Government of Nepal
Ministry of Peace and Reconstruction
Peace Fund Secretariat

Nepal Peace Trust Fund

Strategy 2014-17

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Government of Nepal
Ministry of Peace and Reconstruction
Singhdurbar, Kathmandu
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Ref. No.:

Foreword

It is with great pleasure that I hereby present the strategy for the Nepal Peace Trust Fund (NPTF) for its third and final phase from October 2014 to July 2017.

NPTF has been a unique joint undertaking between the Government of Nepal (GoN) and Donors for financing of critical peace support activities such as the cantonment of the Maoist combatant after the signing of the Comprehensive Peace Accord (CPA) and their later reintegration in society, financing of reestablishment of security in conflict affected areas through mine clearance and reconstruction of police units and financing of the two Constituent Assembly (CA) elections and other election related activities and financing of the Local Peace Committees (LPCs).

After the second election to the CA, Nepal has moved into a more stable political situation and it is expected that the promulgation of the constitution and state and local elections will take place before Mid-2017. This would contribute to a natural conclusion of the main tasks of reconciliation and peace process.

GoN and donors have therefore agreed that the NPTF should complete its remaining tasks over the next three years and close by mid-2017. NPTF will, in that period, continue and as far as possible conclude the required financial support to Conflict Affected Persons (CAPs)/conflict victims for relief and recovery, conclude on-going support to reestablishment of security in conflict affected areas, continue support to transitional justice process and continue support to Constitution making, elections and LPCs.

At NPTF's closure some activities will have been completed, Implementing Agencies (IA) like the ECN and the Police will have established their own relations to donors and the activities hitherto supported by NPTF will be financed directly by donors and the GoN. Other minor activities as support to specific CAP groups as disabled will as far as possible have been integrated into normal GoN programs.

Let me take this opportunity on behalf of the Government to thank donors for their continued support to Nepal's Peace process over these years and for the coming years. Let me also thank the staff of the PFS for their persistent hard work to support the peace process and let me finally thank the Implementing Agencies for the important work they are doing in support of peace in Nepal.

Nara Hari Acharaya
Minister for Peace and Reconstruction

April, 2015

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Abbreviations

CA	Constituent Assembly
CADP	Conflict Affected Disabled People
CAPs	Conflict Affected People
CoDP	Commission on Disappeared Persons
CPA	Comprehensive Peace Accord
CPN	Communist Party of Nepal
DDCs	District Development Committees
DFID	Department for International Development.
DG	Donor Group
DTCO	District Treasury Controller Office
ECN	Election Commission of Nepal
EU	European Union
GESI	Gender Equality and Social Inclusion
GoN DG	Government of Nepal and Donor Group
GoN	Government of Nepal
IA	Implementing Agency
IDPs	Internally displaced Persons
IED	Improvised Explosive Devises
INGO	International Non-Governmental Organization
JFA	Joint Financing Arrangement
JS	Joint Secretary
LPC	Local Peace Committee
M&E	Monitoring and Evaluation
Mn	Million
MoFALD	Ministry of Federal Affairs and Local Development
MoHA	Ministry of Home Affairs
MoPR	Ministry of Peace and Reconstruction
NAP	National Action Plan
NC	Nepali Congress
NGA	Non-government Actors
NGO	Non-Governmental Organization
NPC	National Planning Commission
NPR	Nepalese Rupees
NPTF	Nepal Peace Trust Fund
OAG	Office of the Auditor General
OHCHR	Office of High Commissioner for Human Rights
OPMCM	Office of the Prime Minister and Council of Minister
PFM	Public Financial Management

PFS	Peace Fund Secretariat
PU	Police Unit
SGBV	Sexual and Gender Based Violence
SPA	Seven-Party Alliance
TA	Technical Assistance
TF	Task Force
TRC	Truth and Reconciliation Commission
UK	United Kingdom
UML	United Marxist Leninist
UN	United Nation
UNDP	United Nation Development Programme
USAID	US Agency for International Development
USD	United State Dollar

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Dec 2014 - Mid March 2016

Executive summary

The Government of Nepal (GoN) and Donors to the Nepal Pease Trust Fund (NPTF) have agreed to **update the NPTFs strategy and the Joint Financing Arrangement (JFA) with Donors**. As the peace process has entered a new phase after the second Constituent Assembly (CA) elections, some peace related activities can be gradually completed and/or incorporated in the regular programmes. At the same time, there remain challenges and gaps. It has therefore been agreed to **extend the present mandate of the NPTF from January 2016 to mid-2017**. This document presents the NPTF strategy up to mid-2017 and replaces the Project Document from 2010. It provides a brief analysis of the background and context that the NPTF operates in, and outlines its future mandate, programmatic priorities, timeline for phasing out and closure, as well as institutional and operational options.

Past evaluations and reviews indicate that the NPTF has had some very good results in Nepal's transition to peace, such as on cantonment management, Police Unit reconstructions and two rounds of Constituent Assembly elections. An important strength and value added emerging from the investment in the NPTF especially in the last 3 years is improved financial management and financial reporting of the programmes. The funding mechanism has also allowed for a continued flow of funds to projects across financial years, which has contributed to smooth multi-year implementation.

The **mandate** of NPTF is derived from the CPA and other relevant peace agreements. It continues to be *(a) to function as a coordinating body for peace related initiatives, (b) act as a funding mechanism for GoN and donor resources, and (c) monitor the peace process.* Related to coordination and monitoring of the peace process, the NPTF has a supporting role to the MoPR, which has the full responsibility for these two areas. The **overall goal of NPTF is** '*a sustainable peace process in Nepal through effective implementation of the CPA and subsequent peace agreements'*. It has been agreed that *the NPTF continues to function within its present* ***institutional framework*** *linked to the MoPR'.*

The **programme approach** agreed is *to focus on the NPTF's areas of comparative advantage, which may include unfinished business from the peace process.* Future programming will, as far as possible, follow a *programme-based approach* with consolidated programmes and will avoid scattering resources across too many small projects. The focus would be on either completing the necessary support in a given area by filling the gaps or channelling activities that cannot be completed within the mandate period into regular government programmes. The programme will have **four clusters (intermediate goals)**: Cluster 1 will cover support to *Conflict Affected People*; Cluster 2 *will include Transitional Justice and Reconciliation; Cluster 3* will cover support to *Access to Security*; and Cluster 4 will provide support to the *CA, elections and peace building initiatives to be determined on a case-by-case basis between GoN and the donor group.*

The **funding** to the NPTF for the next two years is estimated to be around NPR 2.4 billion after closing the accounts for CA II elections projects. However, higher level of funding will be needed if the NPTF is called upon to finance local and state elections and if other new initiatives are agreed. The strategy also contains a number of ***operational measures*** *to strengthen and streamline the NPTF operations*, such ensuring adequate GoN staffing of the secretariat, reduction of TA, and improvement in coordination with stakeholders including donors. It is also envisaged to make targeted TA available to Implementing Agencies (IA), in particular, ensuring evidence based project preparation and approval procedures, focus on management for results and strengthened financial management and simplified funding procedures. *While a* **pooled mechanism** *for funding is the aim, donors can* **as up to now earmark funds** *for specific programs and projects.*

1. Introduction

The Government of Nepal (GoN) worked with Development Partners to establish the Nepal Peace Trust Fund (NPTF) in January 2007. The NPTF is an internationally unique joint government donor funding mechanism to support Nepal´s peace process after the Comprehensive Peace Accord (CPA) was signed in 2006. The operation of NPTF is an on-budget activity that is financially supported by Government of Nepal (GoN) and donors and is operated by the Peace Fund Secretariat (PFS) of the Ministry of Peace and Reconstruction (MoPR). It supports the implementation of the CPA and other peace related agreements. A Joint Financing Arrangement (JFA) for support to the NPTF was signed in February 2007 between the GoN and the Donor Group (DG), and later amended and extended in February 2010. While most donors contribute with un-earmarked funding, the possibility for earmarking is established in the JFA and donors have practiced earmarking in different opportunities. The fund is managed by a Board Chaired by the Minister for Peace and Reconstruction and with the Minister of Finance as co-chair, the Planning commission and Secretaries from relevant ministries as members. The donor chair is invited as an observer. Up to 2014, NPTF was receiving contributions from the GoN and eight donors including Denmark, European Union (EU), Finland, Germany, Norway, Switzerland, United Kingdom, and the United States Agency for International Development (USAID). The contributions in NPR and percentages are shown below:

Summary of Contributions from GoN and Donors up to FY 2013/14 (in Mn NPR)

Year	Received					Released
	GoN		Donor		Grand Total	
	Amount	%	Amount	%		
2006/07	1,443	69%	636	31%	2,079	438
2007/08	742	40%	1,126	60%	1,868	3,337
2008/09	836	63%	497	37%	1,333	1,082
2009/10	2,102	74%	741	26%	2,843	2,353
2010/11	1,756	75%	589	25%	2,345	2,495
2011/12	2,627	60%	1,728	40%	4,356	2,822
2012/13	3,608	62%	2,195	38%	5,802	5,627
2013/14	660	26%	1,837	74%	2,497	1,660
Total	**13,775**	**60%**	**9,348**	**40%**	**23,123**	**19,814**

The Fund has so far managed about NPR 23 billion or USD 230 million. Sixty percent of the fund came from the government and 40 percent from the donors.

The Ministry of Peace and Reconstruction (MoPR) is responsible for overall operation of the NPTF. The core mandate of NPTF has up to now been: (a) to function as a coordinating

body for peace-related initiatives, (b) to act as a funding mechanism for GoN and donor resources, and (c) to monitor the peace process.

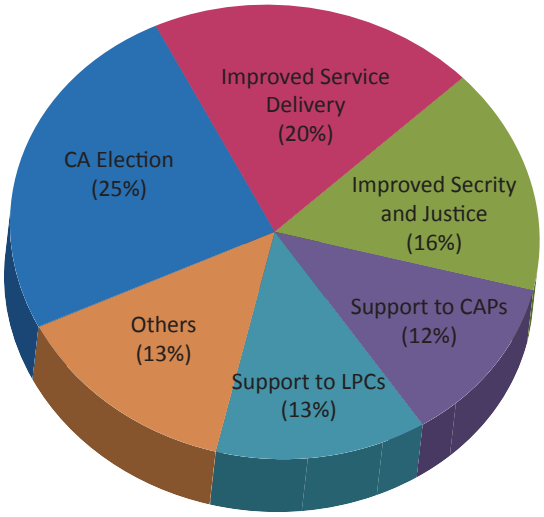
The NPTF has supported the CPA implementation through financing of 65 projects and activities broadly categorized into four clusters. Of these, 43 projects have been completed and 22 are ongoing. The table below shows the overall budget allocation within these clusters:

Cluster	Projects completed	Projects on going	Total Projects	Approved budget (in mn NPR)
1. Cantonment Management, Integration/ Rehabilitation of Combatants	21	1	22	5,540
2. Conflict Affected Persons and Communities	1	3	4	1,065
3. Security and Transitional Justice	4	12	16	4,686
4. CA elections and Peace Building Initiatives	17	6	23	12,163
Total	**43**	**22**	**65**	**23,454**

A mapping carried out by NPTF categorised 109 projects as 'support to the peace process, although many more externally funded programmes contribute to broader peacebuilding goals of improved governance, job creation etc.. The 'peace process' projects are supported by GoN, international donors, multinational development agencies and INGOs and adds up to a total volume of NPR 87.8 billion. The 27 ongoing NPTF-funded projects (at the time of the study) account for about 17 per cent of the total expenditure. The 109 projects come under the following thematic areas:

By previous decision of the NPTF Board, the existing mandate of NPTF ends in January 2016. Pending the finalisation of this strategy, the GoN and donors agreed to extend the JFA that was otherwise due to expire in November 2013 up to October 2014. The additional time has been used to hold consultations on defining a new mandate and timeline, and reviewing the JFA and the operational guidelines. The existing strategy in the project document of 2010, the operational guidelines and the JFA needed updating to account for the changed context. A Task Force formed by the MoPR in November 2013 oversaw the strategy formulation. This team had representatives from the MoPR, the NPTF, the Donor Group and the TA teams supporting the NPTF.

Project distribution by thematic areas



The Task Force commissioned and oversaw an extensive perception survey of stakeholders and its findings with the intention of defining priorities of the NPTF in the light of the CPA and subsequent peace related agreements and planning their translation into strategic

priorities for the fund. The strategy formulation and discussion of the operational modalities were supported by in-depth consultations of key decision makers, a mapping of how the CPA and other peace related agreements were implemented and the gaps, and a mapping of peace process projects underway in the country. Furthermore, a brief organizational assessment was carried out for recommending the set up and operation modalities for the PFS. Finally, technical workshops were held to prepare detailed proposals for updating the fund- and financial management approach, the M&E system and the program and project priorities. A review of the support to the NAP 1325 and 1820 and an evaluation of the pilot NGA initiative were also undertaken and the recommendations have informed the strategy.

This strategy document provides a thorough description of the background and context, an outline of the strategy and the program priorities and modalities, a brief description of the funding approach and financial projections, and an outline of the different aspects of the operation modality. The strategy provides an overview and the details are included in the Financial Management Improvement Plan, etc.

2. Background and Context

2.1 A broad description of the socio-economic and political context

Background

In the spring of 1990, Nepal's political parties came together in a peaceful insurrection against the Panchayat system and succeeded in restoring multi-party democracy and relegating the king to a constitutional role. General elections under a new constitution brought the NC to power with an absolute majority. The major opposition parties were the Communist Party of Nepal (Unified Marxist-Leninist), UML, and the Communist Party of Nepal (Unity Centre). But the majority government did not last for more than three years, and following an election in 1994, the UML formed a minority government. The Unity Centre, meanwhile, had split. One faction that was disillusioned with the state of parliamentary politics (Communist Party of Nepal, Maoist) rejected the status quo and began preparing for armed struggle it launched in February 1996.

In the period that followed Nepal had four different coalition governments, leading to the third parliamentary election of 1999. The insurgency continued and intensified following the June 2001 royal palace massacre and the installation of a new king. In June 2001 the government declared a ceasefire and began talks with the Maoists that collapsed in November 2001.

There were several changes of government amidst the continuing agitation by the political parties. Then on 1 February 2005, the king dismissed the prime minister and assumed full executive authority.

Thereafter, the political parties formed a Seven-Party Alliance (SPA) against the king and initiated direct talks with the Maoists. The two sides came to an understanding in November 2005 on holding an election to a Constituent Assembly (CA). Mass protests against royal rule culminated in April 2006 when the king agreed to restore parliament. The new government signed the Comprehensive Peace Accord (CPA) in November 2006. This effectively ended the decade long insurgency.

Following an agreement on the management of arms and armed personnel, the CPA set out the agreement of the signatories not only on the security transition but also a far-reaching agenda of political and socio-economic change, including a restructuring of the State that would be formalised in a new constitution. Among the political points agreed in the CPA were the election to a CA under a mixed electoral system; the issue of the monarchy to be decided by the first sitting of the CA; an interim constitution to be promulgated and an interim

legislature-parliament formed along with an interim government that would include the Maoists; the request for UNMIN to monitor the management of arms and armed personnel of the Nepal Army and the Maoist army. It also specified actions for the socio-economic and cultural transformation of the country, including an end to discrimination and land reform.

Root causes of the Insurgency

The Maoist insurgency spread across the country as it tapped into deep-rooted feelings of grievance and injustice. The drivers of this included entrenched 'poverty, illiteracy and low level of educational attainment, unemployment and underemployment, inter-household economic inequality and caste, ethnic, regional/spatial and gender oppression and inequality, among others.

An appeal to grievances of traditionally excluded groups and advocacy of minority rights were prominent features in the Maoist movement against the State. A primary question for the country's continued emergence out of armed conflict is whether the State, economy and society can deliver greater equality and fairness of opportunity, ending a tradition of beneficial access to jobs, land and services for upper-caste 'hill' people.

Cost of the conflict

According to government figures, between February 1996 and November 2006, 17,886 individuals were killed. The United Nations Office of the High Commissioner for Human Rights (OHCHR) suspects that based on the approximately 30,000 documents and cases in the Transitional Justice Reference Archive assessed that there were over 2000 killings involving both sides, some amounting to serious violations of international human rights law and international humanitarian law.

Besides the loss of life, more than 1500 people were disappeared, nearly 9000 disabled, and close to 80,000 displaced. Nepal recorded the highest number of disappearances worldwide in 2002, 2003 and 2005. Sexual violence, particularly rape, was also reported. Besides the human cost, the conflict also led to large-scale destruction of public property. Many police posts, telecommunication towers, airports and bridges, local government offices and government buildings, including schools, were damaged or destroyed.

Table 3: Human Cost of the Conflict

1	Deceased	17,886
2	Disappeared	1,530
3	Displaced	79,571
4	Disabled	8,935
5	Widowed	9,000
6	Injured during People's Movement	4,014
7	Orphaned	620

Table 4: Public Infrastructure Destroyed/ Damaged, 1996-2006

1	Schools	2,149
2	VDC offices	2,072
3	Government offices at district HQs	986
4	Government offices at local level	1,047
5	DDCs, municipalities	130
6	Suspension bridges	101
7	Others	2,032

Post-2006: Madhes, Eastern Hills and the CAs

Soon after the draft of the interim constitution was circulated, Madhesi groups began protesting that the document did not address their grievances about the nature of the Nepali State. They felt that two of their demands – a Madhesh province within a federal state and re-delineation of electoral constituencies to reflect the larger population of the Tarai constituencies – had been ignored. Violence broke out in parts of the Terai when the Interim Constitution was adopted and action against the protesters resulted in casualties. After 21 days of violence, the government responded with political commitments to meet the Madhesh demands, alongside a Special Security Plan to restore law and order in the affected districts. The Madhesh Movement of 2007 resulted in an increase in the proportion of seats in the Tarai in the CA to reflect the growth in its population. Almost alongside this movement there were competing demands by those Tharus (also plains dwellers) who saw no common cause with the Madhesh activism and had their own demands on how the state should be federalized. Similarly, in the eastern hills there were demands by groups seeking an autonomous Limbuwan state. Through a number of agreements with various agitating groups, the government was able to proceed with the delayed CA elections and polls were held in April 2008.

The first meeting of the CA was held on 28 May 2008, during which there was a near-unanimous vote to declare Nepal a republic. The Legislature Parliament then elected a new prime minister and president of the country. However, the progress towards a new constitution remained side-tracked in the face of political bargaining and brinkmanship. A political deal in November 2011 allowed for cash payments for over 15,000 PLA combatants to voluntarily retire, while a thousand more elected to integrate into the Nepal Army. The government formed a commission to find a solution on state restructuring but the commission submitted two separate reports. One, with the majority proposed 11 states and the minority proposed six states. The failure to find a solution acceptable to all sides eventually led to the dissolution of the CA on 28 May 2012. Its tenure had already been extended four times and the Supreme Court ruled against any more extensions.

Large-scale street protests in multiple districts surrounded these political events in Kathmandu, particularly in the Far West region. A further period of a Maoist/Madhesh government was then followed by a deal among the major political parties on the formation of a technocratic government to hold elections for a second CA. This was formed in March 2013 under the Chief Justice of the Supreme Court and, after an initial delay, it organised new polls on 19 November 2013 without any widespread acts of violence or obstruction. Voters returned the NC as the largest party, followed by the UML. In February 2014, the NC formed a coalition government with the UML and some smaller parties.

The peace process, 2007–2014: Achievements and challenges

One of the main achievements in Nepal's peace process has been the security transition. The management of the cantonments, followed by political agreement and pragmatic implementation of voluntary retirement payments have prevented a return to armed conflict, which is a characteristic of many post-war situations. After entering the cantonments set up for them in January 2007, the former fighters went through a number of procedures, namely, verification, disbandment, and, to a limited degree, integration into the Nepali army. Although it took more than five years to complete and there were disagreements along the way, it is worth nothing that the process did not lead to any major violence. Other significant milestones on peace building were the first and second CA elections.

2.2 Status of implementation of CPA and other peace agreements

There are 49 peace agreements, including the CPA and related agreements. The main peace building elements shared by CPA with subsequent agreements are those related to:

1. CA election, drafting of a new constitution and voter registrations, including wide access to citizenships by those left out earlier;
2. State restructuring;
3. Social inclusion and representation, rights of women and children;
4. Socio-economic reintegration and rehabilitation of IDPs/CAP, including former Maoist combatants;
5. Commissions on truth and reconciliation, the disappeared, issues related to transitional justice;
6. Land reform;
7. Socio- economic services in targeted areas;
8. Security and Justice; and
9. Building local level capacity for peace building and dispute settlement.

The following findings and conclusions emerge from the analysis of the implementation of the various peace agreements.

Major achievements in the peace process since the signing of the CPA:

- The integration of former Maoist combatants in the Nepal Army and the payments to those returning to civilian life seem to have been largely successful although the integration into the army was also limited. Problems of complete rehabilitation in society remains, however the process is underway and the rehabilitation of both the former combatants and other conflict-affected people seems achievable;
- Two successful elections to the Constituent Assembly that benefited from high voter

turn-out (relative to other countries) and, to different degrees, were generally considered to be sufficiently free and fair to give the new government a democratic mandate; and
- The recent developments with respect to the Truth and Reconciliation Commission (TRC) and the Commission for Investigation of the Disappeared (CODP) are likely to shape the next stage of peace process.

Challenges that remain in peace building:
- State restructuring has been a major issue and demand of all the stakeholders. The failure of the State Restructuring Commission to come up with a model acceptable to all stakeholders underlines the importance and sensitivity of such an exercise;
- Future local and state elections remains a challenge;
- The commissions envisaged in the CPA including the TRC and CODP are in the process of formation. The Legislature (Parliament) passed the bill on their formation on 23 April 2014, although this has been challenged in the Supreme Court;
- Study and Recommendation Commission for Scientific Land Reform remains to be formed;
- The rehabilitation and reintegration of CAPs need to be completed especially related to torture victims and victims of SGBV;
- Social and Gender inclusion is a key cross cutting element of all Peace Agreements while the achievements remain to be mainstreamed in the peace-building process.

2.3 Results achieved and lessons learnt by NPTF

The NPTF supported projects have been subject to periodic assessments. Cluster 1 (cantonments) and Cluster 2 (support to Conflict Affected People) has been 'vertically assessed', while district-level 'horizontal' monitoring has been put in place since 2012. There is also monitoring and progress reporting by NPTF/PFS and approximately quarterly joint field monitoring visits by donors and the NPTF.

The Cluster 1 and 2 evaluations (vertical monitoring) indicated that the support was effective in keeping the nearly 20,000 combatants in cantonments during the prolonged reintegration process from 2007 to 2012 and in maintaining basic services to them. This contributed to the avoidance of a resurgence of the conflict that could have happened if the forces had not been effectively separated. The support to reintegration into society of ex combatant has also by and large been successfully supported through the special secretariat although many ex combatant still face problems in proper reintegration in the communities. For the review of the support to CADPs, the support was able to reach only a limited number primarily owing to flawed data and insufficient outreach.

Under Cluster 3 the construction of police units (PU) has been effective in erecting new buildings and has contributed towards re-establishing security presence. Altogether 201 PU

were completed, 82 are under construction and 43 are in the design stage. Initial assessments through the horizontal monitoring and by the police themselves have indicate that the new police stations have had positive impacts in increasing the sense of security felt in the surrounding communities, including among women. The second and third reconstruction projects have also put in place separate accommodation for female officers to give the police the potential to deploy the female personnel. The NPTF projects with police have pursued broader sensitization of officers on gender issues in general, increased economic activity due to higher security and improved relations between the police and the community. The newest project with the police will focus more explicitly on strengthening the police-public partnerships through improved service delivery by the reconstructed units, and through greater attention to performance monitoring and improvement.

Another project, mine awareness education, has been reported to have contributed to clear the 53 registered minefields and towards reducing the number of mine incidences, and has enhanced the sense of security in target areas. However, the sporadic explosions of IEDs suggest the need for continuing awareness building among local communities especially children on how to act when they find unexploded devices.

The NPTF supported 10 National Action Plan on UN Security Council Resolutions 1325 and 1820 (NAP) projects across eight ministries, Nepal Police and Nepal Women Commission. Two projects have been completed and eight are still underway. While there are some positive findings as increased awareness from the horizontal monitoring and higher confidence from the beneficiaries, some findings also suggest need for greater effectiveness in reaching the target group, better involvement of CAW/G and need for better horizontal and vertical coordination between projects. Therefore a full review of the NPTF financed NAP projects has been undertaken. The Review reveals that overall the NAP projects have been very relevant, but that there has been too poor targeting of CAW/Gs resulting in too little impact for this group. Awareness raising has been very broad but it has not adequately sensitized the stakeholders. While some IAs have been effective in achieving results within planned time frames, planning has been unrealistic and in over half of IAs implementation is delayed. The NPTF mechanism has been efficient in providing funding timely, facilitating implementation without interruptions. Despite the general relevance there are concerns related to the involvement of Civil Society Organizations, program design which has not been properly addressed by the existing project preparation and approval process, indicating a need to strengthen these processes and focus on programmatic approach with a few prioritized themes.

Under Cluster 4 the Election Commission of Nepal (ECN) has worked to increase voter education and has achieved high levels of voter registration, particularly that of female voters. These efforts have been accompanied by a NPTF-funded push under the Ministry of Home Affairs to help people to obtain citizenship certificates, under which more than 180.000 people obtained citizen certificate. The support has also contributed to the fact

that participation in the 2013 CA II election was 78.34% compared to the CA I election in 2008 where participation was 61.74%. Thus, apart from promoting democracy it has also promoted political inclusion. The NPTF also supported the CA secretariat to organise public dialogues and consultations on the new constitution. Support to the Local Peace Committees (LPCs) has been another important aspect of peace building locally, though degrees of success vary from district to district. Some LPCs have been proactively involved in mediating local conflicts and promoting peace initiatives, and LPC members have been active in overseeing lists of conflict-affected beneficiaries and the allocation of benefits.

Altogether NPTF has had good results, particularly in areas of clear comparative advantage with strong engagement by the concerned implementing agencies. These projects include those in the cantonments, the police unit reconstruction and the elections, which accounts for the largest part of the financing. Challenges have been faced while financing smaller, more complex projects, with weaker implementing agencies. Some projects have not utilised all their allocations, while reporting on outcome and outputs remains an issue across the whole portfolio.

An important strength and value added emerging from NPTFs work, has been the contribution to improving financial management and financial reporting of the programs in spite reporting has been complicated by the JFA requiring reporting along line items different from the GoN system. NPTF has also contributed with uninterrupted financing due to the possibility of providing advances compared to the normal GoN implementation system where financing depend on the yearly budget allocations and where budget releases may be delayed. The present system with advance of the full amount for project implementation at the start of the project however diminish incentives for IAs to provide the agreed reporting of due quality and in time.

The NAP review give recommendations related to improvement in approval procedures and raises the need for caution related to conflict of interest where the NPTF Director is also a joint secretary of the MOPR and approval and implementation of MoPR projects is involved. The NAP review, the horizontal and vertical monitoring and joint monitoring visits indicate need for an improved and evidence based project preparation and approval process, difficulties in managing the large number of projects under implementation implying need for a closer management of the project portfolio in the implementation phase, involving all stakeholders, but primarily the PFS. The NAP review also recommends use of a coordinated program based approach.

Financing of operational costs and necessary TA for implementation and capacity development has been smoothly forthcoming in addition to MOPR staff financing, sometimes through NPTF projects, sometimes through donor only contributions via the TC pool, sometimes as other in kind TA contributions. Overall operations have been reasonable cost efficient. PFS expenditure including operational costs can be estimated to be less than 0.5% of average past annual funds disbursements. While data for the past TA are not readily available, the TA

costs for 2015 can be estimated to be around 3% of average annual past funds disbursements. Cost efficiency will increase as GoN staff increases and take over functions of TA staff.

2.4 Perceptions on priorities and NPTF's role in Nepal's Peace process

The NPTF commissioned a perception survey in March 2014. Its core objectives were to obtain the opinion from different stakeholders on,

- What the implementation priorities are in relation to the CPA and related peace agreements today, and in the foreseeable future,
- How stakeholders believe the priorities could be translated into strategic priorities for the NPTF,
- What the niche and comparative advantage of the NPTF are, and
- What the stakeholders' views were concerning closure, extension or transformation of NPTF by 2016.

A total of 81 individuals from 10 respondent groups were interviewed for the perception survey. The interviewees included representatives of political parties, high level government officials (serving and retired) and former ministers; journalists, representatives of NPTF implementing agencies, national and international NGO representatives, and bilateral and multilateral donors.

Priorities of CPA implementation today and in the foreseeable future: The perception survey has revealed transitional justice, constitution writing, support to conflict affected persons and communities as well as local and national elections as priority areas for consolidating the peace process as seen by consulted stakeholders.

Continuation vs. discontinuation of the NPTF: Seventy-eight per cent respondents said the NPTF still has role to play for consolidating the peace process beyond its current mandate of January 2016. Arguments in support were that the peace process has not yet been completed and that there are outstanding major tasks such as transitional justice, reconciliation, physical and social reconstruction, constitution writing, and state restructuring that would benefit from an established mechanism such as the NPTF.

However, while there was majority support for extending the NPTF, they also voiced strong support for significant changes in mandate and in the institutional/organizational arrangements. This need for change was based on the perception that the context has changed since the signing of the CPA in 2006.

Thematic priorities and role of the NPTF: Based on the perceptions of the strategic priorities, the respondents suggested that the thematic priorities be support to conflict affected persons

and communities (75%), transitional justice (74%), and (strengthening of) local capacities for peace (63%). As far as the mandate of the NPTF is concerned, many respondents reemphasized the continuation of the current role of NPTF as a funding, coordination and monitoring mechanism.

Extension as is vs. transformation: A large proportion of respondents (73%) said the NPTF should not be extended in its current form. Regarding the NPTF's institutional affiliation, 54 per cent respondents said that it could remain affiliated with MoPR, while 46 per cent said the arrangement should be changed. Arguments in favour of the status quo in affiliation at the workshop highlighted the common mandate/objective of NPTF/MoPR. Thirty one per cent of the respondents said that NPTF should be transformed into a new organization, while 69 per cent said it should not be.

Opening the NPTF to Non-Government Actors (NGA): Fifty-two per cent of respondents favoured the opening up of the NPTF to Non-government Actors (NGA) as implementing agencies, while 41 per cent opposed the idea. The idea received strong support among civil society members, other international actors involved in peace building, and donors contributing to the NPTF. The idea was opposed by representatives of political parties, journalists and government officials, from ministries other than the MoPR. The opponents said Nepali civil society was highly partisan and fractious along political/ideological lines, while government officials and elected representatives were accountable. There were also fears that NGA involvement would open doors to international interference.

3. NPTF strategy for 2014 to 2017

The following sections outline the NPTF Strategy for the period 2014 to 2017

3.1 NPTF mandate

The overall goal of the NPTF has been to support the implementation of the CPA and other subsequent agreements. Its mandate has been i) to function as a coordinating body for peace related initiatives, ii) act as a funding mechanism for GoN and donor resources, and iii) monitor the peace process. The mandate was reviewed as part of the strategy formulation process.

The NPTF has primarily functioned as funding mechanism for peace process-related initiatives for donors and the GoN. As regards coordination of peace related initiatives, the Board has served as a platform for political parties to discuss peace related issues and the NPTF's physical facilities have been used by the political parties as a neutral ground to discuss both issues related to the CA elections and government formation. The NPTF has also functioned as a platform for the Government and donors to discuss peace building and to coordinate interventions. The recent mapping of the implementation of the CPA and related agreements, and of peace support projects has provided inputs to NPTF's monitoring mandate.

Based on the observations above, it has been agreed to maintain the NPTF mandate as it is, with the qualification that the NPTF will only work within the agreed focus areas below if not otherwise agreed by the Board and Donors. *The understanding is that while NPTF has the primary responsibility in financing peace related activities within the agreed areas of comparative advantage, it is the MoPR that has the main responsibility for coordinating and monitoring the peace process, while the NPTF will support the MoPR in this process and serve as an instrument for coordination, as necessary and as mutually agreed. The purpose of being a platform for engagement between donors and GoN on specific peace-related issues is still relevant and will be used as such through the different mechanisms and levels in the implementation of the program.*

3.2 Programming principles and focus

The perception survey and subsequent discussions and workshops have contributed towards some **reorientation of both programming modalities and programme focus. Accordingly, the NPTF will now concentrate on areas where it has experience and comparative advantage.**

3.2.1 Programming principles

While the overall approach follows past practice with comprehensive support for the social, security and Justice and political dimensions of the CPA and related peace agreements, the agreed approach is to avoid dispersion of resources, and to focus on key niche areas and unfinished businesses of the peace process. Complementarity between different programmes and projects will be secured. Programming will, where relevant, follow a programme-based approach with broader consolidated programmes while smaller, scattered projects will be avoided. Programmes will be evidence-based, looking particularly at gaps, needs and institutional capacity to deliver the results being proposed. Programming will be proactive in the sense that NPTF will actively facilitate the identification and analysis of issues in each of the focus areas, and convene the relevant stakeholders to discuss how best to address them. Support projects will then be formulated with the facilitation of the NPTF/PFS within these focus areas.

The NPTF will seek to improve delivery of results through stronger relations with IAs in the design and delivery of projects within a programmatic approach. Technical support will be made available to improve programme and project planning (based on evidence), drafting proposals, implementation, GESI integration, M&E, communications and NPTF project financial management and reporting. The project implementing agreements between NPTF and IAs will include additional measures to improve financial management and control.

3.2.2 Program focus

Cluster 1 Social dimension/ Support to CAPs is envisaged through relief and rehabilitation and other support. This area would include aspects related to CAP lists and definitions where there have been challenges. In this context victims of torture and of SGBV will in the future be included in the support. A review will be undertaken of existing support to CAPs and a conference will be organized with the aim to assess past experiences, secure coordination with parallel initiatives and integrate existing NPTF interventions and uncovered areas in a broader programmatic approach with a perspective to either reach a point where no more support to the individual/group is necessary, or the support to the individual/group is channelled into ordinary government programs. Subject to the review, specific projects could include persons with specific needs such as woman and children, persons with disabilities and victims of torture and SGBV. Projects may also include self-employment/income generating activities and empowerment; community based reintegration and psycho- social support as well as NAP projects related to CAPs, as appropriate. Where relevant and complementary it is foreseen that NGA supported programs will play a role under this cluster.

Cluster 2 Transitional justice and Reconciliation dimension: Transitional justice projects which are in compliance with Nepal's international and national commitments can be supported after mutual agreement under this cluster. The operation, activities and internal management of the Truth and Reconciliation Commission (TRC) and the Commission

on Disappeared Persons (CoDP) will be funded by Government through a non-NPTF budget, unless there is consensus in the Core Cluster between the Government and the Development Partners to fund specific activities. The Government and donors alike recognize that transitional justice is, however, broader than the TRC and CoDP, and agree that it is important that NPTF in principle is open to support a broader transitional justice process.

Cluster 3 Access to security dimension: will cover continued support to the Police now seen in a broader perspective with focus on service delivery and access to security. As for the support to the construction of police units, a review/evaluation will be undertaken of the on-going programs and the proposed programs to access relevance, strengths and weaknesses, problems related to the construction process etc.

Cluster 4 Political dimension: will provide support in the area of the CA consultations, elections, and local peace building initiatives. Programmatic areas will be elections and election related activities as updating voter registration etc., support to the CA primarily with public consultations and support to local peace building initiatives. Also in the area of support to LPCs a review will take place to try to consolidate and improve the existing support. It is also envisaged to organize a national conference for experience exchange. Also under this cluster it is envisaged that NGA supported activities will be supported.

Crosscutting and other programmatic issues: Gender and social inclusion and conflict sensitivity will be crosscutting and will be considered in all programmes. Support to NAP projects on UNSCR 1325/1820 would be included in relevant clusters and linked to the objectives/thematic areas where they belong.

Support to the victims of SGBV and torture will be addressed by providing relevant support under the NPTF-financed projects on recovery and rehabilitation. The Government has indicated that legal issues, particularly about the rights and claims of the survivors will be resolved under the TRC process, while support to recovery and rehabilitation can be provided through projects under respective cluster. NPTF will ensure adequate efforts to ensure confidentiality of the individuals falling under this group of CAPs. The NGAs will be included in the programme implementation but the mechanics of inclusions will be as agreed with donors and prescribed later.

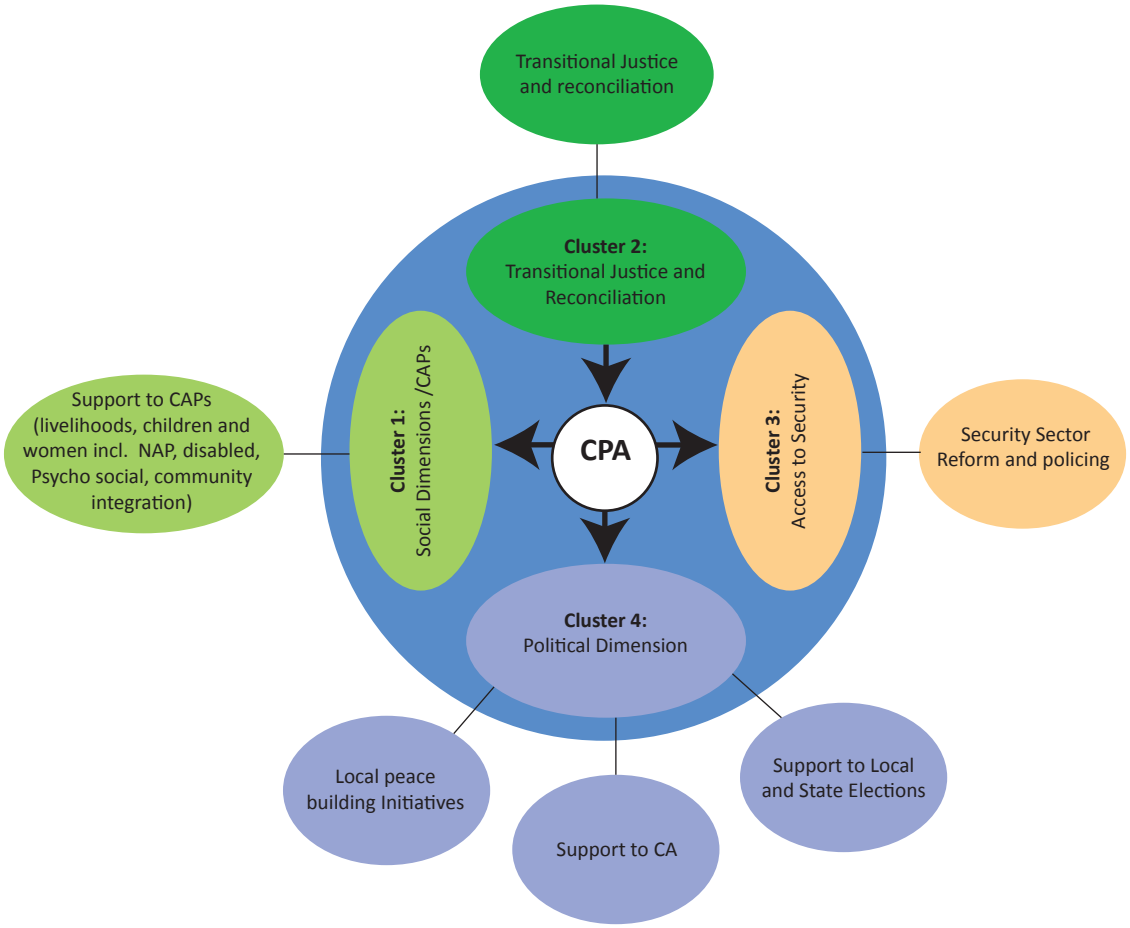
Apart from reconstruction of PUs that could be considered within a service delivery approach, major financing of infrastructures will be carefully decided.

3.3 Institutional modalities

Given the limited timeframe for new activities, there is no scope for changes in the institutional set up, so it has been agreed to keep the NPTF as it is with the existing relationship with the

MoPR. The MoPR will assure the NPTF strong support from the Ministry, the Minister and the Secretary to ensure good communication with Donors and for maintaining strong oversight over IAs. MOPR is at present in the process of preparing its own strategy. It will be secured that there will be coherence between NPTFs strategy and MOPRs new strategy.

Programmatic dimensions and agreed thematic directions in the NPTF strategy



3.4 Timeline and Strategy phases

The strategy has outlined the following phases:

1. By mid-2015, all existing programmes/ projects will be reviewed and be grouped by thematic areas for preparing programmes documents/strategies under the new thematic areas. Some projects may be dropped after a review and some projects closed.

2. From 2014 to mid2016, new programs and projects will be prepared and approved. In areas as CAPs and LPCs programmes will be prepared and approved if possible before mid-2015 within the agreed programmatic frames with the aim to secure completion of the activities of the NPTF before mid-2017. Only projects related to Elections and

if possible agreed shorter cycle Security and Transitional Justice programs are expected to be submitted for approval after 2015. Full finalization of support in some areas, for example, related to the support to CAPs, especially SGBV, Psychosocial support, community reintegration of ex combatant may require more time. Programmes in these areas will include measures whenever possible to channel these activities into relevant on-going GoN social service programs and where not possible the responsibility will remain with MOPR.

3. All activities of NPTF will close by the end of the fiscal year 2016/17. All programmes/ projects will have phase out strategies with this deadline in mind. NPTF will hand over remaining documentation to MOPR or to a dedicated document depository for the Conflict and Peace related documentation if such an institution is established before closure. Any outstanding financial closure issues remaining after mid 2017 will be handled by MOPR.

3.5 Intervention logic and Theory of change,

3.5.1 Intervention logic based on a logical framework approach

The intervention logic of the strategy is summarised in the table below. A detailed preliminary log frame with indicators, means of verifications and assumptions is provided in annex I. The log frame nomenclatures used is based on the one used by the National Planning Commission (NPC) with minor adaptions. Due to the complexity of the strategy that has very different dimensions, the log frame contains intermediate goals between the overall goal and the specific objectives. The Log Frame is preliminary – it will be completed when the major programmes have been prepared and agreed over the coming months. The log frame only covers goals, intermediate goals and objectives. The further detailing of expected results (outputs) will be done in the log Frames for the programmes and projects to be formulated over the next year.

NPTF III 2014-17 Intervention logic

Overall Goal ***A sustainable peace process in Nepal through effective implementation of the CPA and subsequent peace agreements***
Intermediate goal 1 Conflict affected people are supported in their recovery and social and economic integration
Objective 1.1 CAPs, and in particular, especially vulnerable groups have received adequate targeted support, and the CAPs who need continued support have been incorporated under regular government programs
Intermediate goal 2 Transitional Justice (TJ) and Reconciliation agenda have started moving and TJ and Reconciliation important initiatives parallel to the TRC and ODC process have supported victims with possibilities to tell their stories, present their cases etc.
Objective 2.1 Transitional justice and Reconciliation activities including NAP related contribute to moving the TJ and reconciliation agenda and to preparations of the more substantial work on TJ
Intermediate goal 3 People – primarily in conflict affected areas - benefit from improved security and security sector reform
Objective 3.1 Better local security through policing services and security sector reform and security for citizens , including through reconstruction of PUs and improved mine awareness especially between children
Intermediate goal 4 Contribute substantially to the consolidation and finalization of the political dimension of the peace process through support to the Constitution making, elections and local peace related initiatives
Objective 4.1 The democratic process in Nepal consolidated through support to local and state elections and election related activities
Objective 4.2 The CA completes its work and a new constitution is consulted securing broad popular support.
Objective 4.3 National and local peace building initiatives contribute significantly to the peace process, primarily at local level

3.5.2 Theory of Change

The following theory of change seeks to provide a more dynamic description of the expected process and final and intermediate outcomes.

The NPTF has made major contributions towards achieving the milestones of the peace process, including the markers in the Comprehensive Peace Accord (CPA). However, despite successes in the completion of the second CA election, the formation of a government and the general improvement in the political and security environment, there are still areas where there is need for attention.

The new Constitution still need to be prepared and approved, local elections (and other elections to state structures approved by the constitution) need to be held and regional and local (and provincial) political structures remain to be built. Further, the transitional justice process needs to start and be completed and compensations will probably be needed. Much has been done towards relief and recovery of CAPs but not all groups have benefited owing partly to records that were not complete. There is also need for clarity on the role of LPCs in the changing political context.

Both the GoN and donors recognize that there are some elements of the peace process that remain to be completed. However, there is also agreement that the NPTF has accomplished its main tasks and that the Fund should close in 2017. The operational vision is that the remaining activities within the NPTF mandate that need support will be competed or transferred to institutions responsible for these activities over the long run.

In general terms it is expected that at closure of NPTF in mid-2017 substantial part of the needs for relief and recovery of CAPs have been covered, security in former conflict affected areas has been substantially improved, important initiatives have been taken related to transitional justice so the agenda has moved, and the political dimension of the peace process has moved near to its closure.

More specifically, the Fund will try to fill the gaps in support of CAPs to a level of at least 80% of needs for each specific group, so that the community of CAPs in general express satisfaction with the support received. The remaining tasks at closure – probably only support to CADPs and psycho-social support – will have been channelled in to the normal GoN social service delivery system.

Similarly, work on PU reconstruction will have been completed for those units already agreed, and service delivery by the police in areas supported will have been improved. Mine awareness work will have been completed securing minimum damages from unexploded devises. Similarly, on-going work on awareness of UNSCR 1325 and 1820 on woman in conflict will have been accomplished securing broad awareness especially between security forces, and officials and politicians at both central and local levels. A few new short-cycle activities will have been implemented to help start moving on the delayed transitional justice agenda with activities which are in compliance with relevant legal frameworks and international conventions that Nepal has signed up to.

The Fund will have supported state and local elections and election related activities (if they take place while the NPTF is operational) thereby contributing effectively to state restructuring. The new constitutions will have been consulted securing popular support. LPCs will have been substantially strengthened and their role and institutional linkages to politically managed local and state structures will have been clarified, including possible financial support for the LPCs from these institutions.

Operationally, all on-going activities will be reviewed by mid-2015 and non-performing projects will be closed and those remaining to be completed will be integrated in new programs to be designed following an analysis of each program area of what has been and what remains to be done and what would be the best practices to follow. Clear exit strategies, including related to transfer of responsibilities at program closure, would be incorporated in all programs. Firm agreements with institutions taking over future responsibility will be made in the second half of 2015 (while TA input is still available). Programmatically, projects

will be implemented between mid-2015 to mid-2017 and financial closure and handover will begin in the first half of 2017. All NPTF documentation will be handed over to MOPR.

In accordance with the consultation with the political representatives of major parties which took place during the preparation of this strategy, some representatives suggested the possibility of establishing an independent peace and conflict transformation institute towards the end of NPTFs mandate as an option. Where this is not possible, they suggested providing some support towards the formation of an institution to serve as a depository of the unique documentation of the Nepalese peace process for future research and as a place for peace dialogues and possibly, regional work on peace. These options will be explored as part of the further work on the exit strategy.

4. Financial projections for the coming years

NPTF has NPR 0.7 billion in the foreign currency account(s) from donors after closure of the CA election project. Donor support for 2014/15 and 2015/16 is expected to result in additional around NPR 0.6 billion. No further donor funding has been pledged at this stage. The GoN budget allocation for 2014/15 is NPR 0.35 billion but not all is expected to be utilized within the present fiscal year. If a similar GoN allocation is provided in 2015/16 and e.g. 2 million for 2016/17 the GON contribution for new project would be around 0.7 billion NPR. Summing up there would therefore still be NPR around 2 billion rupees (USD 20 million) available for NPTF for commitments for the remaining two years. Further it is likely that around 0.5 billion NPR may be obtained from some on-going programmes that have not used the funds, so actually the available funding for new projects would seem to be in the range of 2.5 billion NPR (25 Million USD). This amount would be a substantial reduction compared to previous years, but is still a large amount.

At this stage, it is not possible to realistically project the funding needs for the next three years. Work on formulating programmes for the agreed thematic areas up to mid-2015 will indicate the funding requirements. By mid-2015, it should be possible to present a proper financial outlook for the NPTF.

However, it is already apparent that if the NPTF is called upon to finance local and state elections (costs for each in the range of 4-5 billion NPR) over the next three years or other activities to be agreed, then substantially higher levels of funding will be needed (even after the mandate period of the NPTF after 2017, if only for the compensations).

5. Strengthened and streamlined operational modalities for efficient and effective operation of the NPTF

The strategy formulation discussions have indicated the need for a positive transformation of the NPTF. The following key issues were agreed as preconditions for an extension of the NPTFs mandate to 2017:

5.1 Coordination with national stakeholders and Donors

The NPTF's cooperation and coordination with stakeholder's needs to be strengthened and linked closer to discussions of progress reports and achievement of outcomes and prospective impacts. This will entail intensified cooperation with the IAs both on program and project preparation and during implementation and simplified and more focused cooperation with donors. This can reduce the transaction costs for both donors and the GoN.

Parallel to the envisaged capacity development of the IAs to improve performance management, and as part of this process, the NPTF management will put more emphasis in meeting with IAs to have bilateral discussions of progress reports on a four monthly basis. Annually it will hold in-depth dialogues with the IAs on progress against expected outcomes.

The coordination with donors will be streamlined, meeting frequency be reduced and adherence ensured. The discussions with donors will emphasise the identification of priority programmatic approaches, performance targets and related achievements. Two high level meetings with donors are envisaged each year to this end: An Annual Review Meeting (ARM) in October/November to review the progress report of the past year and a Joint annual Consultation (JAC) in April/May to discuss and agree plans and budgets for the coming year. These meetings will be preceded by performance and planning discussions with the IAs. The IAs will be involved in parts of the discussion with donors, especially related to project performance and future plans on their specific programs/projects. Space will also be given to civil society to participate in this process. GoN DG meetings will be held once every four months to discuss progress reports. The director of NPTF will meet the DG chair once every second months or when required.

5.2 Organizational set up and other administrative issues

There is a need for increased ownership by the GoN of PFS operations. This would require the MoPR to assure:

- A full time director of Joint Secretary level
- A dedicated GoN officer for each cluster , and
- A monitoring and evaluation officer
- A Communication and knowledge management officer. Further staff may be contracted on GoN terms as dedicated consultants

The agreed organizational set up of the PFS Up to April 2016 including TA is provided in the annex III. Technical assistance inputs to NPTF will be reduced gradually. Future TA should be lean with outsourcing of tasks that can be done by short-term consultants. A new organizational structure will be designed with a stronger GoN input when the EU TA support ends in early 2016.

The PFS will operate on the basis of annual plans comprising of plans for programme and project development, staffing plan (GoN and TA), plan for coordination with donors and stakeholders, M&E plan, communication plan and a financial plan.

The PFS operational budget for the coming year will be presented to the Board for financing via the NPTF one month before the end of the financial year. The funds will be drawn from the GON contributions and from donors who are willing to contribute towards the Secretariat's operation costs.

5.3 Capacity development and technical assistance

Support to capacity development and to specific work such as project formulation and reporting by IAs will be provided via the EU and USAID TAs for general aspects related to project preparation and implementation, performance management methodology (M&E), GESI, communications and financial management.

Other capacity needs for project implementation will be included in the new NPTF projects. In some isolated cases there may be need for very specific TA, which may either be provided from the existing TA donors or bilaterally on a project-by-project basis.

The technical assistance to NPTF/PFS, MoPR and IAs will be closely coordinated. The organizational arrangement will however be broadened to ensure that all signing members of the JFA also commit to coordinate their TA support, and the arrangements will be simplified by abolishing the existing TC pool steering committee and refer general technical issues to be discussed on all relevant meetings between government and donors. The separate TC pool management agreement will be abolished and relevant clauses included directly in the JFA. The present possibility for providing funding for government managed capacity development of the PFS and MoPR (earlier TC pool track 1) will be maintained in case there should be interested donors. The arrangements will be simplified so project proposals

and approvals will follow the normal NPTF track. Project proposals will be submitted to the Sector Appraisal Cluster for discussion with donors, and they will be finally approved by the Technical Committee provided that they are below 100 million NPR.

The PFS will develop capacity and TA plans as part of the annual plan

5.4 NPTF board and project approval procedures

The NPTF envisages to adopt improved programme and project preparation and appraisal procedures (evidence based project proposals, links to other initiatives, etc.) and to ensure a streamlined set up for project approval.

There will be five types of documents required for the approval procedure:

1. Policy papers prepared by the PFS for board decisions
2. Broad thematic sector programmes for board decisions prepared by the PFS in broad consultation with relevant line agencies, civil society and donors
3. Concept notes on projects within a thematic area, developed by PFS or submitted by IAs in consultation with all involved, including donors assisted by the PFS for approval in the Core Cluster to allow further preparation of the project and documents.
4. Project documents to be submitted by the IAs to the NPTF based on the comments received on the concept notes and based on broad consultation. PFS will review and amend project documents as part of the project and institutional appraisal process.
5. Project and institutional appraisal reports will accompany the project documents in the approval procedure.

At present, the management and approval process have four levels: The NPTF Board, The Technical Committee, the Sectoral Clusters and the Core Cluster. Minor adjustments have been introduced in the composition and functioning of the existing structure to make it more efficient and to secure better quality, and more relevant projects. Extended training will be provided to PFS staff and the staff of IAs for improving relevance and preparing sound project proposals, and to improve implementation.

The NPTF's Board's functions are established in the PFoR approved by the cabinet. The operational guidelines are an integral part of the agreement with donors. The guidelines provide wide powers to the Board to decide polices, approve programmes and projects above NPR 100 million, and to manage the fund and its relations to stakeholders. The Minister of MoPR is the Chair of the Board, with the Minister of Finance as co-chair and the Vice Chair of the National Planning Commission as member. The five largest political parties

(at any time) have a member on the Board. Whenever requested the Chair can invite other political parties or other CA/Legislature Members to attend the Board meetings. Secretaries from relevant ministries also participate in Board meetings and the Donor chair participates in the meetings as a member.

Earlier the Board approved all projects irrespective of the amounts. The strategy proposes to leave the Board a more policy setting role, approval of the programme and framework budget for each thematic area while approval of details may be delegated to the Technical Committee, as has already been practiced with the support to the NAP projects. However, large projects above NPR 100 million will be submitted to the Board for approval.

The Technical Committee is chaired by the Secretary MoPR, joint secretaries from relevant ministries and representatives from civil society as members. The functions of the Technical Committee are to support the Board by preparing policies, strategies, programmes and projects above NPR 100 million, and recommend these for approval by the board. Practice has been to delegate decisions on project extensions, changes within the overall budgets, etc. to the Technical Committee, without the need to resubmit these issues to the Board. Donors have had no influence on these decisions, as they have not been members of the Technical Committee. Under the new strategy, the Board will delegate to the Technical Committee authority to approve projects under thematic programmes and within approved financial frames. 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 year or substantial changes to project documents will require no objection from the donor chair.

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

The sectoral appraisal cluster will be formed by merging the existing four sector clusters with a view to streamline, simplify and reduce the time used on project approvals. Broad stakeholder consultation will be secured in consultations (workshops/focus group discussions) prior to submission for approval by the cluster. The TA of the PFS or independent external consultants can also be used to provide evidence based appraisal of project proposals received by PFS to improve project quality, including value for money and ensure that project documents are of a standard that is acceptable to the PFS and donors. The sectorial appraisal cluster will discuss and approve project documents for submission to the Technical Committee. Project documents received via the core cluster will be assessed on the basis of the evidence-based appraisal prior to recommendation to the Technical Committee for approval/rejection. The Sectoral Appraisal Cluster may be held more than once for a project, depending on need

and requirement and as agreed by the members. When the discussions in the cluster are completed the cluster may approve the project to move on or reject the project.

The Core Cluster will be an internal project committee headed by the Director of NPTF and with membership by undersecretaries at NPTF, key TA programme staff and with external participation by a donor representative, largely as is the current practice. All donors are invited to be present in the meetings. Its main function is to have thematic sector programmes formulated and submitted to the Board through different approval steps, screening of concept notes developed by PFS or received from the IA and, if accepted, forward them for further approvals through the different steps to the Technical Committee, and to agree for further processing of the proposed project with the IA for producing a project document. This process may involve IAs to have to revise concept notes and proposals several times for approval by the core cluster.

The PFS TA under guidance by the Core Cluster is responsible for organizing a professional appraisal of the project and the institutional capacity to deliver it with proper value for money. TA staff will carry out professional appraisals for smaller projects while larger, more complex projects, may involve external consultants for appraisal under the guidance of the PFS and its TA team. PFS with TA support also have responsibility to steer the consultation process with stakeholders.

5.5 Project implementation modalities

The NPTF and its secretariat is primarily a financial institution with responsibility for mobilizing finances, receiving applications, appraising and approving support to programs and projects within its mandate. As a financer the NPTF/PFS also has the responsibility of financial monitoring of the use of funds as well as programme monitoring based on preliminary monitoring by IAs to ensure that the funds are used as agreed, and expected results and outcomes are achieved.

The IAs are solely responsible and accountable for implementing approved projects as per GoN policies, including Financial Administrations Rules and Public Procurement laws. In case of projects or activities implemented through NGA, guidelines acceptable to PFS in coordination with Donors will be followed. After the approval of the Project Document by the NPTF Board or the Technical Committee, the PFS Finance Section initiates actions to enter into an Implementation Agreement with the IAs. A draft Implementation Agreement with related appendices is then developed by PFS and finalized with the IA. The finalized Implementation Agreement will briefly introduce the partner and the key project features, and will detail major contractual obligations of both the NPTF and the IA. The annexes to the Implementation Agreement will vary depending on length and type of partnership. Generally, the annexes to the Implementation Agreement would include

the Project Document, budget and templates for various progress and financial reports that need to be submitted. The management representatives of both organisations will sign the Implementation Agreement, with the Director representing the NPTF. NPTF interaction and monitoring of implementation will be strengthened and early action will be taken when programs are reported off track.

While NPTF has been open to Non-Government Actors in principle, in practice project implementation was in the past done by government implementing agencies only. To gain experience with NGA, a pilot initiative has recently been conducted. The pilot initiative shows NGAs can contribute substantially and achieve good results. NGAs will in the future be included as program implementers in specific programs and projects wherever relevant and feasible. Modalities for future NGA engagement will be mutually agreed with the Donors and dealt with as prescribed and taking into account the availability of other NGA programs and facility supported by NPTF donors. Programs would be formulated within the frames of agreed overall program with a view to be complementary to other project interventions. Project approval processes will follow NPTFs normal procedures.

5.6 Management for results

There is broad agreement between donors and the MOPR/PFS on streamlining the M&E system, supporting the IAs in using the monitoring framework, improving the design of indicators, making reporting more relevant and working with IAs to focus on results; and, on an annual basis, analysing prospects for achieving expected outcomes and impact. The system to be used is outlined below, and a new more specific M&E strategy is being drafted. The PFS will present annual M&E plans to the Board.

The NPTF has over the years developed a functional M&E system. The NPTF compiles on the basis of reports from IAs a four monthly progress report for the MoPR and donors. There have also been annual perception surveys for seeking feedback from stakeholders on issues related to the NPTF's operations. Additionally, NPTF's programmes are also evaluated externally for outcomes and impacts (vertical and horizontal monitoring). These systems provide information on progress in project implementation, and on outcomes of the programmes. The systems were reviewed as part of the strategy formulation where some shortcomings were highlighted. These include the use of parallel formats with government monitoring that doubles the work, identical formats of quarterly and annual reports, unnecessary general information in reports, low quality reporting from the IAs, and low and lack of conceptual clarity of the IAs on outcome and impact. The reviews also recommended need for better organized and focussed Joint monitoring visits.

In general, the system is work intensive and the external evaluation system (horizontal monitoring) has been expensive. The M&E system review at a workshop with stakeholders

has agreed on a simplification and streamlining of the system to make it more efficient for assuring a better feedback and directions for project execution.

The key new features of the new system are:

5.6.1 Monitoring

The reporting by IAs will be improved by making disbursements conditional upon fulfilling reporting as outlined in implementation agreements reflecting JFA commitments. Monitoring formats close to those of the GoN will be adopted, and training will be provided to IAs on reporting and use of progress reporting in management. The four monthly reports will only cover activities and outputs/milestones. The progress reports from the IAs will be improved and used directly in the NPTF four monthly progress reports instead of rewriting them, as is the practice. The four monthly monitoring reports will avoid repetition of general information and concentrate on analysis of progress in activities and outputs.

5.6.2 Joint monitoring visits

The frequency of the visits will be reduced to a four monthly basis due to capacity constraints and to improve the use of feedback. Each visit should be better prepared, concentrate on fewer projects and include discussions at the central IA level and if relevant at the regional level. Missions could in some cases be combined with PFS midterm reviews/final reviews of projects. Follow up matrixes should be elaborated after each visit and be used by the IAs, and it should be followed up in GoN DG dialogues. Adequate translations should be available for foreign participants on the monitoring visits. The ToR of the joint monitoring visits will be reviewed to reflect these changes.

5.6.3 Reviews and evaluations

A practice will be introduced to institute midterm reviews of projects/programmes and final evaluations after the projects end (external/internal) for assessing outcomes, impact and sustainability. The review and evaluation system will be a combination of project and thematic/programme reviews and evaluations. A programme for thematic reviews can be prepared to ensure that one or two themes/programs or clusters are reviewed/ evaluated each year. The feedback process will be improved.

In addition to the external reviews and evaluations, a system with annual joint reviews with all the IAs of their progress towards achieving outcomes, impact and sustainability will be initiated. The weeklong reviews would provide adequate time for discussions. The format to be used would be the log frame indicators for outcomes and impact from the project documents. This would replace the reporting format now used for quarterly outcome reporting. This review would feed into the annual progress report. The existing social audit methodology that has been a part of the external monitoring will be continued.

5.6.4 Annual reports, dialogue with donors, IAs and other stakeholders on M&E outputs

The GoN DG dialogues will be improved with meetings held once every four months using the four monthly progress reports and reports from Joint monitoring visits to replace the written communication around the reports that has been the practice. The annual reports will be made analytical. Routine project lists and general information will be included as annexes. Annual reports will thus focus on :

- Brief narrative on key NPTF activities,
- Summaries of progress on outputs,
- Prospects of projects for achieving expected outcomes, impact and sustainability,
- Summaries of the results of reviews and evaluations.

The annual report will be the basis for the annual reviews with the IAs and the DG, the platform for detailed discussions on all projects and decisions. All the thematic reviews will feed into the annual reviews. The annual report will be printed and published.

5.7 Financial and fund management issues

While it has been agreed that donors, as far as possible, will contribute to a common fund without earmarking, and not request separate reports on use of individual donor funds, it will as up to now – be allowed for individual donors to earmark funding for larger programs or projects, and funds utilization for this parallel funding will be reported separately. Where there are earmarked funds available for a specific program or project, they will be used first before using pooled funds. Financial reporting will follow the program budget as well as provide line item accounts following the GoN classification with adequate detailing.

The contributions made by the GoN and the donors in the form of cash, reimbursable, and commodity grant will be in the NPTF budget code (3491013) indicating that it is budgeted.

The IAs will enter into an implementation agreement with the PFS for the project approved by the Board. The District Treasury Controller Office (DTCO) will disburse funds to the concerned IAs based on the letter of authorization for expenditure issued by the Secretary, MoPR on the recommendation of the NPTF Director, to the IAs and a copy of the implementation agreement. Advances will be provided for up to two periods of four months cash flow needs. Subsequent instalments to IA will be provided upon ensuring agreed compliance of financial management as well as performance and reporting by the IAs, including minimum of 80% budget execution of the previous instalments. The IAs will be entitled to transfer the NPTF advances into a non-freezable account maintained by the concerned DTCO and spend it by fulfilling all requirements of prevailing laws on financial administration in addition to

additional risk mitigation measures stated in the implementation agreements between the NPTF and the IAs. The mitigation measures will be based on the assessment of the financial management capacity of the IAs. The IAs will maintain books of account of the project in accordance with the prevailing law. Other provisions stated in PFOR will be applicable for reporting and financial management of IAs.

The IAs will submit four monthly progress reports to the PFS in prescribed formats following the GoN reporting formats and in line with JFA. The audit committee of the IAs will ensure full compliance with relevant laws and terms of the Implementation Agreement before submitting the reports to the PFS.

The PFS will provide financial management and reporting training to the staff of IA for full compliance with the Implementation Agreement, including procurement and reporting and to prevent and resolve audit irregularities.

The internal and external audits of projects implemented by the GoN agencies will be done by the DTCO and the OAG, respectively. Similarly, PFS will assign external experts to carry out internal and external audits of the projects implemented by the NGAs, if any.

For projects involving infrastructures, the National Vigilance Centre will carry out a Technical Audit and the IAs will carry out social audits involving the stakeholders. Other financial management provisions are as described in the JFA.

6. Knowledge Management, Communication and visibility strategy

Given the limited duration of continued operations envisaged in the strategy, and the importance of effective communication it has been agreed that NPTF will make regular communication as an integral part of the activities done by the IAs, and will secure government ownership and strengthen the communication carried out by the NPTF. NPTF will also make an effort to communicate widely – both nationally and internationally - the very positive experience and contributions of the Fund and the joint Donor-GoN efforts to support the peace process. Further NPTF will work on proper Knowledge Management closely linked to the communication strategy and all NPTF activities. Work has already started in this area and an outline for activities exists. The Knowledge Management work will also support transfer of relevant documentation to the MOPR or a documentation depository if such an institution is established for conflict and peace related documentation.

This would need staffing for the communication unit although initially the main burden of the communication activities at the NPTF will continue to be supported and carried out by TA staff and GoN hired consultants.

The communication activities anticipated for the NPTF during the strategy period will include regular project support communication (i.e. information of available support opportunities, application procedures etc.) and will further include:

- Production of a book or various booklets on NPTFs experiences and contributions to the peace process, reintegration of ex combatants and relief and recovery of CAPs
- Production and dissemination of a regular newsletter with updates on activities being carried out by NPTF as well as IAs and the MoPR (with information on peace policies and approaches of the government)
- Maintainance of an active website
- Interactions of Director on NPTF projects with media held at six-month intervals
- An annual visit of NPTF project activities by media representatives
- An annual report of NPTF for the general public
- Videos/or TV spots on past and ongoing NPTF support
- At least two interviews each year of the Director with media on various aspects of NPTF operations
- A year-end video and radio programmes on successful projects implemented by IAs

Over the next year and a half where the TA input will be strong, there will be strong efforts to build capacity of communication staffs of the MoPR and the IAs and building up a small staff of GoN hired consultants at the NPTF and to assist them in producing the outputs described above.

7. Risks and mitigation

A risk management matrix is attached as annex II to this strategy. The risks in the matrix will be actively monitored as part of project and program monitoring and appropriate mitigating measures will be taken if necessary.

Annexes

Annex I: Logical Framework Matrix for the NPTF strategy 2014-17

Logical framework matrix for the NPTF strategy 2014-17		
Intervention logic	**Objectively verifiable indicators**	**Means of verifications**
Overall Goal ***A sustainable peace process in Nepal through effective implementation of the CPA and subsequent peace agreements***	1) A well consulted Constitution promulgated 2) State/local elections held 3) Peace work integrated in work of government at state and local level	1) Official records, expert opinions 2) Official records 3) Final program evaluation based on expert opinions and review in selected areas
Intermediate goal 1 Conflict affected people are supported in their recovery and social and economic integration	1) Min 75 % of CAP express that they have received adequate support for relief and recovery	1) Sample survey at the end of the program
Objective 1.1 CAPs, and in particular, especially vulnerable groups have received adequate targeted support, and the CAPs who need continued support have been incorporated under regular government programs	1) 80% of Ex combatants express that they are adequately integrated in society 2) 80% of CADP express they receive adequate support 3) Victims of SGBV during conflict have been identified and support provided to at least 80% as confirmed by survey 4) 80% of CAPs who need psychosocial support express that they have received adequate support 5) Continued support secured after NPTF closure for CADP, orphans and people who need psychosocial support	1 to 4) midterm and final review surveys 5) Signed agreement between MOPR and relevant public service providers
Intermediate goal 2 Transitional Justice (TJ) and reconciliation agenda have started moving and TJ important initiatives parallel to the TRC and ODC process have supported victims with possibilities to tell their stories, present their cases etc.	To be agreed when contents of this thematic area is fully developed	To be agreed when contents of this thematic area is fully developed
Objective 3.1 Transitional justice and Reconciliation activities including NAP related contribute to moving the TJ agenda and to preparations of the more substantial work on TJ	To be agreed when contents of this thematic area is fully developed	To be agreed when contents of this thematic area is fully developed
Intermediate goal 3 People – primarily in in conflict affected areas - benefit from improved substantially security and security sector reform	1) 75 % of respondents in survey in relevant areas express that there is a clear increase in security 2) 50% of respondents of relevant CAP groups express that they are satisfied with the new initiatives on TJ.	1) Mid and end program surveys 2) Mid and end program surveys
Objective 3.1 Better local security through policing services for citizens and businesses, including through security sector reform, reconstruction of PUs and improved mine awareness especially between children	1) Indicator(s) for improved service delivery to be developed as part of inception report of last PU project 2) 80 % of children in primary schools in risk areas have adequate knowledge of mines and unexploded devises Covered under the overall goal	1) Sample survey 2) Sample survey through relevant schools at end of program

Logical framework matrix for the NPTF strategy 2014-17		
Intervention logic	**Objectively verifiable indicators**	**Means of verifications**
Intermediate goal 4 Contribute substantially to the consolidation and finalization of the political dimension of the peace process through support to the Constitution making, elections and local peace related initiatives		1) Constitution promulgated 2) Local and provincial elections held. 3) Sample survey on district local peace committees
Objective 4.1 The democratic process in Nepal consolidated through support to local and state elections and election related activities	1) Local elections successfully supported and completed 2) State elections successfully supported and completed	1) and 2) official records, internal and external observers opinions
Objective 4.2 The CA completes its work and a new constitution is consulted securing broad popular support.	1) Satisfactory consultation of Constitution Draft	1) Expert and press opinions collected in final review/evaluation of specific project
Objective 4.3 National and local peace building initiatives contribute significantly to the peace process, primarily at local level	1) LPCs functions adequately covering over 80% of districts and 60% of affected VDC 2) Agreement has been reached on how to incorporate LPC work with local and state government work	1) Official records 2) End of program survey

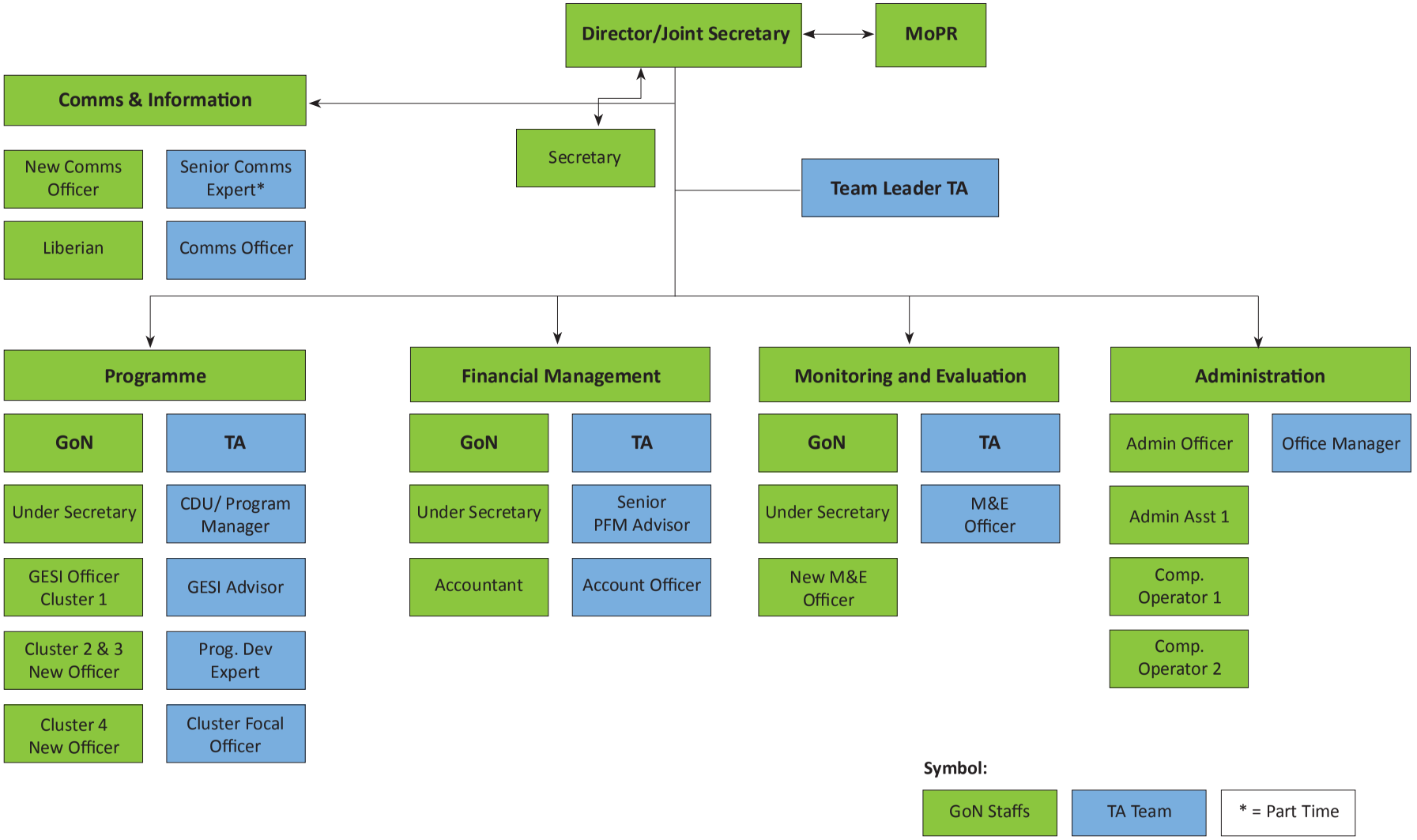
Annex II: Risk Management Matrix for NPTF 2014 to 17

Main identified risks related to the intervention	Probability of incidence	Impact	Planned measures (for mitigation or others)
Contextual Risk			
Political Risks: relates primarily to a deterioration of the political climate and ultimately to resumption of hostilities on a limited or major scale.	Low/ Medium	High	***Mitigation:*** While the political risks are outside of the control of the PFS and the MoPR the institutions will on a permanent basis monitor the risk and take mitigation actions as appropriate. The existence of the NPTF itself can be an element in bringing the peace process back on track by financing appropriate programmes. It will be important that the GoN and donors remain flexible to deviate from the normal programme if this kind of emergency arises.
GoN ownership and Management risk: This relates to the quality of PFS management and the MOPRs capacity to staff properly the NPTF especially at the end of the phase with high levels of TA till March 2016. The track record on management of PFS and GoN staffing of the PFS is not strong. The organization has to a large extent been sustained with TA support.	Medium to high	High	***Mitigation:*** The present MOPR management and the GoN is at this stage strongly committed to staff the PFS properly in the future, starting with filling vacant posts. Through planned strong coaching and capacity development of PFS staff and through completing main work on programme planning and approval by mid/end 2015 the remaining tasks in PFS will be substantially reduced. It is critical however that a minimum of TA to support the PFS in areas as PFM and M&E is provided from April 16 to July 17.
Programmatic Risk			
General Operational/ implementation risks: These consist of risks related to the relevance of the approved projects and to the efficiency and effectiveness in project implementation. Sustainability of achieved outcomes may also be an issue.	Medium	Medium	***Mitigation:*** The relevance of the implemented activity will be assured through quality, evidence based appraisals of projects. Tight monitoring of project implementation will prompt early intervention if efficiency and effectiveness are compromised. Sustainability will primarily be secured in the design phase and followed up through monitoring towards the end of the project to ensure early intervention if sustainability is compromised.
Financial risks: There are financial risks related to PFS operations, but they are limited due to the small scale of operations, while the main financial risks relates to the implementation and financial management of projects by the IAs. This relates to procurement, fund management, accounting, etc.	Medium	Medium	***Mitigation:*** The PFS has developed and is implementing a financial management improvement plan covering all aspects of its operations that should reduce its financial risks substantially. As for financial risks related to projects implemented by IAs the programme mainly relies on the GoN PFM system. The first step of mitigating this kind of risk is an assessment of financial management in the relevant institution. The PFS will continue to provide capacity development support to the IAs to improve financial management including procurement and reporting, activation of audit committees and audit follow-ups. The Implementation Agreement will contain clauses related to proper financial management and all projects will be closely followed up throughout the project duration. As future disbursements will be on a cash flow basis, NPTF may even withhold disbursements to ensure compliance by the IAs to financial management procedures.

Main identified risks related to the intervention	Probability of incidence	Impact	Planned measures (for mitigation or others)
Risks related to social dimension (CAP support):			
There is a risk that agreement cannot be reached on adequate definitions of CAPs and registers cannot be adequately reviewed and maintained.	Low	Medium	***Mitigation:*** This risk is considered low, taken into account the commitment of the GoN to this strategy. If the issue arises during program and project formulation/implementation, it will be brought up for agreement at high level between the parties.
There is a risk that it will not be possible to identify capable IAs to design and manage the support and who agree to continue to provide support to those in need after NPTF closure where needed.	Low	Medium	***Mitigation:*** At this stage there would already seem to be institutions willing and capable to manage the envisaged program and for taking over when NPTF phases out. The area of psycho social support is however of concern related to support post 2017. Work over the next year will aim at identifying permanent support for those in need in this group.

Risk related to access to security and transitional justice			
No major risks are envisaged related to the security area except for the quality of construction	low	low	***Mitigation:*** Related to quality of construction a review of the processes will be undertaken with a view to secure quality in future constructions of PUs
The area of transitional justice is an area where there is no full agreement neither between national partners nor between the GoN and donors on how to proceed	High	Medium	***Mitigation:*** Work is underway on defining limited TJ short cycle interventions which are in harmony with good international practices and which may help to move the TJ agenda both to the benefit of victims and to the benefit of the peace process.
Risk related to political dimension (Elections, Constitution making, LPCs			
There is a risk that the agreements on the Constitution is delayed again and local and state elections will not be held before NPTF closure.	Medium	High	***Mitigation:*** This is actually a contextual risk. The PFS/MOPR can do little about this. However some support to improvement of the election system may happen anyway, independently if elections take place.
There is at this stage room for improvement in LPCs work. Improvement in their work and agreement on integration with local political processes would seem to be critical assumptions for their continued existence	Medium	Medium	***Mitigation:*** The programmes envisaged will be designed to mitigate the risks by helping defining better the tasks of the LPCs at this juncture of the peace process and define their role in the future. Within these frames the work of the LPCs will be strengthened.

Annex III: Proposed Organisational Chart and Staffing Peace Fund Secretariat Dec 2014 - Mid March 2016



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