from reviews as mentioned in Section IX.
30. At the meeting, the Donors will if possible for them make an initial indication of funding to be provided for the following fiscal year.
31. The meeting in April will serve as the annual review meeting among the Signatories for joint review of programmes planned for the next fiscal year taking into account the recommendations from the review meeting held in October/November the previous year, progress reports for the current fiscal year as mentioned in Section VII, reports from reviews as mentioned in Section IX and the audit report of the previous fiscal year as mentioned in Section X.
32. The October/November and April meetings will be attended by the responsible Minister and the heads of the donor missions in Nepal in the opening and conclusion sessions, MoF, FCGO and MoPR. Board members will also be invited. Stakeholders, including all donors, civil society and IAs will attend these meetings. MoPR in cooperation with the DG chair will be responsible for the agenda. MoPR will call and chair the meetings. The outcome of the meetings will be presented in an aide memoire (AM). The AM will be drafted by PFS and will be shared with the donor representative before finalisation, within one week of the meeting.
33. The GoN may invite additional parties, such as UN representatives and other donors providing parallel funding, to the meetings.
34. Additional consultation meetings may be requested by the GoN and/or Donor(s) on any subject relevant to the implementation of the Peace Fund, in particular PFS will in cooperation with the DG facilitate meetings with donors to have an annual interaction with implementing agencies (IAs) in connection with the October/November review meeting to review progress towards the outcomes of the programmes as outlined in the project documents.

#### **Section V - Organisational Structure<sup>5</sup>**

35. A Board, chaired by the Minister for Peace and Reconstruction and co-chaired by the Minister of Finance, will oversee the Peace Fund as per the PFoR. It will be ensured that the five major political parties in the Constituent Assembly/Legislature Parliament are represented in the Board, whether the parties are in the government or not. Whenever requested the Chair can invite other political parties or other CA/Legislature Members to attend the Board meetings. The Board will meet as and when required, but at least once every six months. The representative of the Donor Group participate in the Board meetings as a member.
36. A Technical Committee (TC) will be chaired by the Secretary of MoPR. The TC will establish a core cluster and a sector appraisal cluster to carry out works related to the mandate of the Peace Fund, including the technical evaluation of program documents, concept notes and detailed project documents. The TC meeting agenda will be shared with the donor chair at least one week before meetings, minutes will be shared with the donor chair and project extensions for over one

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<sup>5</sup> The structure is described in more detail in the strategy document, so the text is kept brief here to avoid repetitions.

year or substantial changes to project documents will require no objection from the donor chair.

37. The sector appraisal cluster is chaired by the Director NPTF and has one participant from MOPR, two from relevant IAs, donor members, one representative from the UN and two members from relevant civil society organizations. Members will be appointed by the Director NPTF based on Consultations with the donor chair. Relevant PFS staff and TA staff will attend as observers
38. The core cluster is chaired by the Director NPTF and members are the undersecretaries of the PFS and the donor representatives and relevant TA staff. Before a concept note is considered to be an official proposal, consensus as to the quality and content of the concept note should be built between the GoN and donor representatives in the Core Cluster. All Donors are invited to the Core Cluster.
39. For projects supporting NPTF operations and NPTF and MOPR capacity development, only donors, MOPR staff and relevant TA will participate in the clusters.
40. Broad Program Documents covering relevant thematic areas from the strategy will be developed through the core cluster and the sector appraisal cluster before being presented to the Board for approval as a basis for a broader strategic discussion. The board may approve the broader programme documents and delegate approval of specific projects to the technical committee following technical evaluation of the initial concept note by the core cluster, which must give no objection that the concept note progresses to a full proposal..
41. All projects above 100 million NPR must be submitted to the Board for approval, while projects below this value may be approved by the Technical Committee provided they fall under an agreed program document.
42. The detailed program and project preparation rules and review process and the relations and responsibilities between the technical committee technical evaluations , the sector appraisal cluster and the core cluster are contained in the NPTF strategy document Chapter 5 para 5.4
43. The project review process will pay special attention to the inclusion, consultation and needs of women and children, in accordance with UN Security Council Resolution 1325/1820 and 1612 respectively and other relevant UN resolutions, as well as the National Action Plans on UNSCR1325 and 1612 respectively. It will also consult with and address the needs of other discriminated groups.
44. The coordination between the Signatories will be organised through the mechanism outlined in section IV and further described in the NPTF strategy document. The MoPR will represent the GoN within this mechanism.
45. The chairperson of the donor group will be selected by the donors and will serve as donor focal point to interact with the GoN, receive progress reports and other documentation related to the implementation of the Programme, and raise issues of concern at GoN/donor meetings, technical committee and Board meetings. However, the chairperson of the donor group will not have any authority to make decisions on behalf of the Donors. The selection and role of the chairperson, as well as any changes made during the timeframe of this JFA, will be communicated to the MoPR in writing by the chairperson.

46. Donors providing Technical Assistance for the MOPR, NPTF and for IAs implementing programs and projects financed by NPTF agree to closely coordinate this TA and share information with all JFA signatories following the procedures described below. Technical Assistance will be provided either

a) In kind TA provided to NPTF/PFS, MOPR or IAs (in 2010 JFA denominated track 2 TC pool) or

b) Cash contributions (on budget) for Capacity development of MOPR and PFS to be managed by the PFS and MOPR (in 2010 JFA denominated track1 TC pool).

TA will be coordinated through the regular meetings of the NPTF director with the Donor chair and through discussions in all regular GON DG meetings as a fixed point on the agenda. A dedicated officer at the PFS has responsibility for the oversight of the TA activities and report to the relevant meetings between the parties. The described arrangement replaces the existing TC pool arrangements in the 2010 JFA. Projects under a) follow procedures agreed between the GON and the particular donor providing TA. Terms of Reference, work plans and progress reports will be shared with all donor signatories to the JFA.

Projects under b) will follow normal NPTF project approval procedures and be approved first by the Sector appraisal cluster and thereafter by the Technical Committee. Only projects above 100 million NPR will be submitted for Board Approval.

#### **Section VI - Disbursements<sup>6</sup>**

47. The Donor contributions will be made through a joint disbursement arrangement in accordance with the following procedure:

- a) The Donors will provide indicative funding levels for the following fiscal year in the joint Annual Review Meeting (ARM) in October/November.
- b) The Donors will provide a funding commitment after the Joint Annual Consultation (JAC) in April.
- c) The Signatories will in the light of these commitments determine their share of funding for the coming fiscal year for the Programme as defined in section I above.
- d) For each fiscal year the Donors will make an advance deposit into the FCA with an amount ensuring that the balance of the FCA are at least their share of the first trimester expenditure estimates for the fiscal year.
- e) Donors will, wherever possible, adhere to the funding schedule outlined above. However, it is recognised that Donors may wish to make contributions based on arising needs of the peace process and so may make commitments and contributions throughout the year.
- f) The Donors, as suitable to their respective funding cycle, may deposit to the FCA the full amount as committed for the fiscal year or for the full program period or any amount as convenient to them with the assurance that the funds so transferred will be closely monitored, tracked and reported by the agreed reports

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<sup>6</sup> The rules for disbursements from the PFS to the Implementing Agency are stipulated in the PFOR.

in the case of earmarked programs/projects on an individual donor basis and for others, on pool fund basis.

g) Changes within the year of commitments or schedule of disbursements by the Donors or additional commitments from new Donors becoming signatories to this JFA will be discussed by the Signatories before such adjustments are made.

h) Advance may be provided:

(1) The Secretariat will provide necessary amount from the amount deposited in the Peace Fund established under PFOR Rule 3, to the Project Implementing Agency, as an advance for the purpose of the Project implementation equivalent to up to two trimesters cash forecast for the project activities. Subsequent instalments to Project Implementing Agency will be provided upon ensuring compliance with financial management as well as performance reporting by the Project Implementing Agencies and expenses upto 80% of the previous advances.

(2) The advance for the first trimester provided pursuant to (1) above must be settled by the Project Implementing Agency at the end of each trimester submitting statement of expenditures and monthly progress records as per the prevailing law relating to financial administration and before an additional advance is provided for the next trimester. Same procedure will be followed with subsequent trimesters so project implementation is not interrupted.

48. The GoN will make withdrawals from the FCA in accordance with the following procedure:

a) The GoN will make a withdrawal for funding of the Programme from the FCA equivalent to the Donor's share of expenditure estimates for the first trimester of the fiscal year;

b) To determine withdrawals from the FCA for the second trimester the GoN will present Financial Monitoring Reports ("FMRs") as defined in Section VIII showing funds utilized during the first trimester, the cash balance position of the FCA, and the cash forecast for the remaining fiscal year;

c) Based on the FMRs the GoN may make a second withdrawal from the FCA for funding of the Programme for the second trimester. The amount to be withdrawn should not exceed the Donor's share of expenditure estimates for the second trimester and be adjusted for the balance between the advance withdrawn from the FCA for the first trimester and the Donor share of actual expenditure for the first trimester.

d) To determine withdrawals from the FCA for the third and final trimester of the fiscal year, the GoN will present FMRs as defined in Section VIII showing funds utilized during the first two trimesters, the cash balance position of the FCA, and the cash forecast for the remaining fiscal year;

e) Based on the FMRs the GoN may make a third withdrawal from the FCA for funding of the Programme for the third trimester. The amount to be withdrawn should not exceed the Donor's share of expenditure estimates for the third trimester. The amount should be adjusted for the balance between the amount withdrawn from the FCA for the first two trimesters and the Donor share of

actual expenditure for these two trimesters.

- f) Any amount withdrawn from the FCA that exceeds the Donor share of actual expenditures at the end of the fiscal year may be liable for repayment or deduction against the advance to be withdrawn from the FCA for the following fiscal year
  - g) The PFS will use earmarked fund funds before pool fund is being used for funding the earmarked projects.
49. The PFS is responsible for forwarding the relevant financial reports indicated in Section VIII below certified by FCGO, and submitting the request for release of funds in writing in accordance with the provisions of this JFA to the chairperson of the donor group.
  50. The Donor Group will have 10 working days upon receipt of this request to review the attached reports (refer Section VIII) and clarify any outstanding issues including validity of cash forecasts with the MoF, FCGO and MoPR.
  51. In the event of there being 'no objection' the chairperson of the donor group will advise the Donors to deposit additional funds to the FCA if required to meet their committed share of the agreed funding, which should take place no later than 30 days after the receipt of the GoN's request.
  52. In the event of there being issues which are not possible to clarify within the 10 day period, the above process will be suspended until outstanding issues are resolved. GoN and the Donors will make their best endeavours to resolve any such issues as quickly as possible.
  53. PFS will provide the chairperson of the donor group, in writing, with the confirmation from NRB and the FCGO certified receipt of the foreign exchange funds received from the donors.
  54. The FCA will be a non-interest bearing account. No fees and commissions will be charged for the operation of the account.
  55. The exchange rate at which funds from the FCA will be converted into Nepalese rupees will be the official buying rate of the NRB on the date of conversion.
  56. The FCA will be used only for the purpose of transferring the amount to GoN's consolidated fund. There will be no direct or indirect expenditure on the procurement of imported goods and services from the FCA. The procurement of such items will take place in accordance with paragraph VII below.

#### **Section VII - Procurement**

57. The GoN undertakes to effect all procurement of works, goods and services financed with Peace Fund resources and is responsible for the contracts to be signed.
58. All procurement will be performed in accordance with generally accepted principles and good procurement practices and in conformity with the GoN's regular procedures and regulations as described in the Public Procurement Act, 2063 (2007) (and subsequent amendments) ; and Financial Procedure Act, 2055 (1999) ( and subsequent amendments) and the corresponding Regulations pertaining to those Acts. However, in the case of selection of NGAs by PFS for project/activity implementation and procurement by the said NGAs within the approved project document, donor's

procurement guidelines as agreed with and prescribed by PFS will be applicable<sup>7</sup>.

59. The procurement entity will assess environmental impacts of goods to be procured and associated risks will be minimized in alignment with the GON's own environmental regulations and policies
60. PFS will ensure that all implementing agencies will prepare their respective procurement plans that includes procurement of goods, services and works to be financed under this Programme. These procurement plans will be consolidated by PFS and will be provided to Donor partners, with procurement monitoring reports concerning progress in implementation of the procurement plan.
61. Additional procurement support and monitoring arrangements may be applied on a project-by-project basis where necessary and as agreed by the Signatories.
62. The GoN will, upon request, furnish the Donors with all relevant information on its procurement practices and actions taken, and provide access to all related records and documents.

## **Section VIII – Reporting**

### *Financial reporting*

63. The GoN will provide the Donors financial monitoring reports according to the Annexes D, E and F of this JFA, which elaborate on the flow of funds to the Programme from GoN, Donors and other sources; and the status of the budget, release and expenditure incurred for each of the respective project during the implementation of the Programme. These reports will be submitted to the Donors by MoPR within 45 days of the end of each trimester following the Nepalese calendar. The financial report for the last (third) trimester of the financial year will be provided within 60 days of the end of the period.
64. The following reports constitute the financial management reports that will form the basis of withdrawal of Donor's contribution from the FCA;
  - (a) A report certified by the FCGO for each quarterly period and year to date on transfers to and from the foreign exchange account in accordance with the format in Annex D and with a copy of the bank statement for the account from the NRB enclosed. Reports according to Annex D1 will cover the pooled fund, Annex D2 reports cover earmarked funds (one for each project).
  - (b) A report certified by the FCGO for each quarterly period and year to date regarding funds released to the Programme budget heads in accordance with the format in Annexes E. Annex E1 cover GON line item accounting system, Annex E2 cover project wise accounting.
  - (c) A activity-wise report for each trimester and year to date regarding expenditure incurred for each activity of the respective project in accordance with the format given in financial reporting part in Annex F.1.
  - (d) The above reports for the last quarterly (trimester) period will constitute the Annual FMR Reports for the Programme.

### *Progress reporting*

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<sup>7</sup> If not otherwise agreed the rules of the DG donor chair agency will be applied.

65. A consolidated "Implementation Progress Reports" (IPRs) for each trimester within 45 days of the end of the period elaborating details of progress in implementation of related activities, main problems observed in project implementation, causes of problems observed, actions taken to resolve the problem, assessment of problems observed and risks, and proposed adjustments to program design and plans of the individual projects in the reporting period, in accordance with Annex F.2. The progress report for the last (third) trimester of the financial year will be provided within 60 days of the end of the period.
66. In addition the GoN will provide an annual progress report relating activities of the NPTF in general and outputs and outcomes for individual projects related to Programme Goals, purposes and expected outputs with detailed project progress report for each project funded under the programme in accordance with the formats in Annex G. This report will be provided within 90 days of the end of the fiscal year.

#### **Section IX - Review and Evaluation**

67. The review of the Programme will be common for all Donors, will be implemented according to section IV and will be aligned with the GoN's review process. Performance will be measured against the objectives and indicators described in the NPTF strategy and its Logical framework matrix.
68. An external review will be conducted during the third quarter of 2016 jointly by the GoN and the Donors. The costs of this review will be borne by Donors.
69. NPTF will conduct reviews and evaluations by thematic areas or of individual programs based on a review and evaluation program to be agreed on an annual basis in the High Level meetings in April each year. This may include independent external monitoring to be agreed between the parties.
70. Notwithstanding the joint external review mentioned above, the Donors may jointly conduct an evaluation of the Peace Fund and the Programme after Programme completion. The donor group will prepare a ToR for the evaluation to be discussed at a review meeting between the Signatories. The donor group chair will coordinate and manage the evaluation process. The cost of the evaluation will be charged to the Donors
71. The Donors will, to the extent possible, refrain from conducting unilateral reviews, evaluations and/or audits of the Programme. However, if a Donor is required to conduct an independent unilateral review, evaluation or audit, the Donor will in a timely fashion consult with all donor Signatories to discuss the Terms of Reference and timing of the review, evaluation and/or audit and inform in advance to the GON. The cost of such review, evaluation or audit will be borne by the respective donor requiring the reviews/evaluations and/or audit. In such as a case the report from the review, evaluation or audit will be shared with all other Signatories.

#### **Section X - Audit**

72. The Office of the Auditor General of Nepal will conduct a financial and compliance audit of NPTF each year of all accounts, including the FCA and local currency accounts, covering all sources and uses of funds for the Programme including project accounts of GoN ministries, agencies and transfer to Non-Governmental Organizations funded through the NPTF. This will be presented in a consolidated project account of the NPTF.
73. The audit shall be carried out in accordance with INTOSAI (International Organisation

of Supreme Audit Institutions) or International Standards of Auditing and under additional Terms of Reference, if required by the Donors, agreed between the Signatories and the Office of the Auditor General. The audit will be carried out after the close of each fiscal year and the audit report and management letter submitted to MoPR (with a copy to the Donors) within 9 months after the close of the fiscal year. In addition, the Peace Fund Secretariat will informally make available to the Donors the unaudited and the unapproved versions of NPTF related financial statements (PFS and IAs) within six months of the end of the Nepali financial year. The Peace Fund Secretariat will also submit to the Donors the NPTF-related sections of the MoPR chapter in the Auditor General's Annual Report, translated into English, as soon as this is available.

74. The project accounts of Non-Governmental Organizations implementing projects of the Peace Fund will be audited by the auditors appointed by the Technical Committee/PFS and will be used by the OAG in forming opinion on NPTF Project Accounts.

#### **Section XI - Non-compliance, Force Majeure**

75. In the case of non-compliance with the terms of this JFA and/or violation of the fundamental principles set out in this JFA on the part of the GoN, the Donors may suspend further disbursements to the Peace Fund and reclaim or request a refund of the funds already transferred in whole or part and/or terminate further support to the Peace Fund. Such non-compliance could include inter alia substantial deviations from agreed plans and budgets, misuse of funds, any case of fraud and corruption, undue exertion of partisan influence, and non-compliance with agreed prior actions relating to the implementation of the Peace Fund.
76. If a Donor intends to suspend new disbursements or terminate its support, the Donor will call for a meeting with the other Signatories in order to reach a joint position on the measures, remedial or otherwise, required or to inform the other Signatories of its intentions regarding the continuation or discontinuation of support.
77. The Donors may suspend or reduce new disbursements in the event of extraordinary circumstances beyond the control of the GoN which hinder effective implementation of the Peace Fund. If the Donors consider suspending new disbursements they will consult with the GoN reasonably long in advance. The suspension will be lifted as soon as these circumstances have ceased to exist and appropriate remedial actions have been implemented by the GoN.

#### **Section XII - Corruption**

78. The Signatories will co-operate on preventing corruption within and through the NPTF and will require that the MoPR's staff and consultants under the Peace Fund are prohibited from offering third parties, or seeking, accepting or being promised from or by third parties, for themselves or for any other party, any gift, remuneration, compensation or benefit of any kind whatsoever, which could be interpreted as an illegal or corrupt practice. The Signatories will take swift legal action to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption.
79. The Signatories will promptly inform each other of any instances of inappropriate use of funds or corruption as investigated by responsible anti-corruption bodies and/or as referred to in this section and measures taken.

80. The Partner Signatories reserve their right to exercise remedies as set out in their bilateral agreements with the GoN, consistent with their commitment to good governance, accountability, and transparency, if the GON fails to timely act with a satisfactory resolution on the cases of alleged corruption reported.

**Section XIII - Modification, Repayment of Contributions, Donor accession and withdrawal**

81. The Signatories will annually review/discuss the implementation, application and effectiveness of the procedures outlined in this JFA.
82. Any modification/amendment of/to the terms and provisions of this JFA will only be approved if agreed in writing by all Signatories.
83. The Signatories welcome participation in this JFA by other Donors who wish to support the Peace Fund.
84. Upon a new Donor's written request and written acceptance of the terms and conditions of this JFA, the GoN may, as an annex to this JFA, authorise in writing that Donor to become a Signatory. The GoN will promptly consult with the other donors in advance and furnish them with a copy of the letter of acceptance.
85. Each Donor may withdraw/terminate his support for the Peace Fund by giving the other Signatories three months written notice. If a Donor intends to withdraw/terminate its support, that Donor will call for a meeting to inform the other Signatories of its decision and discuss the consequences for the Peace Fund.
86. Donors may in the case of earmarked funding demand their share of the remaining fund in the earmarked projects repaid upon finalization of financial reports and audits of the project supported. The earmarking donors may also agree to transfer remaining funds to the pooled fund.
87. In the case of donors supporting the pooled fund, repayment may also be requested when a donor withdraws or when the fund eventually closes and there is a balance of funds remaining. The repayment to individual donors will in this case be in proportion to their funding in the life span of the Fund at the time of withdrawal from the fund or at the time of closure of the Fund whichever is relevant in the specific case.
88. The amount of recoverable audit observations reported in the audit reports will be refunded to the donors or adjusted from the amounts to be reimbursed to the Government from the FCA for donors' share of expenditures on prorated-basis.

**Section XIV - Dispute settlement**

89. If any dispute arises between Signatories as to the interpretation, application or implementation of this JFA, Signatories will consult with each other in order to reach an amicable solution.

**Section XV - Entry into effect**

90. This JFA enters into effect for GoN and a given Donor on the date of signature by the GoN and that individual Donor. Actual implementation and financial closure will finish by July 17, 2017 however the agreement will remain in effect for three years and until all mutual obligations are fulfilled. Whether the obligations have been fulfilled shall be determined in consultations by the Signatories,

Annexes:

Annex A - Joint Signatories

Annex B - NPTF strategy 2014-17

Annex C - Peace Fund (Operation) Rules, 2065 (with amendments)

Annex D.1 - Statement of funds flow through Foreign Currency Account covering [date]  
to [date] – Pool Fund

Annex D.2 - Statement of funds flow through Foreign Currency Account covering [date] to  
[date] – Earmarked Fund

Annex E.1 – Quarterly Financial Report

Annex E.2 – Budget and Expenditures by Project and Programme Areas

Annex F.1 – Activity-wise Budget Performance Report from [date] to [date]

Annex F.2 – Quarterly Project Performance Report from [date] to [date]

Annex G – Annual Programme Performance Report for [Fiscal Year]

**Annex A: Joint Signatories**

**Signed by the Government of Nepal**

Signature: KR Punjal  
Name: Khum Raj Punjal  
Position: Secretary

Date: 22/04/2015

**Signed by the European Union**

Signature: [Signature]  
Name: Rensje Teerink  
Position: Ambassador

Date: 22/4/2015

**Signed by U.S. Agency for International Development (USAID)**

Signature: [Signature]  
Name: Beth Dunford  
Position: Director

Date: 22/4/2015

**Signed by**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Position: \_\_\_\_\_

Date: \_\_\_\_\_

**Signed by**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Position: \_\_\_\_\_

Date: \_\_\_\_\_

**Signed by**

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Position: \_\_\_\_\_

Date: \_\_\_\_\_