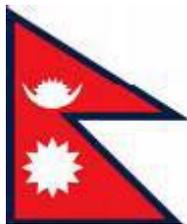# Priority Plan for Peacebuilding Fund (PBF)

NEPAL

2008

United Nations Nepal

PRIORITY PLAN
FOR THE UNITED NATIONS PEACE BUILDING FUND
NEPAL 2008

1. Background

1.1   Nepal is in a critical transition phase after a decade long internal conflict claiming more than 13,000 lives. The "People's War" was launched on the 13th of February 1996 by the Communist Party Nepal(Maoist) [CPN(M)], building on a range of social and cultural grievances to pursue an armed rebellion and a communist state. Grievances included the political and economic marginalization of large sections of society, a feudal land tenure system, highly unequal gender and caste relations and high levels of social and economic inequality. By 2006, the military conflict had reached an effective impasse, where the Nepal Army was confined to district headquarters and major roads but without operational command of most rural areas. CPN(M) controlled large parts of the country, in which they set up parallel courts and administration systems. Rural populations were hardest hit by the conflict.   Most of the casualties in the conflict were civilians and the number of disappearances reached worldwide record levels in 2002-2004.

1.2   The signature of the Comprehensive Peace Agreement (CPA) in November 2006 brought a halt to the fighting between the two armies, although neither considered themselves defeated. The period between the CPA and the Constituent Assembly (CA) election in April 2008 sustained the ceasefire while the foundations of a political agreement were being forged.

1.3   On April 10, 2008 Nepal held elections for the CA, the body responsible for preparing a new Constitution. The elections were the centre piece of the political transition foreseen in the CPA and the beginning of state transformation. They were a vote for peace, but also for reform and returned the CPN(M) with 30% of the total votes (and 40% of CA seats) on a platform of economic and social change. In order to meet the expectations of the people for an efficient, equitable and inclusive service delivery and for democratic participation, a process of state transformation, rather than the more conventional post conflict state building, now needs to take place. Commitments on state restructuring are an integral part of the CPA and subsequent peace agreements though specific actions have still to be agreed.

1.4   The peace process in Nepal is owned by the people and despite several attempts by different actors to derail it, there has been remarkable progress in significant areas of the CPA. Achievements include maintaining the ceasefire, abolishing the monarchy and moving to a federal democratic republic. Additional agreements were made between the governing coalition and traditionally marginalised groups which have, inter alia, ensured much broader political representation for women and historically marginalised groups in the Constituent Assembly.

1.5   Nepal faces a range of immediate political and economic challenges.   These include integrating two armies, drafting a new Constitution, addressing rising food and fuel prices, engaging the large numbers of unemployed youth in constructive development efforts, prosecuting the perpetrators of serious human rights abuses, protecting and compensating victims of conflict, investigating disappearances, reintegrating ex-combatants and returning displaced persons to their homes. All of this while addressing the complex issue of re-establishing local government, resolving disputes over expropriated land and property and starting a process of national and local reconciliation. The peace process in Nepal is thus both front-loaded and fragile.

1.6   The 3 month delay to date in forming a Government following the CA election, partly due to distrust between the parties, has further increased divisions between the parties and made the pace process more fragile. Lawlessness and violence in parts of the country is increasing, and youth movements, including the CPN(M)/YCL are increasing their influence in districts.   The Nepal Police remain unable to address the deterioration in the rule of law.   The delay in formulating a new 2008/9 Government Budget will further exacerbate the situation. Despite the overwhelming public desire for security, basic services and jobs, there has so far been little tangible progress.

1.7   Following the signing of the CPA a government-led multi-donor trust fund, the Nepal Peace Trust Fund (NPTF), was established as a collective financing mechanism for peace building. Immediately afterwards, the UN Peace Fund for Nepal (UNPFN) was set up as a complementary instrument to the NPTF. It finances initiatives where the UN can add value in thematic areas, particularly through cross agency support, and by piloting innovative approaches. The two funds nonetheless share the same Governance structure and priority areas.

1.8   Besides these two collective instruments, peace building proposals are also an integral part of the Government's Three Year Interim Plan (TYIP) 2007–10. Peacebuilding is also one of the UNDAF's four priority areas for 2008-2010. Donors, including IFIs, are in the process of preparing new country strategies that include support to the peace process. As part of this process, a comprehensive mapping of donor activities has been carried out. Work is also ongoing to define the next critical steps in the peace process, and thereby the future priorities for the NPTF. Donors have identified potential additional funding to the NPTF and it is expected that its budget and strategic contribution to peace building would increase as its implementation modalities are strengthened. This is the framework within which PBF support to Nepal would operate.

1.9   There is already a high degree of complementarity between the thematic priorities of different actors and across the different modalities of support to peace building.
   • Donors: Peacebuilding is an integral part of future support including, inter alia, accelerated basic service delivery, economic recovery, infrastructure reconstruction, and employment generation.
   • NPTF: Focus areas indentified in ongoing needs assessment include Future Elections; Return, reintegration and rehabilitation of IDPs; Security Strengthening; Cantonment Management; and Support to Peace Institutions
   • UNCT: One of four priority areas in the UNDAF is dedicated to 'Consolidating Peace' with focus on Constituent Assembly and Elections; Strengthening national institutions; and Participation and Protection of women, girls and boys (UNSCR 1325/1612).   Other UNCT activities include basic social services, reintegration of ex-combatants, and food security.
   • UNPFN: Priority areas include Mine Action; Reintegration; and Monitoring of the Peace Process in the Districts. These priority areas are to be revisited in line with the Nepal Priority Plan.

1.10   When the new government is in place, it is expected that it will revisit and modify parts of the TYIP. The new government is also expected to convene the next Nepal Development Forum later in 2008 that will be the opportunity to address the more comprehensive integration of peace and development through a new Peace and Development Framework.
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1.11   It was on this basis that the Secretary General in December 2007 declared Nepal eligible for funding from the second window under the Peace Building Fund. The decision was based on the need for funding to sustain the peace process with flexible and rapid actions using the agreement between the UN, the Government and other actors on peace building priorities, and the use of the UNPFN as the mechanism for channelling fast disbursing UN support to peace building.

1.12   In the preparation of this Priority Plan, consultations were carried out with government, donors, UN agencies, and civil society to develop a shared understanding of the new challenges the peace process is facing and the need for continued targeted support to focus areas. Consulted stakeholders found that UN using its neutrality together with its ability to do cross agency programming is well placed to support key areas of the peace process. UN will in the implementation of PBF support, collaborate closely with the government, civil society, and donors to reflect shared priorities, avoid overlap, and to link with related initiatives.

2. From Analysis to Peacebuilding Priority Areas

2.1 Since the 12-point Agreement in November 2005, significant progress has been made in achieving and consolidating the ceasefire. The peace process is now moving beyond the threat of resumption of the Maoist armed struggle into sustainable peace and recovery making the agenda broader and more complex. The threats

to future progress come from the yet unimplemented parts of the Peace Agreements, but also from new and more complex challenges being encountered as the peace process moves into its new phase.

Through consultations with stakeholders the following conflict factors were identified, the successful resolution of which is required to safeguard the implementation of the Comprehensive Peace Agreement and prevent the peace process from faltering:

State transformation	
Security sector reform: two armies	Under the peace agreement, the Nepal Army and the People's Liberation Army have been separated, with the Nepal Army confined to barracks and the PLA to cantonments. The verification of Maoist combatants is completed and the Nepal Army has been brought under democratic control. However, no progress has been made in the implementation of the CPA agreement for the "integration" of the Maoist army and the "democratization" of the Nepal army.
Public Security	Inadequate security is a major national concern. The absence of accountability mechanisms in key institutions is alarming. The overall security situation in Nepal has improved considerably since the signing of the CPA, but continuing violence committed by a number of armed groups, is not always investigated by the police. The number of security incidents by both the CPN(M) and armed groups in the Tarai increased significantly in the months leading up to the election in April 2008. Reports of extortion by the CPN(M) cadres re-emerged in 2007 when the CPN(M) withdrew from Government. There has been a significant rise in the range and size of forced donations, using YCL cadres in the hills and the mountainous region. Recently there have on occasion been increasing attempts by the CPN(M) to influence decision making in districts including through violent means. Levels of violence by armed groups in the Tarai remain worrying.
Poor political leadership and misuse of power	The political culture is top-down, patrimonial and traditionally averse to compromise, relying heavily on positional bargaining. Disconnects between the centre and the periphery and between the top leadership and grassroots communities negatively affect communication, participatory decision making and the setting of priorities. An accountable, representative, effective and transparent system of democratic governance is not yet in place. The absence of local government, during the conflict and since, has constrained both democratic functioning and delivery of development programs at local levels. Civil society, diverse and plural, is an important partner in terms of service delivery, but is still developing its capacity to hold the Government accountable. Corruption is wide spread and has its roots in the political system that has hitherto privileged a small group of elites.
Social Exclusion and divisive identity politics	Of the more than 100 caste and ethnic groups, only a small number dominate the public and private sectors and political life. The state has up to now been unable and/or unwilling to accommodate interests and concerns of women, traditionally marginalized groups including Madhesis, Dalits, Janajatis and religious minorities (primarily Muslims). Many women in rural areas were left with the burden of raising and supporting their families as they lost their husbands to either the conflict or migration. A combination of frustration, disappointment, and destitution has left many children and young people exceptionally prone to extreme politics and violent political manifestations. Political commitments to address the problems of excluded groups of women, Dalits, indigenous communities, Madhesis and disadvantaged geographic areas have been given, and some state initiatives have been launched, including issuing citizenship certificates, and reservations in the civil service and police, but the latter have yet to be realized in practice.
Community Recovery	
Extreme Poverty and Delivery of Basic Services	Extreme levels of poverty, inequality and malnutrition are both causes and consequences of the conflict in Nepal. Access to resources and opportunities in Nepal is unequal and traditionally urban areas and a relatively small group of elites have benefitted disproportionally. Rural investment further declined during the conflict, and unemployment increased, resulting in increased economic migration and food insecurity. Child malnutrition in Nepal is amongst the highest in the world. Service delivery has traditionally advantaged urban areas at the expense of rural areas and lower castes. Only a relative small fraction of total Government and donor spending reaches the poorest sections of the population in rural areas. The CPA commits the parties to rapid economic recovery. However, implementation depends on the formulation of new policy and budget priorities. Furthermore, the delivery of

	basic services in many parts of the country is hampered by the need to reconstruct local government offices destroyed in the conflict.
Children and Youth	Nepal's fragile peace and security will ultimately depend on the successful integration of this generation of children and youth in productive roles in society. Many youth associated with armed forces or groups are meeting great difficulties in returning to their homes and have no alternative but to make a living on their own, without education or skills, putting many at risk of drifting into criminal activities.
Conflict Prevention and Reconciliation	
Impunity and Transitional Justice	The legacy of human rights abuses and the culture of impunity is deeply rooted in social discrimination and traditional inequities. There is effective impunity for human rights violations by some state and non-state actors. Transitional justice is vital to start a process to end impunity and enable peacebuilding, to discourage the activities of armed groups and break the links between politics and crime. Only then will human rights defenders be able to fully function. Increasing frustration on the part of victims also encourages direct action to obtain redress, further increasing the threat of conflict. Such trends are accompanied by explicit parallel structures including local Maoist 'courts', policing mechanisms, and the dispensing of summary justice.
IDPs and Conflict victims	In 2006, the Government estimated that there were more than 200,000 internally displaced people. This number has fallen substantially since the CPA signing, but the new IDP policy (2007) acknowledging IDPs as result of Maoist violence, has not yet been implemented; resulting in inadequate relief and rehabilitation support for IDPs by the State. In some instances, the return of IDPs to their homes is prevented by Maoist cadres. There are a further wave of IDPs caused by armed groups and lawlessness in the Tarai. The needs of those groups have not yet been factored into the peace process. Support to victims of the conflict, for example, to the families of the deceased, is also constrained by reluctance to acknowledge victims of violence by the state.
Land and Property	Both the CPA and the subsequent 23-point agreement require that land and property seized by CPN(M) are to be returned, but little progress has been made. Indeed, in some areas, additional land and property has been seized by Maoists and others, and even redistributed.
Landmines and IEDs	Improvised explosive devices (IEDs), unexploded ordinances, and landmines continue to take the lives of hundreds of Nepalis. Typically, more than half of civilian casualties of such incidents are children, leaving Nepal with one of the highest rates of child casualties from victim-activated explosives globally.

In some, but not all areas, this agenda will involve the creation of key peace supporting institutions such as the National Peace and Rehabilitation Commission, the Truth and Reconciliation Commission, the High Level Commission on Disappearances, the High Level State Restructuring Commission and the High Level Monitoring Commission.

2.2   However, the most immediate challenge following elections has been to reach agreement between the political parties on the basis for forming a new government. Next, there is a much more profound challenge in drafting the new constitution. The changes required in the constitution drafting process are of a transitional nature, including the move from a unitary to a federal state, from a monarchy to a republic, from feudalism to democracy, and from caste hierarchy to equality. Having to address these issues while at the same time implementing security sector reform, restoring local administration and the rule of law, accelerating the delivery of basic services, and increasing economic growth and job creation only adds to the challenge. The timetable is equally demanding, with much of the above state transformation agenda scheduled to be underway before new elections in 2010. For these reasons, the peace process agenda remains front loaded and fragile.

2.3   To date the peace process in Nepal has been characterized by a series of political agreements between the parties, many of which have still to be implemented.   New agreements have been signed which have repeated commitments or undertakings of previous agreements and now these in turn have often remained unimplemented. This process reflects both a continuing distrust between the parties as well as a genuine difficulty in finding a way forward on some hitherto intractable problems.   In this context, the Peacebuilding Fund will support catalytic initiatives designed to move forwards on the peace process and thereby help to build confidence between the parties.

2.4   Initiatives proposed for PBF funding will seek to identify politically viable solutions, thereby diffusing tensions on critical issues such as land, or youth movements. Land and property is an example of a highly politicised area where PBF funding could be used to make progress on issues of expropriation, restitution and land transfer, and open the door to a 'scientific process of land reform' as identified by the CPN(M). In this way, PBF support will seek to pave the way for larger scale and continuing support from development partners necessary for long term reform efforts in relation to land use.

2.5   The conflict factors identified in the table above define the agenda necessary to take the peace process forward. The issues are interrelated and successful implementation in one area is often dependent on progress in others. For example, the return of IDPs is linked with land and property restitution, and youth employment and finding alternatives for members of youth movements is linked to the success of local reconciliation and reintegration efforts. PBF funding will also be used to promote closer cross agency working within UN. In this respect it is well adapted to support this integrated agenda.

2.6   By promoting a way forward on hitherto intractable peace process issues, the PBF will also help to establish the foundations for successful international support to peace and development over the medium term. The intention is for Government, civil society and international development partners to work together on a Peace and Development Framework. .   UN support over the next 12 months through the PBF will help to put in place some of the foundations for this future collaboration.

2.7   Priorities for PBF peacebuilding support in Nepal therefore include:
   i. Strengthen state capacity to sustain peace for accelerated recovery in areas where there is a serious risk of future conflict;
   ii. Foster the accelerated recovery of groups, or areas, where the risk of conflict is heightened specifically addressing women and member of traditionally marginalised groups.
   iii. Support local communities, including through women's groups, to mitigate the risk of increasing armed violence including the proliferation of small arms, and diffuse tensions over specific issues that could result in conflict;
   iv. Leverage UN's comparative advantage vis a vis other actors.
Further detail on these priorities is given below.

2.8   **Strengthening State Capacity for Sustaining Peace:** A PBF priority is to support the state to build the capacity to forge consensus on issues that have previously polarized the nation while finding a way to keep the momentum in the peace process and moving forward on socio-economic reform. The Constituent Assembly has a much greater political representation of women, young people and members of the traditionally marginalised groups, which makes it an important advocate and instrument for change. PBF funding is requested for support to the:
   • Constituent Assembly, for public participation and consultation in the constitution making process, training of new members, especially women and the youth, expert advice on federalism, and for the development of cultural and language policies.
   • High Level Peace Commission, Advice on policy and implementation will be provided through the Nepal Peace Trust Fund (NPTF) and the UN Peace Fund for Nepal (UNPFN) and
   • Promoting respect for human rights and press freedom as cornerstones of the new democratic framework in Nepal.
   • Promoting the social and political inclusion of women and members of traditionally marginalized communities.

2.9   **Community Recovery:** The key to sustaining peace building efforts will be to accelerate tangible benefits to poor and disadvantaged communities, and to establish conditions for economic growth and employment generation. The immediate challenge is to balance the need for progress on issues such as discharge and reintegration of former combatants, land, and state restructuring while at the same time meeting the expectations for delivery of tangible programs and services to change the daily lives of those Nepalis in whose name the political upheaval of the past decade has been conducted. Community Recovery includes the creation of productive employment opportunities through employment intensive programmes for conflict affected groups and areas. Two immediate priorities are identified:

- <u>Accelerated delivery of basic services</u> to conflict affected and disadvantaged groups and areas, through food and cash for work, school feeding etc., through initiatives focusing on the socio economic rights of women and children affected by the conflict.
- <u>Employment and Youth empowerment</u> by providing alternative options for members of youth movements including skills training and employment opportunities in conflict affected and other vulnerable areas. The repair of war damaged infrastructure will also be addressed insofar as it provides opportunities for decent and productive employment.

2.10 **Conflict Prevention and Reconciliation:** Facilitating national reconciliation, including reintegrating youth in communities divided by conflict, is fundamental to laying a solid foundation for long-term peace and stability. The PBF funding has four immediate priorities:
- <u>Reintegration and cantonments</u>: support for those in cantonments; for reintegration and reconciliation of ex-combatants; for IDPs; for children affected by conflict and those formerly associated with armed forces and armed groups.
- <u>Transitional justice</u>: to support state authorities to halt on-going human rights abuses, investigate past crimes, identify those responsible and impose sanctions on perpetrators, provide reparations to victims, prevent future abuses, preserve peace and foster individual and national reconciliation and preserve press freedom on all these issues.
- <u>Reconciliation across communities</u>: reconciliation at the local level through support for state and non-state local peace structures as well as support for the resolution of land/ property disputes, including with the help of paralegal committees. Foster women's participation in reconciliation activities down to the community level.
- <u>Mine Action</u>: enhance security of the civil population through support to clearance of minefields. Strengthen national capacity to address the long term problem of land mines and clear minefields as per international humanitarian standards,

2.11 Peacebuilding support though the PBF is catalytic and strategic. It is not intended to be comprehensive or to reflect the total contribution of the UN to peace building in Nepal. Major components of the peace process, e.g. Security Sector Reform, infrastructure, recovery, including basic services, and employment generation will be taken forward largely through other means.

3. Summary of Potential UN Support Interventions using PBF Resources

Since the end of the conflict the UNCT has been actively involved in supporting the peace process. With support from the UN Peace Fund for Nepal (UNPFN), targeted initiatives in support of the CA election, verification of Maoist combatants, mine action, and monitoring of the peace process in the districts have been implemented by UNDP, UNOPS, WFP, OCHA and UNMIN. Other key initiatives include implementation of Security Council resolution 1325 by led by UNFPA, UNICEF's work with children affected by conflict, food-for-work activities to build critical infrastructure by WFP, and the monitoring and advisory role of OHCHR.

The table below show potential initiatives to be supported with PBF funding once a new government has been formed, and the high level Peace Commission established so that formal endorsement of the Nepal Priority Plan can be obtained and project proposals prepared:

Strengthening State Capacity for Sustaining Peace		Up to $3 million
State transformation and state capacity to sustain peace.	Support to Constituent Assembly (CA) including advice on constitution drafting process, establishing a resource centre for the CA. Advice and support to new CA members especially women and members of marginalized groups, support for media and citizen participation in constitution building. Support for the inclusion of women and members of marginalized communities in state institutions. Support for strengthening national peace building capacity. Support for local initiatives to build community self governance capacities. Support for human rights promotion and protection, including press freedom and strengthened media.	UNDP, UNICEF, UNFPA, ILO, UNESCO,UNRC Potential Counterparts include: the CA, District Administration, Ministry of Local Development, National Human Rights Commission (NHRC), civil society.
Community Recovery		**Up to $3 million**
Accelerated delivery	Accelerated basic service delivery to conflict groups and areas, particularly initiatives focusing on women and children's special needs. Accelerated recovery of conflict affected groups through food security, income generation, and reconstruction of war damaged infrastructure etc.	OCHA, UNICEF, WFP, FAO, WHO Potential Counterparts include District Administration, Ministry of Health and Population, Ministry of Education and Sport, civil society
Employment of youth	Initiatives focusing on alternative employment opportunities for members of youth movements. Programs providing youth employment opportunities in areas at high risk of conflict.	UNDP, ILO, UNICEF,UNFPA Potential Counterparts include: District Administration, Ministry of Labour and Transport Management, civil society
Conflict prevention and reconciliation		**Up to $4 million**
Reintegration & Cantonments	Support for those in cantonments, for their orderly discharge and reintegration. Support for children affected by conflict including for their discharge from cantonments and their reintegration into home communities.	UNFPA, UNDP, FAO, UNICEF, WFP, Habitat Potential Counterparts include: District Administration, Ministry of Education and Sport, Ministry of Peace and Reconstruction, civil society,
Transitional Justice	Support for the training of security forces in HR and IHL. Finding ways forward to end immunity for members of security forces and armed groups regarding human rights violations and war crimes. Support to victims of conflict (including victims of Sexual and Gender Based Violence. Support for the resolution of cases involving disappearances. Support for the resolution of conflict related disputes involving land and property. Support for the registration of IDPs and for the identification of support requirements.	UNICEF, OHCHR,UNFPA Potential Counterparts include: District Administration, NHRC, civil society, Ministry of Law, Justice and Parliamentary Affairs
Reconciliation across communities	Support for both state and non-state local peace structures. Support for women focused, staff and run local reconciliation structures. Support for wide participation in local reconciliation mechanisms.	UNDP, OHCHR, Habitat Potential Counterparts include: District Administration, Ministry of Peace and Reconstruction, civil society
Landmines and IEDs	Support for clearance of minefields. Capacity building of Nepal Army to address the long term problems of landmines and conduct demining according to international humanitarian standards.	UNMIN/UNOPS, UNMAS Potential Counterparts include: Ministry of Peace and construction, civil society,

4. Coordination and Project Selection

4.1   Since the CPA, the focus of peace building efforts by the parties has been on the political settlement. However the urgency of peace consolidation and moving forward on the peace and development agenda is increasingly recognised. The need for a Peace and Development Framework was identified through consultations between the government, donors, civil society, and the UN as a vehicle for addressing the root causes of the conflict. Collective financing mechanisms for peace building already exist, in the form of the Nepal Peace Trust Fund (NPTF), and then the UN Peace Fund for Nepal (UNPFN) to mobilise resources for activities of clear, short-term relevance to the peace process not possible to fund or implement through the NPTF. Over time the administrative structures for both funds are expected to be aligned.

4.2   The establishment of a UN fund that is complementary to the NPTF made it possible to accelerate progress on certain issues. The in-country implementation process of the PBF will be managed and coordinated within the framework of the already established and tested mechanism of the UNPFN. A joint high level Government-led Steering Committee including donors and the UN provides policy oversight of both funds. A Donor Advisory Group consisting of donors contributing to one or both of the funds serves as an advisory body to the Steering Committee; reviews progress and ensures coherence and coordination.

4.3   The projects of the UNPFN have been selected and managed by the Executive Committee that is placed under the Steering Committee in the governance structure. The Executive Committee consists of a government representative from the Steering Committee; a donor representative from the DAG; the SRSG (Chair) and the UNRC (Vice-Chair). The Executive Committee review project proposals presented for funding approval; provide recommendations to the implementing agency; and prioritise funding. Approval is done by consensus. The Executive Committee will be assisted in the technical assessment of proposals for PBF funding by the same thematic cluster groups consisting of technical experts from government, civil society, donors and UN agencies as used by the NPTF. The governance structure of the UNPFN involves representatives from government, donors, civil society and UN at various stages of the proposal development and approval process ensuring that projects are highly relevant and fill a gap in the overall support to the peace process.

4.4   Project proposals for PBF funding will be selected against a series of criteria including:
- Proposals address at least one of the priority areas identified in this document
- The agency's capacity to implement the project and collaborate with relevant government agency and/or other stakeholders
- Good understanding of post-conflict sensitive implementation
- Whether project outputs and indicators include peace building criteria.

4.5   The Executive Committee is supported by a Secretariat that is responsible for liaison with donor agencies and implementing UN agencies; ensuring that the technical review process is undertaken; conducting quality control of project proposals and preparing them for the Executive Committee. The Secretariat also maintains an overview over the progress of the Fund and the individual projects in close collaboration with the UNDP Multi Donor Trust Fund office that serves as the administrative agent of the UNPFN.

5. Monitoring and Evaluation

5.1 Implementing agencies will undertake monitoring and evaluation of projects in accordance with the provisions of the projects. Aligning monitoring and evaluation with existing mechanisms prevents duplication and avoids parallel structures. Assessment tools will also be developed to monitor and evaluate approved projects to include their impact on peacebuilding efforts and contribution to peace consolidation.

5.2 The Executive Committee may call an external review of the UNPFN's operation to document lessons learned, the effectiveness and value added from the Fund. The result of the review will be shared with the Steering Committee, the Donor Advisory Group and the Peace Building Support Office.

5.3 The existence of a common financing mechanism thus offers the possibility of rapid decision making and implementation of jointly prioritized peacebuilding activities as well as the monitoring of their peacebuilding impacts.

6. Risks

6.1   Nearly two years after the CPA was signed, the peace process continues to face a range of risks that could reverse the current achievements and jeopardise its further consolidation. Timely implementation of appropriate initiatives within the critical priority areas will help to mitigate the risks. The major risks faced by the peace process, and by the activities identified in the Nepal Priority Plan are identified below, together with risk mitigation measures.

6.2   **Strengthening State Capacity for Sustaining Peace:** Ongoing political instability, disputes between political parties, lack of inter-ministerial coordination and cooperation, prolonged discussions and serious delays in progress continue to hamper the functioning of the Government and the Constituent Assembly, and if not resolved, will delay state transformation.

6.3   Additionally, the state response to the grievances of traditionally marginalised groups has so far been ad hoc, and typically undertaken without stakeholder consultation. As a result, various regional and national networks now agitate in support of their demands for equality. Also more radical groups have emerged, particularly in the Tarai, with threats to take up arms. Federalism could also open up increased competition between various ethnic groups over resources. The strengthening of the resolve of these groups to ensure their demands are met forms the next major threat to the peace process.

6.4   Views still differ between the CPN(M) and the other political parties and the command of the Nepal Army, on how the process of integration should operate and what interim arrangements should be made. Reintegration plans for former combatant currently in cantonments have still to be agreed. Until these issues are resolved, the existence of the two armies remains a potential threat to peace. At the same time, recruitment to the Nepal Police has not yet become more inclusive and its performance remains poor due to party political interference, low morale, poor equipment, weak police-community relations, and the absence of accountability mechanisms for human rights abuses. As result, public security continues to be a major concern.

6.5   The formation of a multiparty government with participation across the political spectrum and decision-making by consensus, and the proper functioning of the CA as a representative legislative body fully engaged on decisions of state restructuring, is the most effective response to these risks. The UN, international community, civil society, and many in political parties continue to press for this to happen. Advice on the integration of the 2 armies, in part through the good political offices of the UN, will also help to manage risks. The critical interventions proposed in the priority plan, particularly support for constitution building, social and political inclusion and national peace building capacity will help address gaps in the critical interventions necessary to take state transformation forward.

6.6   **Community Recovery:** The major threats to economic recovery include the deferral of socio-economic reform actions to the imperatives of the political settlement and government formation, the lack of functioning local governments to plan and coordinate local service delivery, including programs targeted at conflict affected groups and areas, and poor understanding of the vulnerability of different groups and regions to threats, particularly increasing food and fuel prices.

6.7   The accelerated delivery of basic social services in particular is constrained by VDC Secretaries' inability to function because of violent threats by CPN(M)/YCL and armed groups in the Tarai. There is also increasing interference in the local procurement process by various groups, in particular the CPN(M)/YCL. In the absence of national directives, interference in local government functions by some political parties has also increased in an attempt to influence development space on the ground.

6.8   The escalating instability in the Tarai also gives rise to a series of child protection concerns affecting the opportunity for working with children and youth groups. Children formally associated with armed groups are prone to re-recruitment by groups prepared to use violence to achieve their aims, and which might prevent them accessing productive employment. The increasing availability of small arms and light weapons, combined with large numbers of unemployed youth with military training and active combat experience, remains a threat to stability.

6.9   Government and donors are attempting to address these concerns, though delays in forming the Government after the CA elections are now a major concern. Donors are nonetheless continuing to prepare national programs of support for community development and local governance, the repair of war damaged infrastructure for labour based roads construction and for youth employment. Within this agenda, PBF support will focus on addressing accelerated development opportunities for conflict affected groups, particularly for women and members of excluded groups, and also the provision of alternative employment opportunities for ex-combatants and members of youth movements.

6.10   **Conflict prevention and reconciliation:** Lawlessness remains a major threat to the peace process in Nepal. The inability of the Nepal Police to ensure safety and security for people together with their subordination to party political direction continues to be a serious concern. CPN(M) have continued their People's Courts in different parts of the country, providing summary justice outside the rule of law. Since Feb 2007, armed groups in the Eastern and Central Tarai have begun to extort money from individuals as well as public and private institutions, often accompanied by abductions and other forms of physical violence.

6.11   Businesses and development programs have been the principal targets of extortion, including CPN(M)/YCL. In addition, there is levying of self-proclaimed taxes by CPN(M) and other groups, particularly to tourists operators, which go unchallenged since neither rule of law nor local governments are operative in rural areas.

6.12   Little progress so far has been made on the politically challenging issue of restitution of land and property by CPN(M). This remains a major on-going threat to peace and to the reconciliation of conflict parties at the local level.

6.13   Despite a commitment by the State under the CPA to disclose the whereabouts of those people who disappeared in the conflict, little progress was made and the Commission for the Investigation of Disappeared has not been formed as yet.

6.14   Landmines continue to pose a threat to the people living near the minefields. In spite of clear marking of existing minefields and ongoing mine risk education programmes, accidents still occur confirming the need for continued support to mine clearance.

6.15   The resolution of these threats to peace depends in parts on progress between the political parties on forming a government and establishing a common minimum program for the period of the CA. People's active participation in the development process cannot be expected until they have trust in the government and in governance systems. Mutual trust between the Government and the people has suffered considerably, not least by the delays in accelerating service delivery due to the present political impasse. The UN has a key role to play if, through the provision of PBF support, it can accelerate progress in areas like mine clearances, but also find ways forward on those issues that will otherwise continue to block progress towards peace.