

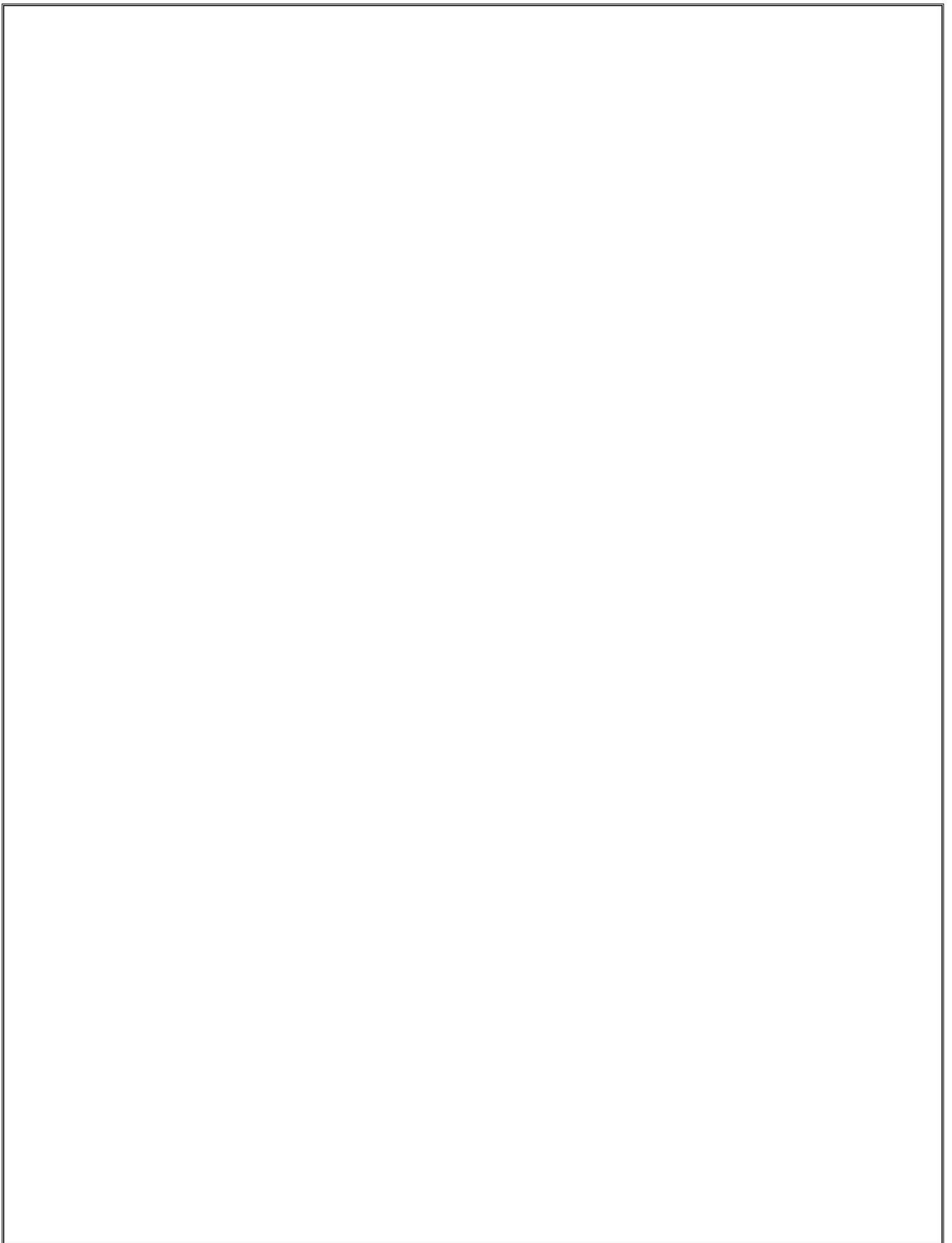
**First Consolidated Annual Progress Report on
Activities Implemented under the United Nations Peace Fund for Nepal**

**Report of the Administrative Agent of the UNPFN
for the period 1 January to 31 December 2007**

**Multi-Donor Trust Fund Office
Partnerships Bureau
United Nations Development Programme
www.undp.org/mdtf**

FINAL REPORT

23 July 2008



UNITED NATIONS PEACE FUND FOR NEPAL

PARTICIPATING UN ORGANIZATIONS¹



International Labour Organization (ILO)



United Nations Development Programme (UNDP)



United Nations Educational, Scientific and Cultural Organization (UNESCO)



United Nations Population Fund (UNFPA)



United Nations Human Settlements Programme (UN HABITAT)



United Nations Children's Fund (UNICEF)



United Nations Office for Project Services (UNOPS)



World Food Programme (WFP)



World Health Organization (WHO)

CONTRIBUTING DONORS



Canada



Denmark



Norway



Switzerland



United Kingdom

¹ Participating UN Organizations that have concluded a Memorandum of Understanding (MOU) with the UNDP Multi-Donor Trust Fund Office, as the Administrative Agent of the United Nations Peace Fund for Nepal.

Abbreviations and Acronyms

ILO	International Labour Organization
LOA	Letter of Agreement
MDF	Multi-Donor Trust Fund
MOU	Memorandum of Understanding
NPTF	Nepal Peace Trust Fund
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
RC	Resident Coordinator
SRSG	Special Representative of the Secretary-General
TOR	Terms of Reference
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UN HABITAT	United Nations Humans Settlement Programme
UNICEF	United Nations Children's Fund
UNMIN	United Nations Mission in Nepal
UNOPS	United Nations Office for Project Services
UNPFN	United Nations Peace Fund for Nepal
WFP	World Food Programme
WHO	World Health Organization

Definitions²

Approved Project

A project that has been approved by the Executive Committee of the United Nations Peace Fund for Nepal (UNPFN) for which a project document has been subsequently signed.

Donor Pledge

An amount indicated as a voluntary contribution by a Donor. Pledges are not included in the financial statements. Financial reports will report on legally binding Donor commitments and deposits to the UNPFN.

Donor Commitment

A Donor contribution as per signed Letter of Agreement with the UNDP Multi-Donor Trust Fund Office, in its capacity as the Administrative Agent of the UNPFN.

Donor Deposit

Cash deposit received by the Multi-Donor Trust Fund Office for the UNPFN.

Project Expenditure

Amount of project disbursement plus un-liquidated obligations related to payments due for the year.

² Common definitions used by the Multi-Donor Trust Fund Office in Annual Progress reporting.

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Executive Summary

Introduction

1. The United Nations Peace Fund for Nepal (UNPFN) was established in March 2007, at the request of Donors and as a complement to the Government's Nepal Peace Trust Fund (NPTF). The UNPFN mobilizes resources for activities of clear, short-term relevance to the peace process where these are not possible to fund or implement through the NPTF or other existing mechanisms or programmes. The UNPFN channels resources for focused, time-limited activities deemed critical to the peace process and subject to a strategy for United Nations peace support articulated by the United Nations Mission in Nepal (UNMIN) in consultation with its partners.
2. The Multi-Donor Trust Fund (MDTF) Office of the United Nations Development Programme (UNDP) was designated as the Administrative Agent (AA) of the UNPFN and has concluded a Memorandum of Understanding (MOU) with nine Participating UN Organizations.
3. This First Consolidated Annual Progress Report on Activities under the UNPFN reports on the implementation of the eight projects approved for funding during 2007, the first year of operations of the UNPFN. The Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating UN Organizations to the MDTF Office. It is neither an evaluation of the UNPFN nor the MDTF Office's assessment of the performance of the Participating UN Organizations.

Strategic Framework

4. The UNPFN fosters activities under four main priority areas:
 - Cantonments/Reintegration: Improve living conditions in the cantonments that host the People Liberation Army (PLA); register/verify and reintegrate combatants, late recruits, and minors; dispose of mines and other unexploded devices.
 - Elections/Governance: Provide technical advice and logistic support on elections/constitutional issues; provide assistance to restore government at local level.
 - Security: Restore law and order, especially in the countryside.
 - Rights and Reconciliation: Assist initiatives related to transitional justice, national monitoring mechanisms of the peace process, and local reconciliation.

Governance

5. To ensure non-duplication of effort and strategic coherence in support of the peace process, the UNPFN operates within the same overall governance framework as the Government's Nepal Peace Trust Fund. Projects approved and the operations of the UNPFN are carried out under the overall guidance of the Government-led Steering Committee, in consultation with a Donor Advisory Group, and according to the instructions of an Executive Committee. The Donor Advisory Group helps to avoid the emergence of gaps and duplication in funding, as well as ensure that support to the UNPFN complements support to the Nepal Peace Trust Fund and other existing funding mechanisms.

Project Approval Status

6. The UNPFN Executive Committee approved its first project in April 2007. During the reporting period, a total of eight projects were approved for funding, amounting to a total of \$4,501,229 (80 percent of deposited funds). Three of these were extensions of previously approved projects. Projects were approved for execution by the United Nations Office for Project Services (UNOPS) (\$2,205,148), UNDP (\$1,806,471), and the World Food Programme (WFP) (\$489,610).

Implementation Achievements and Challenges

7. The postponement of the Constituent Assembly elections, originally scheduled to be convened in November 2007, had a particular impact on the projects approved for funding under the UNPFN Elections/Governance priority area. Projects approved in other priority areas, however, such as Cantonments/Reintegration, were less affected by the postponement of the elections and substantial achievements were realized during the reporting period.
8. In the area of mine action, the UNOPS-executed project “IEDD/EOD Operations in Nepal” (UNPFN/A-1), with its two extensions/amendments, received \$2,205,148 in funding during the reporting period. Under the project, the storage of improvised explosive devices (IEDs) was successfully monitored and an inventory of total items stored was completed, and assistance was provided to the Maoist army in its demolition of items not suitable for continued storage. However, a significant number of items remain unexploded and pose a risk to the immediate camp population, UN monitors, and nearby local communities. The training component of the project, following the training of 36 Nepal Army personnel in basic mine clearance, has contributed to enhancing the skill and confidence level of the Nepal Army to address mine clearance. As more minefields are cleared, the project has also contributed to enhancing the security of civilian populations living close to minefields.
9. The verification of Maoist army combatants, funded through the UNDP-executed project “Verification of the Maoist army Combatants in the Cantonment Sites” (UNPFN/A-2) and its extension (UNPFN/A-2a) was completed by late December 2007. With 19,604 personnel verified, the project provided an important input for the development of a strategy for the discharge and reintegration of these combatants into the national security forces, and is considered to have made a significant contribution to the peace process of the country.
10. Two UNPFN-funded projects, “Electoral Observation Resource Centre” (UNPFN/B-1) and “Provision of Specialised Electoral Assistance to the Election Commission of Nepal” (UNPFN/B-2), both executed by UNDP, were approved specifically to support the convening of the Constituent Assembly elections. Both projects were temporarily suspended due to the second postponement of the Constituent Assembly elections, originally to be held in November 2007. However, the projects had a number of achievements, paving the way for elections in 2008. The Electoral Observation Resource Centre assisted the Nepal Election Commission in ensuring a more coordinated approach in electoral observation activities. Similarly, specialized electoral assistance for the Election Commission of Nepal was provided. Due to the postponement of the elections, no post-election review was convened during the reporting period and, consequently, the project was extended.
11. Through the WFP-executed project “Surveillance and Programme Targeting for Post-Conflict Reconciliation” (UNPFN/E-1), the UNPFN provided real-time information from conflict-affected districts to facilitate monitoring by UNMIN Civil Affairs Section and to guide planning and targeting of peace support programmes and initiatives. The scope of the project includes field surveillance activities in 38 districts and mapping and targeting activities in all 78 districts of the country.

Financial Performance

12. During the reporting period, \$5.65 million was deposited into the UNPFN account. Of this amount, \$4.5 million (80 percent) had been transferred to three Participating UN Organizations by 31 December 2007. The Administrative Agent fee charged at the approved rate of 1 percent on deposits amounted to \$56,522 for the reporting period.

13. The five contributors to the UNPFN, for the period ending 31 December 2007, were Norway (\$2.01 million), Canada (\$1.24 million), Denmark (\$1.20 million), the United Kingdom (\$1 million), and Switzerland (\$0.20 million).
14. A total of \$3.03 million was expended, 67 percent of the total approved funding of \$4.5 million. The priority area for Cantonments/Reintegration had the highest reported expenditure of \$2.65 million, which represents 77 percent of approved funding made to that priority area. This was followed by the Rights and Reconciliation priority area, with reported expenditure of \$0.28 million or 57 percent of approved funding, and by the Elections/Governance priority area, with reported expenditure of \$0.11 million or 18 percent of the approved funding. UNOPS received the largest amount of funding (\$2.20 million) and also reported the highest amount of expenditure (\$1.74 million), followed by UNDP (\$1.02 million) and WFP (\$0.28 million).

Transparency and Accountability of the UNPFN

15. The major vehicle for public transparency of operations under the United Nations Peace Fund for Nepal is the MDTF Office-maintained UNPFN website, www.undp.org/mdtf/nepal. The website is updated regularly and provides the most current information on all issues related to the UNPFN. Public notification of all project approvals made by the UNPFN Executive Committee, as well as additional information and progress updates on these projects, provides a high level of transparency to national authorities, Donors, the public, and the Participating UN Organizations. Donor pledges, commitments, and deposits are updated monthly and provide the Executive Committee, as well as all other stakeholders, up-to-date information on the financial status of the UNPFN. Participating UN Organizations' 2007 Annual Progress Reports are available to Donors upon written request to the MDTF Office.

Conclusion

16. In line with its mandate, UNPFN-funding has been critical in filling initial and immediate funding gaps. In channelling resources for focused, time-limited activities deemed critical to the peace process and subject to a strategy for United Nations peace support articulated by UNMIN in consultation with its partners, the UNPFN has enhanced the capacity to sustain the peace process in Nepal.
17. Project start-up activities reported on by the Participating UN Organizations include the establishment of project implementation and management capacities and systems, identifying and contracting implementing partners, and completing preparatory work for the procurement of critical goods and services. These activities have prepared the groundwork for Participating UN Organizations to continue the implementation of projects in 2008.
18. With expenditures of a total of \$3.03 million (67 percent of approved for funding), significant achievements were made across all priority areas during the reporting period. Particular achievements were made in the priority area of Cantonments/Reintegration, where UNOPS and UNDP implemented projects in the fields of mine action and verification of Maoist army combatants, respectively. In mine action, significant results were achieved in the storage and demolition of IEDs, contributing to enhancing the security of civilian populations living close to minefields as well as in the area of training, and to enhancing the skills and confidence level of the Nepal Army to address mine clearance. Similarly, considerable achievements were made in the verification of Maoist army combatants, with 19,604 personnel verified, providing an important input for the development of a strategy for the discharge and reintegration of these combatants into the national security forces, which is considered to have made a significant contribution to the peace process of the country.

19. Despite the postponement of the Constituent Assembly elections, originally scheduled to be convened in November 2007, UNPFN's support to the Electoral Observation Resource Centre contributed to enabling the Centre to assist the Nepal Election Commission in ensuring a more coordinated approach in electoral observation activities. Furthermore, specialized electoral assistance for the Election Commission of Nepal was provided under UNFPN-funded initiatives.
20. Considerable achievements were also reported in providing real-time information from conflict-affected districts to facilitate monitoring by the UNMIN Civil Affairs Section and to guide planning and targeting of peace support programmes and initiatives.
21. The United Nations Secretary-General announced in December 2007 that Nepal is eligible for funding under the UN Peacebuilding Fund (www.unpbf.org). The Secretary-General's announcement that the assistance from the Peacebuilding Fund will be channelled through the existing funding mechanism established under the UNPFN is a recognition of the accomplishments and effective management of the UNPFN.
22. The MDTF Office envisages that this First Consolidated Annual Progress Report on Activities under the United Nations Peace Fund for Nepal will provide the UNPFN Executive Committee the basis on which to better assess resource requirements and to advocate and mobilize additional funding in support of the continued peace process in Nepal. Lessons learned during the reporting period have allowed Participating UN Organizations to take appropriate measures within existing projects as well as in project extensions, and ensure that improved project implementation and management arrangements are in place for new projects and extensions.

Introduction

The First Consolidated Annual Progress Report on Activities Implemented under the United Nations Peace Fund for Nepal (UNPFN) is submitted to the Government of Nepal and Donors contributing to the UNPFN, through the Executive Committee, in fulfilment of the reporting provisions of the UNPFN Terms of Reference, the Memorandum of Understanding (MOU) between the United Nations Development Programme (UNDP) and Participating UN Organizations, and the Letter of Agreement between UNDP and Donors. The UNDP Multi-Donor Trust Fund (MDTF) Office represents UNDP as the Administrative Agent (AA) of the UNPFN. This first consolidated narrative and financial report of the UNPFN covers the period from 1 January to 31 December 2007. The Progress Report provides information on progress made in the implementation of projects funded by the UNPFN, as well as on common challenges and lessons learned.

By the end of the first annual reporting period (1 January – 31 December 2007), marking the first year of operations, the UNPFN Executive Committee had approved funding for eight projects executed by three Participating UN Organizations in support of interventions designed to enable the rapid delivery of essential peace support activities responsive to the demands of the changing environment in Nepal. Building on the lessons learned to date, including shortcomings and achievements, the UNPFN will continue to strengthen its governance and implementation mechanisms, and enhance monitoring and evaluation of its activities at the project level. It will further contribute to strengthen national institutional capacity, ensuring that every effort is made to sustain the peacebuilding process in the country.

Report structure

This First Consolidated Annual Progress Report is a consolidation of individual project-level progress reports submitted by Participating UN Organizations. Chapter One provides a review of the strategic framework of the UNPFN, as well as the establishment of the UNPFN. Chapter Two provides an overview of the UNPFN's governance and fund management arrangements and decision-making bodies. Chapter Three provides an update on project approvals and implementation status during the reporting period, as well as highlights of key project implementation progress, with details to demonstrate the achievements, challenges and lessons learned. Chapter Four provides an overview of the financial performance of the UNPFN. Chapter Five elaborates on efforts made to ensure UNPFN transparency and accountability.

1. Strategic Framework

On 21 November 2006, after eleven years of internal conflict, the Seven-Party Alliance and the Communist Party of Nepal (Maoist), or CPN (M), signed the Comprehensive Peace Agreement and declared an end to the war. Two months later, on 23 January 2007, the Security Council responded to the request of both parties for United Nations assistance by establishing a United Nations Mission in Nepal (UNMIN) with a mandate to monitor the ceasefire and assist in the election of a Constituent Assembly (S/RES/1740). Both UNMIN and the United Nations Country Team (UNCT) are now actively working with the Government of Nepal to support a full implementation of the Comprehensive Peace Agreement and help consolidate the peace, under the overall coordination of the Special Representative of the Secretary-General (SRSG).

Donors indicated at an early stage their desire to contribute to the peace process through direct contributions to the Government as well as through the United Nations and other implementing partners. To this end, the Government established, in February 2007, a Multi-Donor Trust Fund (the Nepal Peace Trust Fund, NPTF), directly administered by the Ministry of Finance and designed to be the primary channel for Donors to support the peace process through financing activities carried out by government entities and NGOs in five priority areas: (a) Management of Camps and Reintegration of Former Combatants; (b) Rehabilitation of Internally Displaced People (IDPs); (c) Election of Constituent Assembly; (d) Strengthening of Law and Order and Police Administration; and (e) Support to the Peace Process.

As a complement to the Government-led NPTF, Donors called for the creation of a United Nations Peace Fund for Nepal (UNPFN) that would mobilize resources for activities of clear, short-term relevance to the peace process where these are not possible to fund or implement through the Nepal Peace Trust Fund or other existing mechanisms or programmes. The UNPFN channels resources for focused, time-limited activities deemed critical to the peace process and subject to a strategy for United Nations peace support articulated by UNMIN in consultation with its partners.

The UNPFN fosters activities under four main priority areas:

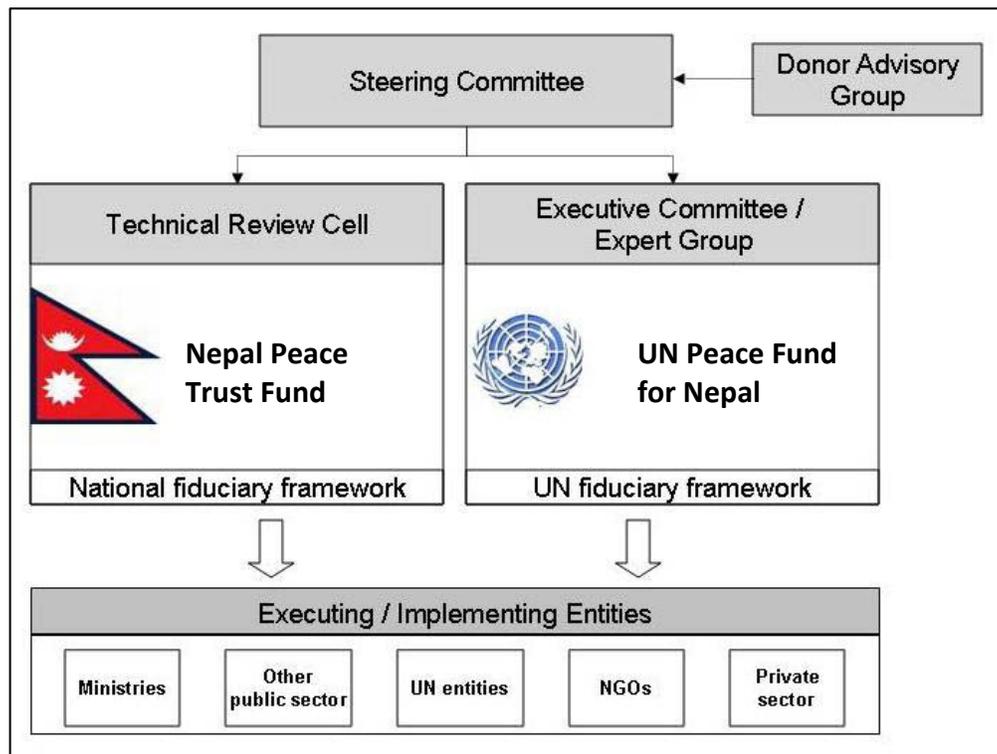
- **Cantonments/Reintegration:** Improve living conditions in the cantonments that host the People Liberation Army (PLA); register/verify and reintegrate combatants, late recruits, and minors; dispose of mines and other unexploded devices.
- **Elections/Governance:** Provide technical advice and logistic support on elections/constitutional issues; provide assistance to restore government at local level.
- **Security:** Restore law and order, especially in the countryside.
- **Rights and Reconciliation:** Assist initiatives related to transitional justice, national monitoring mechanisms of the peace process, and local reconciliation.

The UNPFN is also expected to enhance United Nations coordination in support of the peace process and to contribute to coherence, efficiency, and aid effectiveness in relation to the peace process. The UNPFN was originally designed to be of limited duration (up to two years) on the assumption that broader reconstruction and peacebuilding needs would be handled through existing mechanisms, including direct funding of Government entities or Participating UN Organizations. The operations of the UNPFN are designed and carried out in accordance with its Terms of Reference and complementary to Security Council Resolution 1740 (2007).

2. Governance

To ensure non-duplication of effort and strategic coherence in support of the peace process, the UNPFN operates within the same overall governance framework as the Government's Nepal Peace Trust Fund (NPTF), as described in the diagram below. Projects approved and the operations of the UNPFN are carried out under the overall guidance of the Government-led Steering Committee, in consultation with a Donor Advisory Group, and according to the instructions of an Executive Committee. The Donor Advisory Group helps to avoid the emergence of gaps and duplication in funding, as well as ensure that support to the UNPFN complements support to the NPTF and other existing funding mechanisms.

The diagram below provides an overview of the complementary governance arrangements of the NPTF and the UNPFN.



2.1. The Steering Committee

The Steering Committee, established to oversee the operations of both the NPTF and the UNPFN, provides overall policy guidance and is responsible for: (a) Identifying funding needs and priorities in support of the peace process; (b) Helping define major programmatic priorities for the UNPFN consistent with the above and complementary to activities supported through the NPTF; (c) Ensuring coherence among peace support activities funded from, respectively, the NPTF, the UNPFN, and other government or Donor channels; (d) Reviewing financial flows and performance as needed to facilitate a harmonized approach to the monitoring and evaluation of peace support activities; and (e) Designating a Representative to serve on the Executive Committee to ensure a complementary approach between the NPTF and the UNPFN.

2.2. The Donor Advisory Group

The Donor Advisory Group provides advice to the Steering Committee on the operations of the funds and is comprised of Donors to the UNPFN and the NPTF. The Donor Advisory Group is responsible for: (a) Providing strategic advice on the UNPFN, through the Steering Committee and the Executive Committee; (b) Reviewing progress of the Fund's operations and ensuring an efficient approach to reporting to all its Donors; (c) Ensuring coherence and coordination among activities funded from the Fund and those financed by the same Donors through other channels; (d) When requested to do so, advising other Donors on the most appropriate allocation of resources, based on needs, priorities, and absorptive capacities; and (e) Designating a Representative to serve on the Executive Committee to ensure a complementary approach between the NPTF and the UNPFN.

2.3. The UNPFN Executive Committee

The UNPFN Executive Committee is the decision-making body of the UNPFN. Chaired by the SRSG, with the United Nations Resident Coordinator as Vice-Chair, and composed of a Government Representative designated by the Steering Committee, a Donor Representative designated by the Donor Advisory Group, and representatives of Participating UN Organizations or implementing partners, as appropriate, the Executive Committee is responsible for: (a) Reviewing and defining the UNPFN's requirements and priorities in consultation with the Steering Committee and Donor Advisory Group; (b) Reviewing and approving proposals and resource allocations from the UNPFN; (c) Reviewing and approving the UNPFN's annual reports; (d) Making a formal report and bringing recommendations to the Donor Advisory Group at meetings of the latter; and (e) Recommending improvements to project design and/or implementation to make them more effective and efficient in supporting the peace process. The Executive Committee is supported by an Expert Group, which is established on a project-to-project basis and provides a technical review of the project proposals submitted to the Executive Committee.

2.4. The Administrative Agent

The United Nations Development Programme's Multi-Donor Trust Fund (MDTF) Office has been designated as the Administrative Agent for the UNPFN. Its responsibilities as Administrative Agent include the receipt, administration, and management of contributions from Donors; disbursement of funds to the Participating UN Organizations in accordance with instructions from the Executive Committee; and consolidation of narrative and financial reports produced by each of the Participating UN Organizations as well as the provision of these reports to the Executive Committee for onward submission to Donors.

3. Project Approval and Implementation Updates

3.1. Project Approval Status

During the reporting period, eight projects were approved for funding by the UNPFN Executive Committee, amounting to a total of \$4,501,229. The projects, three of which were extensions of previously approved projects, were executed by UNDP, UNOPS, and WFP. UNOPS received \$2,205,148 (49 percent) of the total approved funding, whereas UNDP received \$1,806,471 (40 percent) and WFP \$489,610 (11 percent).

Table 3.1, below, provides details on the projects approved for funding from the UNPFN during the reporting period.

Table 3.1 UNPFN Approved Projects by Priority Area 1 January – 31 December 2007				
Executive Committee Approval Date	UNPFN Priority Area	Project Number and Project Title	Participating UN Organization	Approved Budget (USD)
3 Apr 2007	Cantonments/ Reintegration	UNPFN/A-1 IEDD/EOD Operations in Nepal (Mine Action)	UNOPS	1,430,963
19 Jun 2007	Cantonments/ Reintegration	UNPFN/A-1a Mine Action Training of Nepal Army (Ext 1)	UNOPS	234,833
21 Jun 2007	Cantonments/ Reintegration	UNPFN/A-2 Verification of the Maoist Army Combatants in the Cantonment Sites	UNDP	692,568
13 Jul 2007	Rights and Reconciliation	UNPFN/E-1 Surveillance and Programme Targeting for Post Conflict Reconciliation	WFP	489,610
16 Sept 2007	Elections/ Governance	UNPFN/B-1 Electoral Observation Resource Centre	UNDP	195,218
1 Oct 2007	Cantonments/ Reintegration	UNPFN/A-1b Mine Action Information Collection and Verification (Ext 2)	UNOPS	539,352
1 Oct 2007	Cantonments/ Reintegration	UNPFN/A-2a Verification of the Maoist Army Combatants in the Cantonment Sites (Ext 1)	UNDP	534,185
1 Oct 2007	Elections/ Governance	UNPFN/B-2 Provision of Specialised electoral Assistance to the Election Commission of Nepal	UNDP	384,500
Total				4,501,229

3.2. Priority Area Overview

Projects approved by the UNFPN Executive Committee supported efforts in three of the four priority areas, namely Cantonments/Reintegration (five projects); Elections/Governance (two projects); and Rights and Reconciliation (one project). No projects were approved under the priority area of Security.

Under the Cantonments/Reintegration priority area, the UNPFN funded projects (and subsequent extensions) amounting to \$3,431,901 (76 percent of total funding) in two main areas: mine action (UNOPS, \$2,205,148) and verification of combatants in cantonment sites (UNDP, \$1,226,753).

Under the Elections/Governance priority area, the UNPFN funded two projects amounting to \$579,718 (13 percent of total funding), both executed by UNDP and in support of an electoral observation resource centre and the provision of specialized electoral assistance to the Election Commission of Nepal.

Under the Rights and Reconciliation priority area, the UNPFN funded one project amounting to \$489,610 (1 percent of total funding), executed by WFP and in support of surveillance and programme targeting for post-conflict reconciliation.

3.3. Project Implementation Status

The UNFPN Executive Committee approved its first project in April 2007—the UNOPS-executed mine-action project “IEDD/EOD Operations in Nepal” (UNPFN/A-1)—with \$1,430,963 for a six-month implementation period. However, due to cost savings and delayed and/or denied access to destruction of items and to demolition sites, the project duration was extended initially to 31 December 2007 and, later, with the approval of the UNPFN Executive Committee, the project was granted an extension (“Mine Action Information Collection and Verification,” UNPFN/A-1b) until July 2008, with an additional budget of \$539,352. In June 2007 a training component of the project was approved for funding from the UNPFN (“Mine Action Training of Nepal Army,” UNPFN/A-1a), also executed by UNOPS. In total, the UNPFN Executive Committee approved \$2,205,148 to these three projects that form part of this initiative, of which 79 percent has been expended. The funding approved by the UNPFN Executive Committee is expected to be fully expended by July 2008. However, the Nepal Army has requested further assistance to establish a fully operational mine-action programme by the end of 2008, paving the way for a fourth amendment/extension of this initiative.

Also in the priority area of Cantonments/Reintegration, the UNPFN Executive Committee in June 2007 approved funding to the UNDP-executed project “Verification of the Maoist Combatants in the Cantonment Sites” (UNPFN/A-2), and subsequently, in October 2007, to the extension (UNPFN/A-2a). A total amount of \$1,226,753 was approved to the initial project and its extension. The project is expected to be completed by June 2008.

The two UNDP-executed projects funded under the Elections/Governance priority area (“Electoral Observation Resource Centre,” UNPFN/B-1, and “Provision of Specialized Electoral Assistance for the Election Commission of Nepal,” UNPFN/B-2) were both approved in the latter part of the reporting period, 16 September 2007 and 1 October 2007, respectively. Due to the postponement of the November Constituent Assembly elections, both projects were temporarily suspended and, consequently, project implementation was delayed. However, provisions were put in place to resume project implementation as soon as a new election date was determined.

Under the Rights and Reconciliation priority area, the \$489,610 WFP-executed “Surveillance and Programme Targeting for Post-Conflict Reconciliation” (UNPFN/E-1) was approved in July 2007, and the implementation of its two components is on track to meet its expected completion by March 2008. A

second phase of the project, amounting to \$398,153, was approved by the UNPFN Executive Committee in early January 2008.

3.4 Implementation Achievements and Challenges

The postponement of the Constituent Assembly elections, originally scheduled to be convened in November 2007, had a particular impact on the projects approved for funding under the UNPFN Elections/Governance priority area. Projects approved in other priority areas, however, such as Cantonments/Reintegration, were less affected by the postponement of the elections and substantial achievements were achieved during the reporting period. These projects, including their extensions/amendments, amount to \$3,431,901 or 76 percent of funding approved during the reporting period. The sections below provide a brief overview of the main implementation achievements and challenges, as reported by the respective Participating UN Organizations.

3.4.1. Mine Action

As described above, the UNOPS-executed mine-action project “IEDD/EOD Operations in Nepal” (UNPFN/A-1), with its two extensions/amendments, received \$2,205,148 in funding during the reporting period. Initially envisaged for a six-month implementation period, due to cost savings and various delays, the project duration has been extended and two extensions/amendments have been approved. In order to support the Maoist army to fulfil its obligations related to the destruction of all improvised explosive devices in accordance with the Comprehensive Peace Agreement (CPA) and the Agreement on Monitoring of the Management of Arms and Armies (AMMAA), UNOPS as the executing agency and UNMIN’s Mine Action Unit (MAU) contracted a commercial company, ArmorGroup, to assist in the implementation of the project. The company successfully monitored the storage of IEDs and completed a total inventory of items stored, as well as assisted the Maoist army in its demolition of items not suitable for continued storage. By June 2007, 6,789 kg of net explosive content, including more than 52,000 individual items, had been recorded. Of these, 97.5 percent were categorized as unsafe and, subsequent to a Joint Monitoring Coordination Committee decision, were recommended for destruction. Furthermore, following recommendations made by ArmorGroup and MAU, the quality of a number of storage facilities has improved. Consequently, UNOPS has reported a 100 percent achievement of its immediate objective to ensure safe storage in all cantonment sites.

Whereas significant destruction of Explosive Remnants of War (ERW) has been completed, estimated at an implementation rate of 60 percent of total items marked for destruction, significant delays have been caused by the denied access to cantonment sites and satellite camps. As UNOPS reports, as long as a significant number of items remain in some cantonment sites, and the majority of these items continue to deteriorate and pose a risk to the immediate camp population, UN monitors, and nearby local communities, there remains a need for a continuation of the project and to continue to encourage the Maoist army to follow through with its commitment to the CPA and the AMMAA, as part of the broader disarmament requirements and peace process.

In recognition of the need for continued efforts to destroy ERW, the UNPFN Executive Committee approved a \$539,352.44 project (“Mine Action Information Collection and Verification,” UNPFN/A-1b), extending the project until July 2008.

The training component of the project (“Mine Action Training of Nepal Army,” UNPFN/A-1a) was approved for funding from the UNPFN in June 2007. During the reporting period, following the training of 36 Nepal Army personnel (33 men and 3 women) in basic mine clearance, the project has greatly contributed to enhancing the skill and confidence level of the Nepal Army to address clearance in accordance with International Mine Action Standards (IMAS). Furthermore, as more minefields are cleared, the project has contributed to enhancing the security of civilian populations living close to

minefields. Though no particular implementation challenges were reported by UNOPS, there is an ongoing need for additional support to the Nepal Army through 2008, including the establishment of a fully operational mine-action programme by the end of 2008, allowing the Nepal Army Mine Action Coordination Centre (NAMACC) to independently manage clearance operations and, thus, fulfil its obligations under the AMMAA with minimal or no external assistance.

3.4.2. Verification of Maoist Army Combatants in Cantonment Sites

The verification process, funded through the UNDP-executed project UNPFN/A-2 and its extension UNPFN/A-2a, was completed by late December 2007. With more than 32,000 personnel registered, including over 8,000 who did not appear for second-round verifications, the total number of combatants verified as members of the Maoist army was 19,604; comprising of 15,761 men and 3,843 women, of which 2,973 were children under the age of 18 on 25 May 2006. The verification provided an important input for the development of a strategy for the discharge and reintegration of these combatants into the security forces, as set forth in the AMMAA, and is thereby considered to have made a significant contribution to the peace process of the country.

Well aware of the volatility of circumstances that may have affected the project, the UNPFN Executive Committee approved the project with a contingency plan of three to six months in the event that the verification would be delayed. Initially planned to be completed in three months, following the completion of verification in only two of seven cantonments, the project was revisited in September 2007 and a revised project proposal (extension) was submitted to the UNPFN Executive Committee for approval and funding. The extension incorporated, to the extent possible, the reasons for the initial delays in verification, including:

- one month's suspension of verification by the CPN (Maoist) after completion of the first site, leading to the return to the capital of all deployed field personnel;
- severe weather conditions during the monsoon season, affecting the movement of personnel and equipment; and
- travel disruptions caused by general strikes and demonstrations, also affecting the movement of personnel and equipment.

3.4.3. Support to the Constituent Assembly Elections

The two UNDP-executed projects funded specifically to support the convening of the Constituent Assembly elections, ("Electoral Observation Resource Centre," UNPFN/B-1, and "Provision of Specialized Electoral Assistance for the Election Commission of Nepal," UNPFN/B-2), were both temporarily suspended due to the second postponement of the Constituent Assembly elections, originally to be held in November 2007.

The Electoral Observation Resource Centre assisted the Nepal Election Commission in ensuring a more coordinated approach in electoral observation activities by the convening of a number of meetings and briefings for domestic and international observation groups, the development of information packages, launch of an electronic database of all observers with a mapping of intended deployment, as well as providing assistance to the Election Commission in accrediting 30 organizations for election-observation purposes. Though many of these achievements were met prior to the postponement of the elections, the considerable work that had been completed facilitated the rapid re-establishment once a new election date had been set.

Similarly, the project "Provision of Specialized Electoral Assistance for the Election Commission of Nepal" (UNPFN/B-2) was also suspended due to the postponement of the elections. The project did, however, identify and deploy two experts to support the Election Commission in the provision of specialised advisory and supporting services related to the ballots and training of polling staff, as well as

addressing a number of unforeseen challenges and evolving needs connected to the conduct of the elections. While the specialised expertise provided through the project had a tangible impact in substantially improving key organisational and procedural aspects of the electoral process, due to the postponement of the elections no post-election review was convened during the reporting period. Consequently, the project has been extended.

3.4.4. Provision of Surveillance and Real-Time Information

The WFP-executed project “Surveillance and Programme Targeting for Post-Conflict Reconciliation” (UNPFN/E-1) was, by the end of the reporting period and half way through the project cycle, on track to implement its two components and to meet its expected completion by March 2008. The project supports the peace process by providing real-time information from conflict-affected districts to facilitate monitoring by the UNMIN Civil Affairs Section and to guide planning and targeting of peace support programmes and initiatives. The project has one WFP-led component (July – December 2007) and one UN Office for the Coordination of Humanitarian Affairs (OCHA) component (July 2007 – March 2008). With a total budget of \$489,610, the scope of the project includes field surveillance activities in 38 districts and mapping and targeting activities in all 78 districts of the country. A second phase of the project (January – June 2008), amounting to \$398,153, was approved by the UNPFN Executive Committee in early January 2008.

Achievements made against the three main objectives of the project included:

- The provision of evidence-based analysis by: collecting household data and conducting surveys in 38 districts; disseminating data widely; preparing targeting maps; and producing reports related to the impact of conflict on food security.
- The provision of field level support (including relevant data and information on food security and targeting maps) to UNMIN’s district-based Civil Affairs Officers by convening information sessions and meetings, and by deploying WFP field-based surveillance teams.
- Support in augmenting OCHA’s information management capacity by producing a total of 5,418 maps, including maps on security, cantonments, bandhs (strikes) and blockades, staff locations, as well as ordinance and administrative boundaries at national, regional, district, and municipal levels. In addition, bi-weekly security incident reports were provided under the project to each of the regional OCHA heads of section from the OCHA data base.

The project’s three main partners—WFP, OCHA, and UNMIN—have recognized areas where implementation of the project could be strengthened. Through its second phase, the project partners will thus strive to address the recommendations that fall within three categories: i) strengthening of the relationship between project management and national field-based staff; ii) improving communication among WFP, OCHA, and UNMIN at the HQ-level; and iii) improving explicit focus on social inclusion and gender issues.

4. Financial Performance

UNDP, as Administrative Agent of the UNPFN, officially reports to Donors, through the Executive Committee, annually on total contributions received, transfers made to Participating UN Organizations for the implementation of approved projects, and the expenditures incurred against these projects.

4.1. Sources, Use, and Balance of UNPFN Funds

During this first reporting period, from 1 January to 31 December 2007, \$5.65 million was deposited into the UNPFN account. Of this amount, \$4.5 million (80 percent) had been transferred to three Participating UN Organizations by 31 December 2007. Table 4.1 provides an overview of the overall sources, uses, and balance of the UNPFN funds as of 31 December 2007.

Table 4.1. Sources, Uses, and Balance of UNPFN Funds, 1 Jan - 31 Dec 2007 (US\$)

		31 December 2007
Source of Funds		
Gross Contributions		5,652,174
Fund Earned Interest Income		-
Agency Earned Interest Income		-
	Total – Source of Funds	5,652,174
Use of Funds		
Transfers to Implementing Agencies		4,501,229
	From Donor Contributions	4,501,229
Refund of Unutilized Balances on Closed Projects		
	by Implementing Agencies	-
Administrative Agent Fees		56,522
Bank Charges		-
	Total – Use of Funds	4,557,751
Balance of Funds Available		1,094,423

Apart from Donor contributions, the other source of funds for the UNPFN is the interest earned on the balance of funds remaining in the UNPFN account (Fund earned interest) and with the Participating UN Organizations (Agency earned interest). As of the reporting period, the Fund had earned interest of \$29,142 and the Participating UN Organizations Agencies had reported interest of \$17,368. These amounts will be credited to the fund in 2008.

The Administrative Agent fee charged at the approved rate of 1 percent of deposits amounted to \$56,522 for the reporting period.

4.2. Donor Contributions

The five contributors to the UNPFN, for the period ending 31 December 2007, were Norway (\$2.01 million), Canada (\$1.24 million), Denmark (\$1.20 million), the United Kingdom (\$1 million), and Switzerland (\$0.20 million) as shown in table 4.2. In the first quarter of 2008, additional contributions amounting to \$2.9 million were received from Denmark (\$0.35 million) and from the United Kingdom (\$2.5 million), bringing total Donor contributions to \$8.5 million and making the United Kingdom the highest Donor, followed by Norway, as of 31 March 2008.

Table 4.2. Total Donor Deposits into the UNPFN (US\$)

Donor	Gross Donor Deposits								
	Jan to Dec 2007			Jan to Mar 2008			Total		
	(Donor Curr)	(US\$)	(US\$)	(Donor Curr)	(US\$)	(Donor Curr)	(US\$)		
Norway	NOK	11,600,000	2,013,061			NOK	11,600,000	2,013,061	
Canada	CAD	1,200,000	1,235,203			CAD	1,200,000	1,235,203	
Denmark	USD	1,200,000	1,200,000	USD	352,000	352,000	USD	1,552,000	1,552,000
United Kingdom	GBP	510,000	1,003,935	GBP	1,270,000	2,516,632	GBP	1,780,000	3,520,567
Switzerland	USD	200,000	199,975				USD	200,000	199,975
TOTAL			5,652,174		2,868,632			8,520,806	

4.3. Transfer of Approved Funding to Participating UN Organizations

As of 31 December 2007, the UNPFN had funded approved projects for a total of \$4.5 million, which accounted for 80 percent of the total deposited funds. Additionally, \$1.2 million worth of new projects were funded in the first quarter of 2008, bringing the total amount of projects funded as of 31 March 2008 to \$5.7 million. The distribution of approved funding, consolidated by priority area, type of funds, and reporting period, is summarized in table 4.3. Currently only three have received funding, of which Cantonments/Reintegration received 76 percent of total approved funding, Elections/Governance received 13 percent, and Rights and Reconciliation received 11 percent.

Table 4.3. Distribution of Funds Transferred, by Priority Area (US\$)

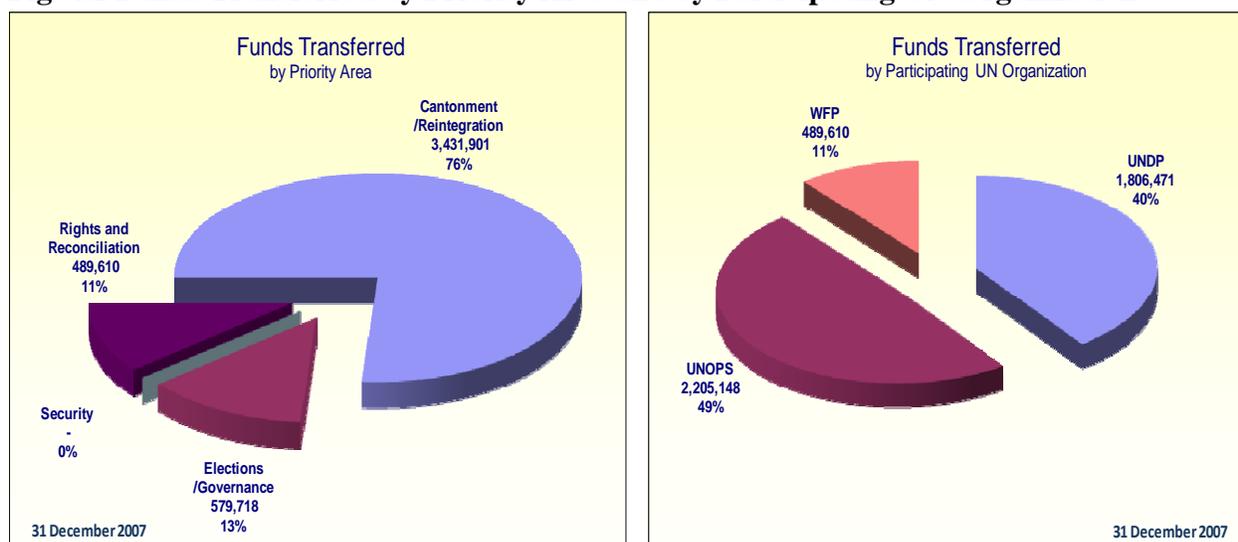
Priority Area	Funds Transferred					
	as of 31 December 2007			as of 31 March 2008		
	Total (US\$)	% of Total Funds Transferred	No. of Projects	Total (US\$)	% of Total Funds Transferred	No. of Projects
Cantonment /Reintegration	3,431,901	76	5	4,276,177	74	7
Elections /Governance	579,718	13	2	579,718	10	2
Security	-	-	-	-	-	-
Rights and Reconciliation	489,610	11	1	887,763	15	2
TOTAL	4,501,229	100	8	5,743,658	100	11

As of 31 December 2007, UNDP, UNOPS, and WFP were the three Participating UN Organizations that received funding for the UNPFN projects. Table 4.4 provides the breakdown of funding by Participating UN Organizations. UNOPS received the bulk of the funding (49 percent) followed by UNDP (40 percent) and WFP (11 percent). Figure 4.1 provides the breakdown of funds transferred by priority areas and by Participating UN Organization.

Table 4.4. Funds Transferred and Number of Projects, by Participating UN Organization (US\$)

Participating UN Organization	Funds Transferred					
	as of 31 December 2007			as of 31 March 2008		
	Total (US\$)	% of Total Funds Transferred	No. of Projects	Total (US\$)	% of Total Funds Transferred	No. of Projects
UNDP	1,806,471	40	4	2,154,933	38	5
UNOPS	2,205,148	49	3	2,700,962	47	4
WFP	489,610	11	1	887,763	15	2
TOTAL	4,501,229	100	8	5,743,658	100	11

Fig. 4.1 Funds Transferred by Priority Area and by Participating UN Organization



4.4. Expenditure

During this, the first annual reporting period (from 1 January to 31 December 2007), a total of \$3.03 million was expended, which is 67 percent of the total approved funding of \$4.5 million. Table 4.5 provides a summary of total expenditure by the UNDG-approved nine categories of expenditure (eight programmatic plus indirect support costs). Further details of expenditure incurred within each priority area and by each Participating UN Organization are provided in tables 4.6 and 4.7, respectively.

Table 4.5. Summary of Total Expenditure, by Category and Reporting Period (US\$)

Category	Expenditure				Jan - Dec 2007	% of Total Programme Costs
	Cantonment / Re-integration	Elections/ Governance	Rights and Reconciliation			
Personnel	539,333	54,553	119,651		713,537	26.1
Contracts	1,630,542	110	-		1,630,652	59.7
Training	13,450	-	4,704		18,154	0.7
Transport	10,990	-	1,637		12,627	0.5
Supplies and Commodities	63,490	2,093	10,236		75,819	2.8
Equipment	26,115	19,588	61,893		107,596	3.9
Travel	60,662	10,778	44,245		115,685	4.2
Miscellaneous	47,107	5,321	3,940		56,368	2.1
Total Programme Costs	2,391,689	92,443	246,307		2,730,439	-
Total Indirect Support Costs	258,570	13,665	32,031		304,266	11.1
TOTAL Expenditure	2,650,259	106,108	278,338		3,034,705	

4.4.1. Analysis of Expenditure for the Period ending 31 December 2007

The bulk of the total programme costs were incurred on procurement of Contractual services at \$1,630,652 (60 percent of total programme cost), and for Personnel at \$713,537 (26 percent of total programme costs). The expenditure on Travel was at 4.2 percent (\$115,685), for Equipment at 3.9 percent (\$107,596), and for Supplies and Commodities at 2.8 percent (\$75,819) of total programme costs.

While the range for indirect support costs specified in the LOA and MOU is 5 to 9 percent, the cumulative average rate of indirect support costs charged by the Participating UN Organizations, to date, amounts to 11.1 percent. This is because indirect support-cost expenditures have been charged by WFP and UNDP on total project budget amounts rather than on actual expenditures, as per their Regulations and Rules, with appropriate adjustments to be made upon project completion.

As shown in table 4.6, the priority area for Cantonments/Reintegration had the highest reported expenditure of \$2.65 million, which is 77 percent of approved funding made to that priority area, followed by Rights and Reconciliation with reported expenditure of \$0.28 million (57 percent of approved funding), and by Elections/Governance with reported expenditure of \$0.11 million (18 percent of approved funding). The pattern of total expenditure by priority area has mirrored the pattern of total funding by priority area, with the bulk of expenditure incurred in the Cantonments/Reintegration priority area where large amounts have been spent for procurement of contracts and on personnel.

Table 4.6. Total Expenditure, by Priority Area, with Breakdown by Category, as of 31 December 2007(US\$)

Priority Area	Funds Transferred	Total Expenditure (Jan - Dec 07)		EXPENDITURE by CATEGORY (\$)									
				USD	Rate (%)	Personnel	Contracts	Training	Transport	Supplies and			Indirect Support Costs
										Commodities	Equipment	Travel	
Cantonment / Re-integration	3,431,901	2,650,259	77	539,333	1,630,542	13,450	10,990	63,490	26,115	60,662	47,107	258,570	
Elections/Governance	579,718	106,108	18	54,553	110	0	0	2,093	19,588	10,778	5,321	13,665	
Rights and Reconciliation	489,610	278,338	57	119,651	0	4,704	1,637	10,236	61,893	44,245	3,940	32,031	
TOTAL	4,501,229	3,034,705	67	713,537	1,630,652	18,154	12,627	75,819	107,596	115,685	56,368	304,266	
<i>Percentage of Total Programme Costs</i>				26.1	59.7	0.7	0.5	2.8	3.9	4.2	2.1	11.1	

UNOPS, which received the largest amount of funding (\$2.20 million), also reported the highest amount of expenditure (\$1.74 million), followed by UNDP (\$1.02 million), and by WFP (\$0.28 million). A summary of total expenditure by Participating UN Organization with a breakdown by category as of 31 December 2007 is provided in table 4.7.

Table 4.7. Total Expenditure, by Participating UN Organization, with Breakdown by Category, as of 31 December 2007(US\$)

Participating UN Organization	Funds Transferred	Total Expenditure (Jan - Dec 07)		EXPENDITURE by CATEGORY (\$)									
				USD	Rate (%)	Personnel	Contracts	Training	Transport	Supplies and			Indirect Support Costs
										Commodities	Equipment	Travel	
UNDP	1,806,471	1,015,158	56	593,886	42,999	0	10,990	65,583	45,703	71,440	41,300	143,257	
UNOPS	2,205,148	1,741,209	79	0	1,587,653	13,450	0	0	0	0	11,128	128,978	
WFP	489,610	278,338	57	119,651	0	4,704	1,637	10,236	61,893	44,245	3,940	32,031	
TOTAL	4,501,229	3,034,705	67	713,537	1,630,652	18,154	12,627	75,819	107,596	115,685	56,368	304,266	
<i>Percentage of Total Programme Costs</i>				26.1	59.7	0.7	0.5	2.8	3.9	4.2	2.1	11.1	

Detailed project-level expenditure figures, by priority areas as well as by Participating UN Organization, are provided in tables 4.8 and 4.9, below.

Table 4.8. Total Expenditure against Approved and Funded Projects, by Participating UN Organization, 1 January - 31 December 2007 (US\$)

Project	Agency	Executive Committee Approval Date ^a	Funding US\$	Expenditure		
				Jan - Dec 2007 US\$	% of Funds Transferred	
UNDP						
UNPFN/A-2 Verification of the Maoist Army Combatants in the Cantonment Sites	UNDP	21 Jun 07	692,568	692,568	100	
UNPFN/A-2a Verification of the Maoist Army Combatants in the Cantonment Sites (Ext 1)	UNDP	01 Oct 07	534,185	216,482	41	
UNPFN/B-1 Electoral Observation Resource Center	UNDP	16 Sep 07	195,218	56,296	29	
UNPFN/B-2 Provision of Specialised electoral Assistance to the Election Commission of Nepal	UNDP	01 Oct 07	384,500	49,812	13	
			1,806,471	1,015,158	56	
UNOPS						
UNPFN/A-1 IEEDD/EOD Operations in Nepal (Mine Action)	UNOPS	03 Apr 07	1,430,963	1,430,963	100	
UNPFN/A-1a Mine Action Training of Nepal Army	UNOPS	19 Jun 07	234,833	221,703	94	
UNPFN/A-1b Mine Action Information Collection and Verification	UNOPS	01 Oct 07	539,352	88,542	16	
			2,205,148	1,741,209	79	
WFP						
UNPFN/E-1 Surveillance and Programme Targeting for Post Conflict Reconciliation	WFP	13 Jul 07	489,610	278,338	57	
			489,610	278,338	57	
			4,501,229	3,034,705	67	

^a Date of Executive Committee approval does not signify date of project implementation start-up.

Table 4.9. Total Expenditure against Approved and Funded Projects, by Priority Area, 1 January 31 December 2007 (US\$)

Project	Agency	Executive Committee Approval Date ^a	Funds Transferred US\$	Expenditure		
				Jan - Dec 2007 US\$	% of Funds Transferred	
Cantonment/ Re-integration						
UNPFN/A-1 IEEDD/EOD Operations in Nepal (Mine Action)	UNOPS	03 Apr 07	1,430,963	1,430,963	100	
UNPFN/A-1a Mine Action Training of Nepal Army	UNOPS	19 Jun 07	234,833	221,703	94	
UNPFN/A-1b Mine Action Information Collection and Verification	UNOPS	01 Oct 07	539,352	88,542	16	
UNPFN/A-2 Verification of the Maoist Army Combatants in the Cantonment Sites	UNDP	21 Jun 07	692,568	692,568	100	
UNPFN/A-2a Verification of the Maoist Army Combatants in the Cantonment Sites (Ext 1)	UNDP	01 Oct 07	534,185	216,482	41	
			3,431,901	2,650,259	77	
Elections/ Governance						
UNPFN/B-1 Electoral Observation Resource Center	UNDP	16 Sep 07	195,218	56,296	29	
UNPFN/B-2 Provision of Specialised electoral Assistance to the Election Commission of Nepal	UNDP	01 Oct 07	384,500	49,812	13	
			579,718	106,108	18	
Rights and Reconciliation						
UNPFN/E-1 Surveillance and Programme Targeting for Post Conflict Reconciliation	WFP	13 Jul 07	489,610	278,338	57	
			489,610	278,338	57	
			4,501,229	3,034,705	67	

^a Date of Executive Committee approval does not signify date of project implementation start-up.

4.5. Balance of Funds

Table 4.10 provides an overall status of the fund and indicates that 80 percent of funds had been transferred to Participating UN Organizations as of 31 December 2007. There was \$1,094,423 available for funding in the UNPFN account as of 31 December 2007; and with additional receipts from Denmark and from the United Kingdom, and fund transfers to each of the three Participating UN Organizations (UNDP, UNOPS, and WFP) in 2008, available funds amounted to \$2,691,940 as of 31 March 2008. The unutilized balances remaining with Participating UN Organizations as of 31 December 2007 was \$1,466,524, which was only 26 percent of the funding they received. WFP has subsequently indicated that an additional expenditure of \$489,610 has been made on project UNPFN/E-1 before 31 March 2008, which would further reduce the unutilized balances.

Table 4.10. Balance of Funds

	Balance of Funds			
	as of 31 December 2007		as of 31 March 2008	
	Total (US\$)	% of Gross Deposits	Total (US\$)	% of Gross Deposits
Gross Donor Contributions	5,652,174	-	8,520,806	-
Net Donor Deposits	5,595,652	99	8,435,598	99
	Total (US\$)	% of Net Deposits	Total (US\$)	% of Net Deposits
Funds Transferred	4,501,229	80	5,743,658	68
Balance of Funds with AA	1,094,423	20	2,691,940	32
	Total (US\$)	% of Funds Transferred	Total (US\$)	% of Funds Transferred
Expenditure	3,034,705	67	N/A *	-
Balance of Funds with Agency	1,466,524	33	N/A *	-

* N/A - Not covered in this reporting period

4.6. Interest Earned

4.6.1. UNPFN -Administrative Agent (Fund) Earned Interest

The UNPFN Administrative Agent (Fund) earned interest of \$29,141.60 for the period ending 31 December 2007, which will be credited to the fund in 2008. This amount will become an additional source of income for the fund and will increase the amount of funds available for project funding. However, it should be noted that in view of the “pass-through” fund management modality of the UNPFN, contributions received from Donors are expected to be transferred to the Participating UN Organizations as soon as the projects are approved and are not to be kept as unutilized funds for long periods of time.

4.6.2. Interest Earned by Participating UN Organizations

All interest earned by the Participating UN Organizations are expected to be credited to the UNPFN account unless the governing bodies of the said organizations have approved decisions that govern the specific use of interest earned on Donor contributions. The refunded interest will be used to augment the availability of funds for project funding. As shown in Table 4.11, the total cumulative interest earnings received from the Participating UN Organizations as of 31 December was \$17,368. WFP, per its regulations and rules, does not report or return interest earned on unused funds.

Table 4.11. Reported Interest Earned by Participating UN Organizations, as of 31 December 2007(US\$)

Participating UN Organization	2007 INTEREST		
	Amount Reported	Amount Received	Difference
UNOPS	9,990	-	9,990
UNDP	7,378	-	7,378
WFP	-	-	-
	17,368	-	17,368

4.7. Cost Recovery

As indicated in the earlier reports, the cost recovery for UNPFN is guided by the applicable provisions of the Terms of Reference, the LOA concluded by UNDP as the Administrative Agent of the UNPFN with Donors, and the MOU concluded with Participating UN Organizations.

For the reporting period, the actual costs were as follows:

- a) The Administrative Agent fee of \$56,522, charged for the entire duration of the Fund, amounted to 1 percent, which is what is usually charged by UNDP for administering similar funds.
- b) While the range for indirect support costs specified in the LOA and MOU is 5 to 9 percent, with an average of 7 percent, the cumulative average rate of indirect support costs approved by the Executive Committee amounts to 7.49 percent (i.e., \$337,138 of the \$4,501,229 transferred to Participating UN Organizations), which is within the range specified in the MOU and LOA. However, actual support costs charged by the Participating UN Organizations, to date, amount to 11.1 percent, because indirect support-cost expenditures have been charged by WFP and UNDP on total project budget amounts rather than on actual expenditures, as per their Regulations and Rules. Appropriate adjustments will be made to the support cost charges upon project completion, which will bring the actual rates equal to the rates approved.

5. Transparency and Accountability of the UNPFN

The major vehicle for public transparency of operations under the United Nations Peace Fund for Nepal is the MDTF Office-maintained UNPFN website, www.undp.org/mdtf/nepal. The website is updated regularly and provides the most current information related to the UNPFN. The public notification of all project approvals made by the UNPFN Executive Committee, as well as additional information and progress updates on these projects, provides a high level of transparency to national authorities, Donors, the public, and Participating UN Organizations. Donor pledges, commitments, and deposits are updated monthly and provide the Executive Committee, as well as all other stakeholders, up-to-date information on the financial status of the UNPFN.

The UNPFN Executive Committee's Terms of Reference and Rules of Procedure, including detailed information on the decision-making process and criteria for allocation of resources as well as templates and guidance notes, are posted on the website. Additionally, project summaries and project progress updates, provided by Participating UN Organizations, are posted regularly, providing the UNPFN Executive Committee, Donors, and others with a tool to enable oversight and monitoring of the implementation of the projects.

Additionally, updates are provided regularly at the country level by the Executive Committee Support Group to the Executive Committee and UNPFN Donors on the UNPFN financial status and projects approved.

Participating UN Organizations' 2007 Annual Progress Reports are available to Donors upon written request to the MDTF Office.

Conclusion

This First Consolidated Annual Progress Report on Activities under the United Nations Peace Fund for Nepal reports on the implementation of the eight projects approved for funding during 2007, the first year of UNPFN operations. The Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating UN Organizations to the MDTF Office.

In line with its mandate, UNPFN funding has been critical in filling initial and immediate funding gaps. In channelling resources for focused, time-limited activities deemed critical to the peace process, and subject to a strategy for United Nations peace support articulated by UNMIN in consultation with its partners, the UNPFN has enhanced the capacity to sustain the peace process in Nepal.

Project start-up activities reported on by the Participating UN Organizations include the establishment of project implementation and management capacities and systems, identifying and contracting implementing partners, and completing preparatory work for the procurement of critical goods and services. These activities have prepared the groundwork for Participating UN Organizations to continue the implementation of projects in 2008.

The eight projects approved for funding under the UNPFN in 2007, amounting to a total of \$4.5 million, reported expenditures of a total of \$3.03 million (67 percent), a significant achievement reflecting the successful implementation of projects across all priority areas during the reporting period. Particular achievements were made in the priority area of Cantonments/Reintegration, where UNOPS and UNDP implemented projects in the fields of mine action and verification of Maoist army combatants, respectively. In mine action, significant results were achieved in the storage and demolition of improvised explosive devices. Despite remaining challenges, including the removal of a significant number of unexploded items posing a risk to the immediate camp population, UN monitors, and nearby local communities, the UNOPS-executed interventions have contributed to enhancing the security of civilian populations living close to minefields. Furthermore, extensive training has been provided to 36 Nepal Army personnel in basic mine clearance, contributing to enhancing the skills and confidence level of the Nepal Army to address mine clearance. Similarly, considerable achievements have been made in the verification of Maoist army combatants through UNDP-executed initiatives, which were completed by late December 2007. With 19,604 personnel verified, the UNPFN-funded initiative provided an important input for the development of a strategy for the discharge and reintegration of these combatants into the national security forces, and is considered to have played a significant contribution to the peace process of the country.

Despite the postponement of the Constituent Assembly elections, originally scheduled to be convened in November 2007, and the temporary suspension of the two UNDP-executed projects under the UNPFN specifically design to address the convening of the elections, a number of achievements were made under these projects, paving the way for elections to be convened in 2008. UNPFN's support to the Electoral Observation Resource Centre contributed to enabling the Centre to assist the Nepal Election Commission in ensuring a more coordinated approach in electoral observation activities. Similarly, specialized electoral assistance for the Election Commission of Nepal was provided under UNPFN-funded initiatives.

Considerable achievements were also reported in providing provided real-time information from conflict-affected districts to facilitate monitoring by the UNMIN Civil Affairs Section and to guide planning and targeting of peace support programmes and initiatives. The scope of the WFP-executed project included field surveillance activities in 38 districts and mapping and targeting activities in all 78 districts of the country.

Lessons learned during the reporting period have allowed Participating UN Organizations to take appropriate measures within existing projects as well as in project extensions, and to ensure that improved project implementation and management arrangements are in place for new projects and extensions.

The United Nations Secretary-General announced in December 2007 that Nepal is eligible for funding under the Peacebuilding Fund (www.unpbf.org). The Secretary-General's announcement that the assistance from the Peacebuilding Fund will be channelled through the existing funding mechanism established under the UNPFN is a recognition of the accomplishments and effective management of the UNPFN.

The MDTF Office envisages that this First Consolidated Annual Progress Report on Activities under the United Nations Peace Fund for Nepal will provide the UNPFN Executive Committee the basis on which to better assess resource requirements and to advocate and mobilize additional funding in support of the continued peace process in Nepal.