

**UNITED NATIONS
DEVELOPMENT GROUP**



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

**Report of the Administrative Agent of the United Nations Peace Fund for Nepal
for the Period 1 January to 31 December 2009**

**Multi-Donor Trust Fund Office
Bureau of Management
United Nations Development Programme
<http://mdtf.undp.org>**

4 June 2010



UNITED NATIONS PEACE FUND FOR NEPAL

PARTICIPATING UN ORGANIZATIONS¹



Food and Agriculture Organization of the United Nations (FAO)



International Labour Organization (ILO)



United Nations Development Programme (UNDP)



United Nations Educational, Scientific and Cultural Organization (UNESCO)



United Nations Population Fund (UNFPA)



United Nations Humans Settlement Programme (UN HABITAT)



United Nations Children's Fund (UNICEF)



United Nations Development Fund for Women (UNIFEM)



United Nations Office for Project Services (UNOPS)



United Nations Office of the High Commissioner for Human Rights (OHCHR)



World Food Programme (WFP)



World Health Organization (WHO)

NON-UN PARTICIPATING ORGANIZATIONS



International Organization for Migration (IOM)

¹ Participating UN and Non-UN Organizations that, as of 31 December 2009, had concluded the UNPFN Memorandum of Understanding (MOU) with the MDTF Office, as the Administrative Agent of the UNPFN. In this Report, all are referred to as Participating Organizations.

CONTRIBUTING DONORS



Canada



Denmark



Norway



Switzerland



United Kingdom (DFID)

Abbreviations and Acronyms

AMMAA	Agreement on Monitoring and the Management of Arms and Armies
CPA	Comprehensive Peace Agreement
CAAC	Children and Adolescents Affected by Conflict
EOD	Explosive Ordnance Disposal
FAO	Food and Agriculture Organization of the United Nations
IEDD	Improvised Explosive Device Destruction
ILO	International Labour Organization
IOM	International Organization for Migration
LOA	Letter of Agreement
JMCC	Joint Monitoring Coordination Committee
MDTF	Multi-Donor Trust Fund
MDTF Office	Multi-Donor Trust Fund Office
MOU	Memorandum of Understanding
NPTF	Nepal Peace Trust Fund
OCHA	United Nations Office for the Coordination of Humanitarian Affairs
PBF	United Nations Peacebuilding Fund
RC	Resident Coordinator
SRSG	Special Representative of the Secretary-General
TOR	Terms of Reference
TRC	Truth and Reconciliation Commission
UN	United Nations
UN HABITAT	United Nations Human Settlements Programme
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNMAS	United Nations Mine Action Service
UNMAT	United Nations Mine Action Team
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 Commitment

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

Donor Deposit

Cash deposit received by the MDTF Office for the UNPFN Account.

Project Expenditure

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

² Common definitions used by the UNDP MDTF 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 was established to mobilize resources for activities of clear, short-term relevance to the peace process where these are not possible to be funded or implemented 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 the strategic priorities for United Nations peace support, articulated by the United Nations Mission in Nepal (UNMIN) and the United Nations Country Team in Nepal, in consultation with its partners and aligned with the Government of Nepal's national priorities.
2. The Multi-Donor Trust Fund Office (MDTF Office) of the United Nations Development Programme (UNDP) is the Administrative Agent (AA) of the UNPFN, and has concluded a Memorandum of Understanding (MOU) with twelve Participating Organizations and one Non-UN Participating Organization. During the current reporting period (1 January – 31 December 2009), the United Nations High Commissioner for Human Rights (OHCHR) joined the UNPFN by signing the MOU. The International Organization of Migration (IOM) signed a separate MOU with the MDTF Office in January 2010.
3. This Third Consolidated Annual Progress Report on Activities under the UNPFN builds on previous Consolidated Annual Progress Reports for 2007 and 2008, submitted by the MDTF Office to the UNPFN Executive Committee and Donors in June 2008 and June 2009, respectively, and reports on the implementation of projects approved for funding as of 31 December 2009. In line with the MOU, the Progress Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating 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 Organizations. However, the report does provide the UNPFN Executive Committee with a comprehensive overview of achievements and challenges associated with projects funded through the UNPFN, enabling it to make strategic decisions and take corrective measures, where applicable.

Strategic Framework

4. In accordance with its Terms of Reference (TOR), which was revised in June 2009, the UNPFN fostered in 2009 its activities under five main priority areas:
 - Cantonments/Reintegration
 - Elections/Governance
 - Recovery/Quick Impact Projects
 - Security
 - Rights and Reconciliation
5. The revision of the TOR was undertaken, in part, to include a fifth priority area "Recovery/Quick Impact Projects" to ensure the availability of support to time-sensitive and high impact projects to particularly vulnerable communities where the absence of a 'peace dividend' would represent a proximate threat to the peace process. The review also took place to ensure alignment with the Peacebuilding Fund (PBF) Priority Plan for Nepal and associated PBF Guidelines subsequent to the \$10 million PBF allocation to Nepal. In parallel, the UNPFN Executive Committee Terms of

Reference and Rules of Procedures were reviewed and updated. The revisions were endorsed by the Executive Committee on 29 June 2009.

6. A recent, joint Government of Nepal and Donor review of the NPTF, noted that the UNPFN's deliberate use of the same governance arrangements as the NPTF had contributed to ensuring harmonization and a coherent approach between the two funds. In addition, the review also noted that the UNPFN's mandate, its flexible and rapid approach, technical expertise, combined with its coherence with the NPTF structure, means it has had a positive, complementary role to play. This was further underlined by the relevance of the UNPFN in areas where the Government of Nepal may not have the technical expertise or capacity, such as in demining and initiatives which are politically sensitive, including the verification of combatants. Addressing the issue of resource mobilization, and the perceived competition between the two funding mechanisms, the review noted that there is no evidence that this is the case. While some donors contribute to both funds, this is more a matter of spreading risk than of using the UNPFN as a fund of last resort.

Governance

7. 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 NPTF. Projects are approved and the operations of the UNPFN are carried out under the overall guidance of the Government-led Board, in consultation with the Donor Advisory Group, and according to the instructions of the UNPFN 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. Furthermore, the Government representative on the UNPFN Executive Committee is the Division Chief of the NPTF, and plays a key coordination role between the two mechanisms.
8. In line with its TOR and Rules of Procedure, and in accordance with the PBF Priority Plan for Nepal, the UNPFN Executive Committee is also the governing body for making allocations from the \$10 million PBF envelope to Nepal.

Project Approval Status

9. The UNPFN Executive Committee approved its first project in April 2007. During the current reporting period, 1 January – 31 December 2009, two new projects and an associated extension were approved for UNPFN-funding, amounting to a total transfer of \$3,171,201 to Participating Organizations. In addition, the UNPFN Executive Committee approved four PBF-funded projects, amounting to \$6,755,830.
10. Cumulatively, as of 31 December 2009, since the establishment of the UNPFN, the UNPFN Executive Committee had approved \$10,294,479 in funding to four Participating Organizations; UNDP, UNESCO, UNOPS and WFP. Under the PBF, the \$6,755,830 was allocated to five Recipient Organizations; FAO, ILO, OHCHR, UNFPA and UNICEF.

Project Implementation Status

11. Of the projects approved for funding under the UNPFN, three were operational (project activities ongoing) during the reporting period; namely UNOPS' "IEDD/EOD Operations in Nepal (Mine Action)" (UNPFN/A-1), UNDP's "Discharge and Reintegration Assistance to the Maoist Army" (UNPFN/A-6) and UNESCO's project "Training to Women Journalists in the Terai" (UNPFN/E-3). UNPFN-projects in support of the 2008-elections, as well as surveillance for post conflict reconciliation, were completed in 2008. All PBF-funded projects were operational during the reporting period.

12. The overall rate of implementation of UNPFN-funded projects, which in financial terms stands at 91 percent of approved funding allocations as of 31 December 2009, is notable and reflects the appropriateness of the projects funded under the UNPFN to deliver focused and time-limited support for urgent peace process and early recovery tasks in Nepal. Financial implementation rates are particularly high in the areas of Cantonments/Reintegration (projects supported in the areas of mine action and verification/discharge/reintegration of former Maoist Army combatants), as well as Rights and Reconciliation (projects in support of surveillance for post-conflict reconciliation). The UNPFN Executive Committee's approval of additional PBF-projects in 2009, supporting efforts under the priority areas of Rights and Reconciliation, Recovery and Cantonments/Reintegration, signifies a continuation of this approach, as well as a broadening of the programmatic scope of the interventions.

Implementation Achievements and Challenges

13. Projects approved under the UNPFN, across all priority areas, made significant contributions and, by and large, achieved the majority of their objectives by the end of the reporting period. Importantly, as the majority of UNPFN-funded projects had complemented all project activities prior to this reporting year, the achievements and challenges referred to in this report only cover the three projects that were operational in 2009. Additional information on previous years' achievements and challenges is included in the Consolidated Annual Progress Reports for 2007 and 2008, both available on the MDTF Office GATEWAY (<http://mdtf.undp.org>).
14. In the area of mine action, where on behalf of the UN Mine Action Service (UNMAS), UNOPS executes the project "*IEDD/EOD Operations in Nepal*" (UNPFN/A-1), including six extensions, project implementation is on track. The UNPFN is the primary source of funding for mine clearance activities in Nepal, and addresses the problem of mines and unexploded ordinances remaining after the ten-year insurgency which ended in November 2006. The project, which as of 31 December 2009 had cumulatively received \$4,080,582 in funding from the UNPFN. It addresses an agreed point of the Comprehensive Peace Agreement (CPA) and has contributed significantly to improving public security and safety, as well as returning valuable land to local communities and industry. A sixth extension of the project was approved in early-2010 with an additional allocation of \$500,000.
15. With minefields laid at 53 locations by the Nepal Army and an estimated 274 areas contaminated with command-detonated devices (including IEDs), and a large number of improvised explosive devices (IEDs) used by the Maoist Army, the Nepalese countryside was left littered with potential danger. Considerable gains were made in 2009 in the Nepal Army's rate of clearance as well as their capacity to independently manage mine clearance operations. During the year, 14 minefields were cleared and 2,119 mines and 296 IED/UXOs and other ERW destroyed. This is a marked increase compared to 2008, in which 4 minefields were cleared. The increase is attributed to improved operational techniques and efficiency of the demining platoons, as well as to a greater capacity overall with the addition of a third demining platoon as of October 2009. With the cooperation of the Maoist Army and the support of UNMIN operations and the Joint Monitoring Coordination Committee, demolitions were carried out at all seven Maoist Cantonment sites; resulting in a total of 33,975 dangerous items being destroyed. Together with the 18,642 items destroyed during 2007 – 2008, the project has thereby contributed to supporting the demolition of a total of 52,617 dangerous items previously held within the sites.
16. The mine-action project also focused on developing capacity within the Nepal Army to improve the effectiveness of demining operations and ensure compliance with International Mine Action Standards. A joint UNMAT-NAMACC Capacity Development Plan has been finalized, assessing the current capacity of the NAMACC and outlining a series of trainings to improve the technical and middle management capacity of the NAMACC over the next two years.

17. In the area of discharge and reintegration of former Maoist combatants, the UNDP-executed project “*Discharge and Reintegration Assistance to the Maoist Army*” (UNPFN/A-6), received an allocation of \$3,000,000 during the reporting year. Building on the achievements of the associated project “*Support Discharge of Adult Maoist Army Personnel from the Cantonment Sites*” (UNPFN/A-3), which was the first preparatory phase of a two-phase strategy to support the discharge of Maoist Army personnel verified as minors or late recruits and to provide them with assistance to access suitable employment options, UNDP continued providing support to facilitating the transition to normal civilian life in the communities of return or resettlement and to provide former combatants with an attractive alternative to membership of armed/violent groups. During the reporting period, in which support was provided to the discharge and rehabilitation of the 4,008 disqualified Maoist Army personnel who were identified as late-recruits and minors during the UN-led verification process, particular emphasis were placed on developing concepts and procedures providing strategic advisory, technical and logistic support to the Government of Nepal to facilitate the planning and implementation of the discharge and rehabilitation programme. This standing capacity ensured that sufficient preparations were in place to enable a rapid discharge process which commenced in early-2010.
18. With the mid-2009 agreement reached between the Government and the UCPN-Maoists to resume the process of discharge and rehabilitation of the disqualified Maoist Army personnel, the foundations for further efforts to continue this process were laid. This project played a significant role in planning for the next stages of this discharge and rehabilitation process, including information and consultation; conducting a profiling survey; discharge from the cantonment; establishment of a transit centre; development of a rehabilitation programme and post-training support.
19. In an effort to support and contribute to strengthening Nepali media, especially in the context of the ongoing drafting of a new constitution, the UNESCO-executed project “*Training of Women Journalists in the Terai*” (UNPFN/E-3) received an initial allocation of \$20,049 from the UNPFN during the reporting period. Additional funding to the project, accounting for 2/3 of the overall budget, was been sought outside the UNPFN. Recognising the importance of Nepal having a well-informed population with access to accurate and independent information from diverse sources, with an understanding of what decision-making processes are happening around it, ensuring the safe and sound working environments for journalists has been a key objective of the project.
20. In addition to UNPFN-funded projects, four PBF-funded projects were also approved by the UNPFN Executive Committee in 2009, amounting to \$6,755,830. The ILO/FAO-executed “*Jobs for Peace: 12,500 Youth Employed and Empowered through an Integrated Approach*” project made some progress towards creating employment opportunities for youth. Whereas the majority or activities were expected to take place in 2010, significant progress was made in the area of training youth in agribusiness and thereby increasing their agricultural labour opportunities. Other output areas are expected to deliver in 2010, with the project expecting to exceed its target of creating 20,000 paid workdays for 200 youth beneficiaries.
21. Another PBF-funded project is UNICEF’s project “*Programme Support for Children and Adolescents formerly associated with the Maoist Army in Nepal*” (\$1,100,000). The programme for children and adolescents affected by conflict (CAAC), of which the PBF-funded project is a part of, is built on best practices from other parts of the world. The objective of the programme is to ensure successful discharge of verified as minors during verification of Maoist Army personnel, and provide them with assistance for their successful socio-economic reintegration. The part of the CAAC programme that is funded by the PBF Fund focuses on the 2,973 Maoist Army personnel who were verified by the UN as having been under the age of 18 years on 25 May 2006 and therefore categorized as disqualified minors. This project primarily addresses the needs and issues of these

minors. During the reporting period, UNICEF support in the preparation of an operational plan for the discharge of disqualified minors has helped to implement the Maoists decision at the end of 2009 to unilaterally discharge all disqualified minors. Support to women members of the Maoist Army, as well as women in the host communities in which they are being reintegrated, has so far consisted of the delivery of a reproductive health service delivery program. 30 reproductive health clinics were held in seven cantonments, medicines and supplies, and gynaecological support six days a month from August to December. The programme reached 115 percent of targeted beneficiaries, including all women members of the Maoist Army in the cantonments and about a third of women of reproductive age in the host communities.

22. A second PBF-project approved by the UNPFN Executive Committee in the area of conflict prevention and reconciliation was UNFPA's project "*Support to Female Members of the Maoist Army*" (\$1,000,000). The project is designed to improve conditions for those in the divisions, their orderly discharge and reintegration within communities, including the non-verified and minor. The reproductive health service delivery programme started in August 2009 in five of the seven Maoist cantonment sites. In the two remaining cantonments, activities got underway in October/November 2009, mainly due to the non-availability of the Ministry of Health and Population responsible person to initiate dialogue with these two cantonments. All 30 planned reproductive health clinics of six-day duration were conducted in cantonments during the project period. Similarly, referral services were made available to all feasible clients throughout the project duration. UNFPA did, however, find itself challenged by high expectations and the demands being made by beneficiary communities as it is the only UN agency supporting reproductive health services in the cantonments.
23. The fourth PBF-project approved by the UNPFN Executive Committee during 2009 was OHCHR's project "*Transitional Justice Project*" (\$1,999,830) that has provided intensive support and advisory services to the Ministry of Peace and Reconciliation (MoPR) to draft and review the Truth and Reconciliation Commission (TRC) bill. All planned TRC consultations took place with good representation of indigenous peoples, people in remote places, women, children and other marginalized groups. Despite the MoPR's involvement in the project, it has encountered decision-making problems within the Ministry partly due to a change in minister and other staff and partly because of the continuous political fragility. The unpredictable political climate and a vague commitment to transitional justice initiatives have resulted in significant delay in the establishment of Transitional Justice Commissions. Long recruitment process of project personnel has also caused delays.

Financial Performance

24. During the current reporting period (1 January – 31 December 2009), additional contributions from two donors (Norway and the United Kingdom) amounting to \$8,086,823 were deposited into the UNPFN Account, increasing the cumulative donor deposits to the UNPFN to \$18,435,535 (as of 31 December 2009). Cumulatively, as of 31 December 2009, the five donors to the UNPFN, in order of contributions, were Norway (\$8,163,494), the United Kingdom (\$6,298,767), Canada (\$2,221,299), Denmark (\$1,552,000) and Switzerland (\$199,975). In addition, a \$10 million funding envelope from the PBF in support of the PBF Nepal Priority Plan was made available for UNPFN Executive Committee allocation to projects in early-2009.
25. Of the total donor contributions to the UNPFN, \$10,294,479 (56 percent) had been transferred to Participating Organizations by 31 December 2009, including \$3,171,201 that was approved and transferred during the reporting period. In addition, of the \$10 million PBF funding envelope, \$6,755,830 (68 percent) was approved by the UNPFN Executive Committee and transferred to POs.

26. During the reporting period, a total of \$3,623,877 was reported as expenditure by Participating Organizations which, together with the prior years' expenditure of \$5,702,470, adds up to \$9,326,347 (90.6 percent of the total approved UNPFN-funding of \$10,294,479. Not unexpectedly, this is an increase compared to the expenditure rates reported for the 2007 (67 percent) and 2008 (80 percent). Cumulative expenditure by Participating UN Organization shows that UNOPS reported the highest amount of actual expenditure at \$4,060,902 (99.5 percent of the \$4,080,582 received), followed by UNDP at \$4,370,470 (82.4 percent of the \$5,306,085 received). UNESCO reported a 36 percent delivery rate (\$7,213 of 20,049 received) for the reporting period, whereas WFP – that did not have any operational projects in 2009 – reported 100 percent expenditure in 2008 in relation to the \$887,763 received in UNPFN-funding. In terms of expense categories, a bulk of the total programme costs incurred during the reporting period were on Personnel (\$1,658,884), as well as on Supplies, Commodities, Equipment and Transport (\$1,316,448). Cumulatively, as of 31 December 2009, 43 percent of all expenditure reported on UNPFN-funded projects has incurred against Personnel, whereas 31.6 percent of total programme cost has been spent on Contracts. Only 0.3percent of overall UNPFN-expenditure as of 31 December 2009 had been reported against the expense category Training.
27. The MDTF Office's Administrative Agent fee, charged at the standard rate of 1 percent of donor deposits, cumulatively amount to \$184,363, of which \$80,876 was deducted from contributions received during the reporting period. The cumulative MDTF Office Administrative Agent fee (\$184,363) is significantly less than the cumulative interest income earned on the undisbursed balance and balance with Participating Organizations, which amount to \$236,867 of which \$70,144 was earned during the current reporting period.

Transparency and Accountability of the UNPFN

28. The major vehicle for public transparency of operations under the UNPFN during the reporting period was the MDTF Office-maintained UNPFN website, (www.undp.org/mdtf/nepal). The website was updated regularly throughout 2009 and provided 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, provided a high level of transparency to national authorities, Donors, the public, and Participating Organizations. Donor pledges, commitments, and deposits were updated monthly and provided the Executive Committee, as well as all other stakeholders, up-to-date information on the financial status of the UNPFN.
29. In 2009, building on the success of its website, and in an effort to further increase transparency and accountability, the MDTF Office developed the MDTF Office GATEWAY, a knowledge platform combining easy access to more than 4,000 relevant reports and documents, with tools and tables displaying financial data in real-time from the MDTF Office accounting system on donor contributions and transfers to Participating Organizations (POs), as well as expenditures reported by POs. The MDTF Office GATEWAY is designed to provide transparent and accountable information on the fund-management services provided to the United Nations system to enhance its coherence, effectiveness and efficiency, and can be found at <http://mdtf.undp.org>. POs' 2009 Annual Progress Reports on individual UNPFN-funded projects are also available on the MDTF Office GATEWAY, along with quarterly updates on progress throughout the year.

Conclusion

30. In line with its mandate, in its third year of operation, UNPFN-funding has been critical in filling initial and immediate funding gaps. Building on two years of implementation, the UNPFN Executive Committee has, through channelling resources for focused, time-limited activities deemed critical to the peace process and within the framework of priorities developed in consultation with the

Government of Nepal and the parties to the peace agreement, contributed to enhance the capacity to sustain the peace process in Nepal. During the reporting period 2009 this has been particularly relevant in the UNPFN-funded projects' support of mine action/clearance of unexploded devices and verification, discharge and reintegration of former Maoist Combatants.

31. With an overall financial delivery rate of 91 percent as of 31 December 2009, and a number of projects and/or project components having completed all their programmatic activities in accordance with the expected timelines, the UNPFN Executive Committee continues to support strategic initiatives crucial to support the peace process and early recovery tasks in Nepal. The UNPFN Executive Committee's approval of four projects funded through the \$10 million PBF envelope to Nepal (in support of transitional justice, youth employment and support to children, adolescents and women associated with the Maoist Army), contributes to underlining the strategic role of the UNPFN in supporting the peace process in the country.
32. The recent, joint Government of Nepal and Donor review of the NPTF confirmed that UNPFN's deliberate use of the same governance arrangements as the NPTF had contributed to ensuring harmonization and a coherent approach between the two funds, and also noted that the UNPFN's mandate, its flexible and rapid approach, technical expertise, combined with its coherence with the NPTF structure, means it has had a positive, complementary role to play. This was further underlined by the relevance of the UNPFN in areas where the Government of Nepal may not have the technical expertise or capacity, such as in demining and initiatives which are politically sensitive, including the verification of combatants.
33. The UNPFN Executive Committee's approval of UNPFN and PBF-funded projects in 2009 to also include projects executed by FAO, ILO, OHCHR, UNESCO, UNFPA and UNICEF, signifies a broadening of the programmatic scope of the interventions. As of 31 December 2009, a total of eight Participating Organizations (FAO, ILO, OHCHR, UNDP, UNESCO, UNFPA, UNICEF, UNOPS and WFP) had received UNPFN and/or PBF-funding. In early-2010, the UNPFN Executive Committee further broadened the scope of implementation by approving projects for UNIFEM and IOM implementation.
34. In financial terms, donor contributions to the UNPFN during the reporting period increased compared previous years, signalling a broadening confidence in the funding mechanism and the projects approved under it. In addition to the \$8,086,823 deposited by Norway and the United Kingdom/DFID to the UNPFN in 2009, bringing the cumulative UNPFN donor deposits to \$18,435,535, the PBF envelope of \$10,000,000 enabled the UNPFN Executive Committee some degree of predictability and space for strategic planning. Enhanced predictability in funding does, however, remain a challenge and is a key to ensuring the continued strategic contribution of the UNPFN to the peace process.
35. The MDTF Office, in its capacity as the Administrative Agent of the UNPFN, envisages that this Third Consolidated Annual Progress Report on Activities under the UNPFN 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. The report should be read in conjunction with previously consolidated reports (UNPFN Annual Reports 2007 and 2008), as well as the 2009 Consolidated Annual Progress Report on Activities under the Peacebuilding Fund, that specifically reports on the achievements and challenges associated with the four PBF projects approved by the UNPFN Executive Committee. Lessons learned during the reporting period have allowed Participating 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 Third 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 UNPFN Executive Committee, in fulfilment of the reporting provisions of the UNPFN Terms of Reference (TOR), the Memorandum of Understanding (MOU) between the United Nations Development Programme (UNDP) and Participating Organizations, and the Letter of Agreement (LOA) between UNDP and Donors. The UNDP Multi-Donor Trust Fund Office (MDTF Office) represents UNDP as the Administrative Agent (AA) of the UNPFN. This Third Consolidated Narrative and Financial Progress Report of the UNPFN covers the reporting period from 1 January to 31 December 2009, and builds on previous Consolidated Annual Progress Reports for 2007 and 2008 submitted to the UNPFN Executive Committee and Donors in June 2008 and June 2009, respectively. The Annual Report provides information on progress made in the implementation of projects funded by the UNPFN, as well as on common challenges and lessons learned. It also provides linkages to UNPFN Executive Committee-approved projects financed through the Peacebuilding Fund's (PBF) \$10 million envelope to Nepal, in line with the Nepal PBF Priority Plan.

In line with the MOU, the Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating 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 Organizations. However, the report does provide the UNPFN Executive Committee with a comprehensive overview of achievements and challenges associated with projects funded through the UNPFN, enabling it to make strategic decisions and take corrective measures, where applicable.

By the end of the reporting period (31 December 2009), marking the third year of operations, the UNPFN Executive Committee had approved UNPFN-funding for ten projects (including project extensions) implemented by four Participating 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. A further four projects were approved under the PBF. 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 Third Consolidated Annual Progress Report is a consolidation of individual project-level progress reports submitted by Participating Organizations. It consists of five chapters: Chapter One provides a review of the strategic framework of the UNPFN, including the establishment of the UNPFN as well as the 2009-revision to the TOR, taking into account the role of the PBF. 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. This chapter also includes an overview of PBF projects; their objectives, achievements and challenges. 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 (UMMIN) 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) and the United Nations Resident Coordinator.

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 (later, the Ministry of Peace and Reconstruction took over the administration of the NPTF) 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 and where there was a clear UN comparative advantage. The UNPFN channels resources for focused, time-limited activities deemed critical to the peace process.

The UNPFN fosters activities under five main priority areas, as per the revised UNPFN TOR, endorsed by the UNPFN Executive Committee in June 2009:

- **Cantonments/Reintegration:** Improve living conditions in the cantonments that host the Maoist Army; register/verify and reintegrate combatants, late recruits, and minors; and dispose of mines and other unexploded devices.
- **Elections/Governance:** Provide technical advice and logistic support on elections/constitutional issues; and provide assistance to restore government at local level.
- **Recovery/Quick Impact Projects:** Time-sensitive and high impact projects to particularly vulnerable communities where the absence of a 'peace dividend' would represent a proximate threat to the peace process.
- **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 UN 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 Organizations. The peace process has taken longer than initially envisaged, and the timeframe of the UNPFN has consequently been extended through the endorsement of the Revised UNPFN TOR in June 2009.

A recent, joint Government of Nepal and Donor review of the NPTF, commissioned by the Ministry of Peace and Reconstruction Peace Fund Secretariat and the Donor Advisory Group to the NPTF, noted that the UNPFN's deliberate use of the same governance arrangements as the NPTF contributed to ensuring harmonization and a coherent approach between the two funds. In addition, the UNPFN Technical Expert Group's open invitation to the Chairs of NPTF Cluster Groups to participate at their meetings was commended, though the invitations are often not taken up.

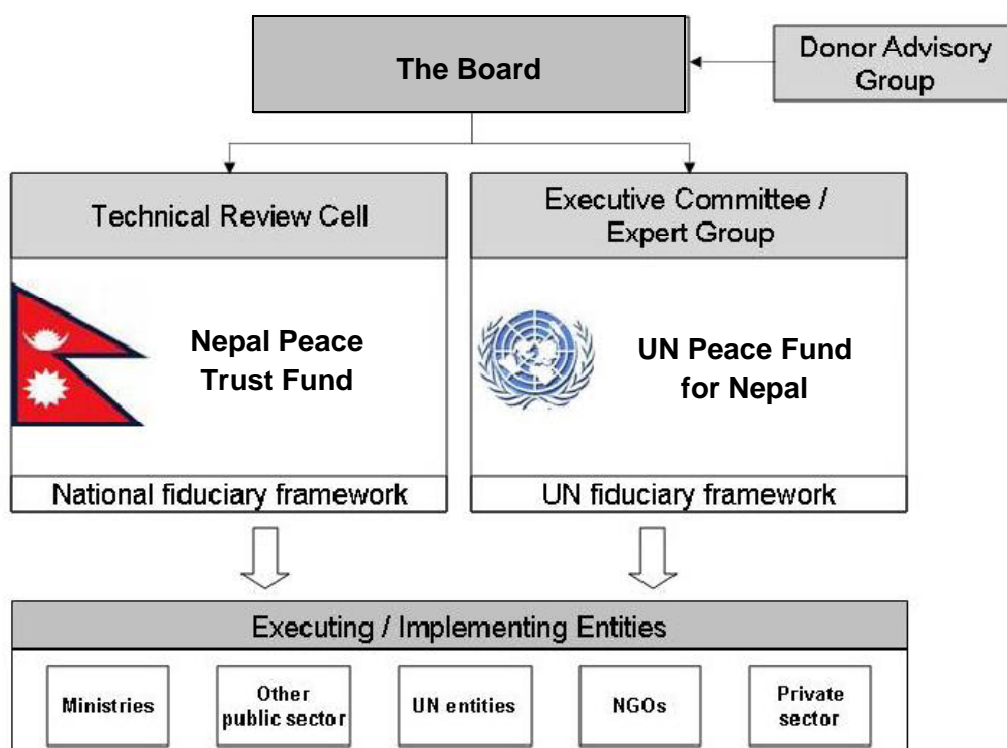
The review also noted the UNPFN's mandate, its flexible and rapid approach, technical expertise, combined with its coherence with the NPTF structure, means it has a positive, complementary role to play. It also highlighted the relevance of the UNPFN in areas where the Government of Nepal may not have the technical expertise or capacity, such as in demining and initiatives which are politically sensitive, including the verification of combatants.

On the issue of resource mobilization, and the perceived competition between the two funding mechanisms, the review noted that there is no evidence that is, or has been, the case. While some donors contribute to both funds, this is more a matter of spreading risk than of using the UNPFN as a fund of last resort. Finally, the review cautions against citing the existence of an alternative fund as a reason for the NPTF's lack of fundraising ability rather than addressing donor concerns over shortcomings in the NPTF. Similarly donors are cautioned to use the UNPFN as a "fall back" in order to programme peace related funds rather than a serious engagement with the strategic objectives of the NPTF.

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 Board, 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 Board

The Board (formerly known as the Steering Committee), established to oversee the operations of both the NPTF and the UNPFN, provides overall policy guidance and is responsible for:

- Identifying funding needs and priorities in support of the peace process;
- Helping define major programmatic priorities for the UNPFN consistent with the above and complementary to activities supported through the NPTF;
- Ensuring coherence among peace support activities funded from, respectively, the NPTF, the UNPFN, and other government or Donor channels;
- Reviewing financial flows and performance as needed to facilitate a harmonized approach to the monitoring and evaluation of peace support activities; and
- 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 Board on the operations of the two 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, with authority to approve projects for funding. The chairmanship of the UNPFN Executive Committee was transferred from the Representative of the Secretary-General (RSG) to the United Nations Resident Coordinator (RC) in 2008. The RSG serves as the Vice-Chair and the UNPFN Executive Committee is further composed of a Government Representative designated by the Board, a Donor Representative designated by the Donor Advisory Group. The UNPFN Executive Committee is responsible for:

- (a) Reviewing and defining the UNPFN's requirements and priorities in consultation with the Board and Donor Advisory Group;
- (b) Reviewing and approving proposals and resource allocations from the UNPFN, based on agreed priorities – for proposals exceeding \$1 million, special notification will be made to the Board and Donor Advisory Group;
- (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 UNPFN Executive Committee meets regularly in Kathmandu. Decisions are made in close consultations with the Board and the Donor Advisory Group, and all decisions on the selection of Participating Organizations and funding-allocations are made based on demonstrated expertise, and operational and absorptive capacity.

The UNPFN Executive Committee is supported by ad-hoc Expert Groups responsible for reviewing project proposals prior to their submission to the UNPFN Executive Committee. The members of the Expert Groups are nominated by the Chair and Vice Chair of the UNPFN Executive Committee. The UNPFN Executive Committee is also supported by a Secretariat that is based in the Resident Coordinator's Office.

2.4. The Administrative Agent

The United Nations Development Programme's Multi-Donor Trust Fund Office (MDTF Office) is 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 Organizations in accordance with instructions from the UNPFN Executive Committee, and consolidation of narrative and financial reports produced by each of the Participating Organizations as well as the provision of these reports to the UNPFN Executive Committee for onward submission to Donors. The

MDTF Office performs the full range of Administrative Agent functions in accordance with the UNDG-approved “Protocol on the Administrative Agent for Multi-Donor Trust Funds and Joint Programmes, and One UN Funds”. As the Administrative Agent of the PBF, the MDTF Office also ensures administrative linkages between the UNPFN and PBF. In line with the Memorandum of Understanding (MOU) concluded between Participating Organizations and the MDTF Office, a clear delineation, including distinct reporting lines and an accountability framework, has been established and will be maintained within UNDP between its functions as an Administrative Agent and its functions as a Participating Organization.

3. Project Approval and Implementation Updates

3.1. Project Approval Status

During the current reporting period (1 January – 31 December 2009), two new projects and an associated extension were approved for funding, amounting to a total of \$3,171,201. The two new projects were UNDP’s “*Discharge and Reintegration Assistance to Maoist Army*” (UNPFN/A-6; \$3,000,000) and UNESCO’s “*Training to Women Journalists in the Terai*” (UNPFN/E-3; \$20,049). UNDP’s “Project to Support Discharge of Adult Maoist Army Personnel from the Cantonment Sites” (UNPFN/A-3) received an additional allocation of \$151,152 (results and achievements under this extension are reported along with UNPFN/A-6).

Cumulatively, as of 31 December 2009, since the establishment of the UNPFN, the UNPFN Executive Committee had approved \$10,294,479 in funding to four Participating Organizations; UNDP, UNESCO, UNOPS and WFP.

In addition, the UNPFN Executive Committee approved four PBF-funded projects in 2009, amounting to \$6,755,830. The four projects included: UNICEF’s “*Programme Support for Children and Adolescents Formerly Associated with the Maoist Army in Nepal*” (PBF/NPL/B-1; \$1,100,000); UNFPA’s “*Support to Female Members of the Maoist Army*” (PBF/NPL/B-2; \$1,000,000); OHCHR’s “*Transitional Justice Project*” (PBF/NPL/B-3; \$1,999,830); and ILO and FAO’s joint programme “*Jobs for Peace: 12,500 youth employed and empowered through an integrated approach*” (PBF/NPL/D-1; \$2,656,000).

Table 3.1a and Table 3.1b, below, provide details on the projects approved for UNPFN- and PBF-funding during the current reporting period, it does not include allocations approved in 2007 or 2008. See Table 3.2 for the status of implementation for all approvals as of 31 December 2009.

Table 3.1a Approved Projects (UNFPA-funded) 1 January – 31 December 2009				
UNPFN Executive Committee Approval Date	UNPFN Priority Area	Project Number and Project Title	Participating UN Organization	Approved Budget (USD)
12 Jan 2009	Cantonments/ Reintegration	UNPFN/A-6: Discharge and Reintegration Assistance to Maoist Army	UNDP	3,000,000
27 Aug 2009	Rights and Reconciliation	UNPFN/E-3: Training to Women Journalists in the Terai	UNESCO	20,049
12 Mar 2009	Cantonments/ Reintegration	UNPFN/A-3 (Extension) Project to Support Discharge of Adult Maoist Army Personnel from the Cantonment Sites	UNDP	151,152
Total				\$3,171,201

Table 3.1b
Approved Projects (PBF-funded)
1 January - 31 December 2009

UNPFN Executive Committee Approval Date	UNPFN Priority Area	Project Number and Project Title	Participating Organization	Approved Budget (USD) Status
20 Feb 2009	Rights and Reconciliation	PBF/NPL/B-3 Transitional Justice Project	OHCHR	1,999,830
12 Jan 2009	Recovery and Quick Impact	PBF/NPL/D-1 Jobs for Peace: 12,500 Youth Employed and Empowered through an Integrated Approach	ILO/FAO	2,656,000
12 Jan 2009	Cantonments / Reintegration	PBF/NPL/B-1 Programme and Support for Children and Adolescents formerly Associated with the Maoist Army in Nepal	UNICEF	1,100,000
12 Jan 2009	Cantonments / Reintegration	PBF/NPL/B-2 Support to Female Members of the Maoist Army	UNFPA	1,000,000
Total				6,755,830

3.2. Priority Area Overview

Projects approved by the UNFPN Executive Committee during the reporting year 2009 supported efforts in the priority areas of Cantonments/Reintegration and Rights and Reconciliation. Taking the four PBF-funded projects approved during the reporting period into account, the UNPFN Executive Committee has, since approving its first projects in 2007, supported projects under all five priority areas of the UNPFN.

Cumulatively, the vast majority of UNPFN-funds approved have been transferred to projects falling within the *Cantonments/Reintegration* priority area. As of 31 December 2009, projects amounting to \$8,806,949 (86 percent of total funding approved across all priority areas) had been approved under this priority area. The three main areas of intervention within this priority area have been support to mine action (UNOPS, \$4,080,582) and the verification, discharge and repatriation of former Maoist Army combatants (UNDP, \$4,726,367).

Under the priority area *Rights and Reconciliation*, UNESCO was in 2009 allocated \$20,049 from the UNPFN to initiate activities to empower women journalists in the area of Terai by increasing their skills in personal security issues, in order to make them feel safer and to allow them to do their job as journalists with more confidence. In 2007/2008, WFP received 887,763 in funding under this priority area, bring the cumulative approved amount under Rights and Reconciliation, to \$907,812.

Whereas no projects were approved under the priority area *Elections/Governance* during the current reporting period, significant accomplishments were achieved during earlier reporting period (see Annual Report 2007 and 2008). Cumulatively, as of 31 December 2009, \$579,718 has been approved under the Elections/Governance priority area since the establishment of the UNPFN in 2007.

PBF projects are approved against the PBF Nepal Priority Plan, which has its own distinct priority areas, but the projects fall within the UNPFN Priority Areas and are approved by the UNPFN Executive Committee taking this into consideration. Four PBF projects were approved during the reporting period:

one UNICEF project supporting children and adolescents; one UNFPA project supporting women formerly associated with the Maoist Army; one ILO/FAO joint programme on youth employment; and one OHCHR project on transitional justice.

3.3. Project Implementation Status

Of the 10 projects approved for UNPFN-funding, including extensions, which had been approved by the UNPFN Executive Committee as of 31 December 2009, six had completed all project activities prior to the current reporting year, with one project extension (UNPFN/A-3; \$151,152) reported on under UNPFN/A-6 as both projects are in the area of discharge. Projects UNPFN/A-1 (UNOPS), UNPFN/A-6 (UNDP) and UNPFN/E-3 (UNESCO) were operationally active in 2009 and their results are therefore included in this Annual Report. For narrative results on projects that were operationally closed prior to the current reporting year (2009), please refer to Annual Reports 2007 and 2008. Table 3.2a, below, provides an overview of all UNPFN Executive Committee approvals (UNPFN-funded projects). Table 3.2b provides an overview of the four PBF-funded projects approved by the UNPFN Executive Committee.

Table 3.2a Project Implementation Status (UNPFN-funded) as of 31 December 2009					
MDTF Office Transfer Dates	UNPFN Priority Area	Project Number and Project Title	Participating UN Organization	Approved Budget (USD)	Status
First transfer: 24 Apr 2007	Cantonment / Re-integration	UNPFN/A-1 (incl. six extensions) IEDD/EOD Operations in Nepal, Mine Action	UNOPS	4,080,582	Activities ongoing
First transfer: 26 Jun 2007	Cantonment / Re-integration	UNPFN/A-2 (incl. one extension) Verification of the Maoist Army Combatants in the Cantonment Sites	UNDP	1,226,753	Activities completed
First transfer: 23 Jul 2007	Rights and Reconciliation	UNPFN/E-1 (incl. one extension) Surveillance and Programme Targeting for Post Conflict Reconciliation	WFP	887,763	Activities completed
27 Sep 2007	Elections / Governance	UNPFN/B-1 Electoral Observation Resource Center	UNDP	195,218	Activities completed
16 Nov 2007	Elections / Governance	UNPFN/B-2 Provision of Specialised electoral Assistance to the Election Commission of Nepal	UNDP	384,500	Activities completed
First transfer: 28 Mar 2008	Cantonments / Reintegration	UNPFN/A-3 (incl. one extension) Project to Support Discharge of Adult Maoist Army Personnel from the Cantonment Sites	UNDP	499,614	Activities ongoing
17 Jul 2009	Cantonments / Reintegration	UNPFN/A-6: Discharge and Reintegration Assistance to the Maoist Army	UNDP	3,000,000	Activities ongoing
26 Sep 2009	Rights and Reconciliation	UNPFN/E-3: Training to Women Journalists in the Terai	UNESCO	20,049	Activities ongoing
Total				10,294,479	

**Table 3.2b
Project Implementation Status (PBF-funded)
as of 31 December 2009**

MDTF Office Transfer Dates	UNPFN Priority Area	Project Number and Project Title	Participating Organization	Approved Budget (USD)	Status
19 Aug 2009	Rights and Reconciliation	PBF/NPL/B-3 Transitional Justice Project	OHCHR	1,999,830	Activities ongoing
17 Mar 2009	Recovery and Quick Impact	PBF/NPL/D-1 Jobs for Peace: 12,500 Youth Employed and Empowered through an Integrated Approach	ILO/FAO	2,656,000	Activities ongoing
20 Mar 2009	Cantonments / Reintegration	PBF/NPL/B-1 Programme and Support for Children and Adolescents formerly Associated with the Maoist Army in Nepal	UNICEF	1,100,000	Project terminated in early-2010; unspent balance returned
21 Aug 2009	Cantonments / Reintegration	PBF/NPL/B-2 Support to Female Members of the Maoist Army	UNFPA	1,000,000	Project terminated in early-2010; unspent balance returned
Total				6,755,830	

3.4 Implementation Achievements and Challenges

The sections below provide an overview of the main implementation achievements and challenges during the reporting period (1 January – 31 December 2009), as reported by the respective Participating Organizations. Section 3.4.4 provides an overview of the objectives, implementation achievements and challenges of the four PBF-funded projects approved by the UNPFN Executive Committee during 2009.

3.4.1. Mine Action and IEDD/EOD Operations (UNOPS)

The UNOPS-executed mine-action project “IEDD/EOD Operations in Nepal” (UNPFN/A-1), with its six extensions, has cumulatively received a total of \$4,580,582 in funding from the UNPFN. The extensions to the project represent separate phases and distinct interventions that build on the accomplishment of previously implemented phases. During the current reporting period, activities were undertaken under extensions V (23 July 2008 – 30 November 2009; \$1,145,838) and VI (1 December 2009 – 30 November 2011; \$500,000).

The overall project addresses the problem of mines and unexploded ordnances remaining after the ten-year insurgency which ended in November 2006. With minefields laid at 53 locations by the Nepal Army and an estimated 274 areas contaminated with command-detonated devices (including IEDs), and a large number of improvised explosive devices (IEDs) used by the Maoist Army, the Nepalese countryside was left littered with potential danger. Landmines and IEDs continue to injure and kill innocent people in Nepal; with more than half of the civilian casualties being children, leaving Nepal with one of the highest

rates of child casualties from victim-activated explosions in the world. Importantly, with current approvals amounting to \$4,580,582, the UNPFN is the primary source of funding for mine clearance activities in Nepal. It is envisaged that further funding may be considered, bringing the total UNPFN contribution to mine action in Nepal over the period April 2007 – November 2011 to more than \$5.5 million.

With the anticipated end of the UNMIN mandate, the Mine Action Unit (MAU) initiated a separation from UNMIN and in late-2008 became part of the UN Country Team in Nepal and together with the mine action section of United Nations Children Fund (UNICEF) formed the UN Mine Action Team (UNMAT) in Nepal. This structural and institutional change expanded the objectives of project to include more support the government – specifically the Ministry of Peace and Reconstruction. A letter of request from the Ministry of Peace and Reconstruction in October 2008 for UN support to mine action in Nepal and a Letter of Agreement between the UNMAT and the Ministry of Defense (updated in Sept 2009) on UNMAT support to the Nepal Army define the role of UNMAT in Nepal in mine action.

Considerable gains were made in 2009 in the Nepal Army's rate of clearance as well as their capacity to independently manage mine clearance operations. During the reporting period, 14 minefields were cleared and 2,119 mines and 296 IED/UXOs and other ERW destroyed. This is a marked increase compared to 2008, in which 4 minefields were cleared. The increase can be attributed to improved operational techniques and efficiency of the demining platoons, as well as to a greater capacity overall with the addition of a third demining platoon as of October 2009.

UNMAT worked with the Maoist Army in 2009 to arrange for and carry out the demolition of all remaining dangerous items stored in the seven Maoist Cantonment sites and contribute to their adherence to terms in the CPA/AMMAA regarding the disposal of stockpiled dangerous items. With the cooperation of the Maoist Army and the support of UNMIN operations and the Joint Monitoring Coordination Committee (JMCC), demolitions were carried out at all seven MCS in the July – December period. A total of 33,975 dangerous items were destroyed in this period. Together with the 18,642 items destroyed previously during 2007 – 2008, the project has thereby contributed to supporting the demolition of a total of 52,617 dangerous items previously held within the sites.

The capacity development, training and quality management activities with the Nepal Army continued to improve the effectiveness of demining operations and ensure compliance with International Mine Action Standards. In February 2009, a joint UNMAT-NAMACC Capacity Development Plan (CDP) was finalized that assessed the current capacity of the NAMACC and outline a series of trainings to improve the technical and middle management capacity of the NAMACC over the next two years.

In addition to the ongoing capacity development and mentoring activities, the trainings provided and facilitated by the UNMAT in 2009 included, among others: Advanced Demining Course, Explosive Ordnance Disposal (EOD) – Level 3 Training, Improvised Explosive Device Disposal (IEDD) Training, Information Management System for Mine Action (IMSMA) User Training, and Mine Action Management.

Advice and support to the Ministry of Peace and Reconstruction in the development of a mine action office for the planning and coordination of mine action activities was ongoing throughout the year. In October 2009, the MoPR-chaired Steering Committee met for the first time since 2007 and appointed a Task Force to develop a draft Mine Action Work-Plan. The Work-Plan was submitted in November 2009 and UNMAT will continue to work with the MoPR on the further development and implementation of this plan and the stand-up of the MoPR mine action office in 2010.

An external evaluation of the overall programme from its beginning was conducted by Cranfield University in mid-2009 to assess the effectiveness of UNMAT support in addressing the mine action needs of Nepal. The findings of the evaluation were largely positive and it recommended the continuation of UNMAT technical support to the Nepal Army and quality assurance of their clearance activities through 2011. The evaluation also recommended the development of a national mine action strategy.

The results of the project in the current reporting period far exceeded expectations as set forth in the extension proposal. This is largely due to the broadening of the project's objectives, including the move from UNMIN to the UNCT and the alliance with UNICEF to form UNMAT along with the development of a more direct support role to the MoPR.

3.4.2. Discharge and Reintegration Assistance to Former Maoist Army Combatants (UNDP)

The UNDP-executed project "*Discharge and Reintegration Assistance to the Maoist Army*" (UNPFN/A-6), received an allocation of \$3,000,000 from the UNPFN. The project builds on associated efforts, including numerous UNPFN projects (see Table 3.2a and 3.2b), to assist the peace process in the country by supporting the Government of Nepal in the implementation of the Comprehensive Peace Agreement.

During the reporting period, project activities were implemented to support the Government of Nepal with the discharge and rehabilitation of the 4,008 disqualified Maoist army personnel who were identified as late-recruits and minors during the UN led Verification Process; and the development of concepts and procedures provide strategic advisory, technical and logistic support to the Government of Nepal to facilitate the planning and implementation of the discharge and rehabilitation programme.

Under the terms of the Comprehensive Peace Agreement (CPA) and the Agreement on Monitoring of the Management of Arms and Armies (AMMAA), concluded by Nepal's main political parties (the Seven Party Alliance, SPA, and the Communist Party of Nepal-Maoist, CPN-M), the Maoist fighters were cantoned with their weapons under UN-supervised single-lock system. The Nepalese Army would reciprocate by restricting all but essential activities and keeping a similar number of arms locked under a parallel system.

In accordance with the CPA and AMMAA, UNDP has, in a joint effort with UNICEF and UNMIN, carried out the verification of disqualified Maoist army personnel. As a result of the verification process, 4008 combatants were verified as disqualified including 2,973 minors (combatants found to be born after May 25th 1988 "minors") and 1,035 late recruits (those who joined the Maoist army personnel after May 25 2006 "late recruits") and were found not eligible to remain in the cantonments and were recommended to be immediately and orderly discharged and rehabilitated back to communities. UNDP has been working closely with the Ministry of Peace and Reconstruction (MOPR) and has been providing technical and logistical support to facilitate the orderly discharge of the disqualified Maoist combatants from the cantonments, and their reintegration into the communities by providing them training and education opportunities to rebuild their lives.

Discharge and Rehabilitation of the disqualified individual is a highly important process which requires commitment from both UCPN-M and the government. There had been good progress and in mid-2009 the Government and UCPN-Maoists reached an agreement to resume the process of discharge and rehabilitation of the disqualified Maoist army personnel. Accordingly a paper outlining stages to discharge and rehabilitate the disqualified individuals was developed. The paper laid out the following milestone stages: 1) Information and Consultation; 2) Profiling Survey; 3) Discharge from the cantonment; 4) Transit Centre; 5) Rehabilitation Programme; and 6) Post-training Support.

In view of the agreements a Steering Committee chaired by the Minister of Peace and Reconstruction (MoPR), with representation from UCPN-M and senior UN officials was established to provide policy guidance and oversee the process. Under the Steering Committee, a Technical Committee was also established to plan and oversee the technical implementation of the process. UNDP provided technical and logistical support to the MoPR and both the committees in the planning and implementation of all the above mentioned stages.

In late-2009, the UCPN-Maoist signed an Action Plan to release disqualified Maoist army personnel (minors and late recruits) from the seven cantonment sites. The Action Plan was signed between the Government of Nepal, the Unified Communist Party of Nepal – Maoist, and the UN in Nepal. Subsequently, an operational plan detailing modality of the discharge process was drafted and agreed between UN and UCPN-Maoist on 26 Dec, 2009. The discharge process was scheduled to be carried out within a 40-day timeline starting from 06 January 2010.

The project achieved a number of results during the reporting period. The below is a summary of the key activities and accomplishments:

- Through a joint UNCT intervention, UNDP led the planning for discharge and rehabilitation of 4,008 Maoist Army personnel and provided technical and logistical support to MoPR and the relevant committees on the overall planning and implementation of the discharge and rehabilitation programme. UNDP also continued to provide technical and logistic support to the Ministry of Peace and Reconstruction regarding the planning and implementation of rehabilitation programme including the development of packages, implementation and monitoring.
- The project also carried out information consultations in all the Maoist cantonment sites. The objective of this process was to inform the disqualified on the discharge and rehabilitation programme and collect their views on the programme. The project provided technical and logistic support for the overall planning and implementation of this process. It was led by the Government of Nepal through the joint Technical Committee with the participation by the UCPN-M and with representatives of UNDP, UNICEF and UNFPA.
- Rehabilitation assistance packages were procured to support the rehabilitation of the disqualified Maoist army personnel, including vocational skills training, non-formal education and micro-enterprise development.
- An assessment of foreign labour market opportunities was conducted to learn about trends and tendencies in the foreign country employment market to inform the rehabilitation preparations. Building on this, the team also initiated assessment of the opportunities in the domestic market.
- Records of Maoist Army personnel, as well as their weapons and ammunitions were filed into the “DREAM” Database. This database serves as the main data source for the whole discharge and rehabilitation programme.
- UNDP also provided support to UNMIN and JMCC on the cantonment management, including the positioning of 29 support staff that are based in 7 cantonment sites to assist UNMIN Arms Monitoring Officers and through the provision of administrative and logistic support to Joint Monitoring and Coordination Committee (JMCC).
- Basic clothing and amenities (blankets, jacket, shoes, track suit, socks and woollen caps) to the 19,602 verified members of the Maoist Army based in the seven cantonments were distributed.
- Through collaboration with the UNDP Beijing Office, civilian clothing, tents and camping equipment for the discharge process implementation was procured.

3.4.3. Training Women Journalists in the Terai (UNESCO)

The UNESCO-executed project “*Training of Women Journalists in the Terai*” (UNPFN/E-3) received an initial allocation of \$20,049 from the UNPFN during the reporting period. Additional funding to the project, accounting for two-thirds of the overall budget, has been sought outside the UNPFN. The main objective of the UNPFN-funded component of the project is to empower Terai women journalists by increasing their skills in personal security issues in order to make them feel safer and allow them to do their job as journalists with more confidence. The overall programme has a wider objective; to contribute to strengthening media in the country as a whole.

As Nepal is going through a process of drafting a new constitution, it is crucial to have a well-informed population with access to accurate and independent information from diverse sources, with an understanding of what decision-making processes are happening around it, and most importantly with a voice. Although the quality and diversity of media has increased in many areas, this is still not the case for the Terai, which is today even more affected by heavy ethnic and political discontent, violence and serious discrimination of minority groups and women.

Female journalists working in some areas of the Terai face increasing danger because of their profession. There have been many incidents of female journalists receiving threats because of stories they have written or interviews they have done. In some cases, armed gangs, often affiliated with political parties, are responsible for the intimidation. Gangs have attacked media houses and beaten reporters and editors. The attacks have ranged from intimidation to physical violence and, in January 2009, to Uma Singh’s murder. Many female journalists have quit their jobs out of fear (local sources claim that between January and March 2009 about 70 percent of female journalists in the Terai have quit their profession) and many more say there is growing pressure from their families to get out of the profession because of the danger. There is evidence that the number of attacks is increasing and the violence is occurring in more areas of Nepal.

Prior to 1990, very few women participated in journalism in Nepal. In spite of the change in the media environment after the introduction of democracy, few visible improvements in terms of women’s participation in the media have been achieved. Although women have become more visible (particularly in radio and television as presenters, announcers and reporters), the gender division of labour is highly pronounced in production and creative and technical departments.

The programme contributed directly to people’s participation in the peace and democracy process by enabling journalists, especially female, to report fairly and people to make informed decisions through balanced impartial information in the media. The project has addressed social exclusion, which is seen as one of the root causes of poverty and conflict. Gender mainstreaming and empowerment of marginalized groups is also expected to have an impact on the economic, social and political life in Nepal and contribute to sustainable peace.

During the reporting period, the programme has had an impact upon the ability of journalists from underrepresented groups to improve their skills in professional journalism, which has made them able to play significant roles in public opinion building and policy influencing for inclusive democracy, sustainable peace building, and gender mainstreaming as well as mitigating causes for future conflict.

Freedom of expression and information is a cornerstone for democratic societies and essential condition for sustainable development and lasting peace. The access to information and knowledge, exchange and sharing of information and promotion of dialogue facilitate conflict resolution and provide opportunities for growth and progress in emerging democracies. Considering recent limitation of freedom of expression

and press freedom in Nepal, the current project will help anchor this right.

The UNPFN-funded activities of the project have been particularly instrumental in providing opportunities to women working in Terai region. The project has trained women journalists and developed their professional skills as well as built their capacity to act as catalysts for social, cultural and institutional change to enable women to contribute to and benefit as equals, in the Nepali society. It has increased the opportunity for the careers of female journalists strengthened their personal security practices and provided them with a better understanding of the role of media in conflict, peacebuilding and gender issues.

3.4.4. PBF-funded projects approved by the UNPFN Executive Committee

In addition to the UNPFN-funded projects reported on above, four PBF-funded projects were approved by the UNPFN Executive Committee in 2009, totalling \$6,755,830 of the total PBF funding envelope made available to Nepal. The remaining funds were approved for allocation to projects in 2010.

i) Youth employment (ILO/FAO)

The ILO/FAO-executed “*Jobs for Peace: 12,500 Youth Employed and Empowered through an Integrated Approach*” project made some progress towards creating employment opportunities for youth. Whereas the majority of activities were expected to take place in 2010, significant progress was made in the area of training youth in agribusiness and thereby increasing their agricultural labour opportunities. Led by FAO, training was delivered to 2,400 youth (100 percent of the targeted number of beneficiaries within the output area); including 33 percent women and 40 percent disadvantaged groups. The first of several community contracts were under implementation by the end of 2009. Completion of the six-month inception phase was, however, delayed by poor access during the monsoon season, limited availability of clients and stakeholders during the annual high festival season in October. Other output areas are expected to deliver in 2010, with the project expecting to exceed its target of creating 20,000 paid workdays for 200 youth beneficiaries.

ii) Support to Children & Adolescents Associated with the Maoist Army (UNICEF)

In the area of conflict prevention and reconciliation, the UNPFN Executive Committee approved UNICEF’s project “*Programme Support for Children and Adolescents Formerly Associated with the Maoist Army in Nepal*” (\$1,100,000). The programme for children and adolescents affected by conflict (CAAC), of which the PBF-funded project is a part of, is built on best practices from other parts of the world. It uses a rights-based approach that seeks to create an enabling environment that is conducive to children’s overall well-being. The objective of the programme is to ensure successful discharge of verified as minors during verification of Maoist Army personnel, and provide them with assistance for their successful socio-economic reintegration.

The three key components of the project, namely monitoring and reporting on violations of children’s rights; the provision of appropriate services for CAAC; and the empowerment of children and young people to be forces for peace and conflict prevention, contribute to addressing the immediate needs of CAAC and support their positive contribution to a stable peace, while also contributing to the prevention of new conflict. This holistic approach will not only help duty-bearers fulfil the rights of children and young people, but will also allow the programme to make a significant contribution to the consolidation of peace in Nepal.

The part of the CAAC programme that is funded by the PBF Fund focuses on the 2,973 Maoist Army personnel who were verified by the UN as having been under the age of 18 years on 25 May 2006 and therefore categorized as disqualified minors. This project primarily addresses the needs and issues of these minors.

The expected outputs of the project are that disqualified minors are successfully discharged from cantonments in line with established global standards and that they are provided with community-based reintegration opportunities. In turn, it is expected that this will contribute to ensuring a successful discharge process for those verified as minors during verification of Maoist Army personnel, and provide them with assistance for their successful socio-economic reintegration, and thereby support the overall peace process in Nepal through promotion of the rights of children and youth who have been affected by the conflict.

During the reporting period, UNICEF support in the preparation of an operational plan for the discharge of disqualified minors has helped to implement the Maoists decision at the end of 2009 to unilaterally discharge all disqualified minors.

iii) Support to Female Members of the Maoist Army (UNFPA)

A second PBF-project approved by the UNPFN Executive Committee in the area of conflict prevention and reconciliation was UNFPA's project "*Support to Female Members of the Maoist Army*" (\$1,000,000). The project is designed to improve conditions for those in the divisions, their orderly discharge and reintegration within communities, including the non-verified and minor. This main objective was divided into three sub immediate objectives: a) increased utilization of health services during discharge and reintegration by population in the divisions as well as host communities; b) increased utilization of reintegration support services for youth and females associated with the Maoist army; and c) increased community capacity of women's participation and protection in peace process.

The reproductive health service delivery programme started in August 2009 in five of the seven Maoist cantonment sites. In the two remaining cantonments, activities got underway in October/November 2009, mainly due to the non-availability of the Ministry of Health and Population responsible person to initiate dialogue with these two cantonments. All 30 planned reproductive health clinics of six-day duration were conducted in cantonments during the project period. Similarly, referral services were made available to all feasible clients throughout the project duration. In terms of estimated number of expected clients, all female members of the Maoist Army in the cantonments and about one third of the women of reproductive age from the host communities were accounted. However, UNFPA has found itself challenged by high expectations and the demands being made by beneficiary communities as it is the only UN agency supporting reproductive health services in the cantonments.

iv) Transitional Justice (OHCHR)

The fourth PBF-project approved by the UNPFN Executive Committee during 2009 was OHCHR's project "*Transitional Justice Project*" (\$1,999,830) that has provided intensive support and advisory services to the Ministry of Peace and Reconciliation (MoPR) to draft and review the Truth and Reconciliation Commission (TRC) bill. All planned TRC consultations took place with good representation of indigenous peoples, people in remote places, women, children and other marginalized groups. Despite the MoPR's involvement in the project, it has encountered decision-making problems within the Ministry partly due to a change in minister and other staff and partly because of the continuous political fragility. The unpredictable political climate and a vague commitment to transitional justice initiatives have resulted in significant delay in the establishment of Transitional Justice Commissions. Long recruitment process of project personnel has also caused delays.

4. Financial Performance

The below table provides a financial overview of the UNPFN as of 31 December 2009, highlighting the key figures as well as the balance available, both with the Administrative Agent (MDTF Office) and with Participating Organizations. See section 4.6 Balance of Funds for an analysis on this overview table.

This Financial Performance section does not include financial data related to the \$10 million PBF envelope made that was allocated to Nepal in 2009. Due to rounding, totals in the tables may not add up.

Table 4. UNPFN Financial Overview, for the Reporting Period and Cumulative (USD)

	Prior Years	2009	Cumulative as of 31 Dec 2009	% of Gross Deposit
Gross Donor Contribution	10,348,712	8,086,823	18,435,535	100.0
Total Earned Interest (Fund and PO)	166,723	70,144	236,867	1.3
Administrative Agent Fee	103,487	80,876	184,363	1.0
Direct Cost	0	200,000	200,000	1.1
Funds Transferred to POs				0.0
from Donor Contributions	7,123,278	3,171,201	10,294,479	55.8
from Earned Interest	0	0	0	0.0
Refunds of Unutilized Balances on Closed Projects	0	0	0	0.0
Bank Charges	0	0	0	0.0
Other Expenditure from Earned Interest	0	0	0	0.0
Balance of Funds with Administrative Agent	3,288,670	4,704,890	7,993,559	43.4

	Prior Years	2009	Cumulative as of 31 Dec 2009	% of Funds Transferred
Funds Transferred to POs	7,123,278	3,171,201	10,294,479	
POs' Expenditure	5,702,470	3,623,877	9,326,347	90.6
Balance of Funds with POs	1,420,808	-452,677	968,131	9.4

4.1. Sources, Use, and Balance of UNPFN Funds

During the reporting period (1 January – 31 December 2009), additional contributions amounting to \$8,086,823 were deposited into the UNPFN account, increasing the cumulative donor deposits to the UNPFN to \$18,435,535 as of 31 December 2009. Of this, \$10,294,479 (56 percent) had been transferred to Participating Organizations by the end of the reporting period. In addition, of the \$10 million PBF envelope made available to Nepal, \$6,755,830 had been approved and transferred to Participating Organizations. Table 4.1 below provides an overview of the overall sources, uses and balance of the UNPFN funds as of the end of the reporting period.

Apart from donor contributions, the other source of funds for the UNPFN is interest income. The two sources of interest earned income are Administrative Agent (Fund) earned interest, which is the interest earned by the MDTF Office as the Administrative Agent on the balance of funds remaining in the UNPFN Fund Account, and Participating UN Organization earned interest, which is the amount earned by the Participating Organizations on the undisbursed balance of UNPFN funds. The cumulative total of the two sources of interest earned amounted to \$236,867 as of 31 December 2009. During the same period,

the Administrative Agent fee charged at the standard rate of 1 percent on donor deposits amounted to \$184,355; less than the total interest earned.

Table 4.1. Sources, Uses, and Balance of UNPFN Funds (US\$)

	Prior Years	2009	Cumulative as of 31 Dec 2009
Source of Funds			
Gross Contributions	10,348,712	8,086,823	18,435,535
Fund Earned Interest Income	142,691	38,260	180,951
PO Earned Interest Income	24,032	31,884	55,916
Total - Source of Funds	10,515,435	8,156,967	18,672,402
Use of Funds			
Transfers to Participating Organizations			
From Donor Contributions	7,123,278	3,171,201	10,294,479
From Earned Interest	0	0	0
Refund of Unutilized Balances on Closed Projects			
By PO	0	0	0
Sub-total Funding	7,123,278	3,171,201	10,294,479
Administrative Agent Fees	103,487	80,876	184,363
Direct Costs (UNPFN EC Support Office)	0	200,000	200,000
Other Expenditures from Earned Interest	0	0	0
Bank Charges	0	0	0
Total - Use of Funds	7,226,765	3,452,077	10,678,842
Balance of Funds Available	3,288,670	4,704,890	7,993,560

4.2. Donor Contributions

Two donors contributed to the UNPFN in 2009; Norway (\$5,308,623) and the United Kingdom/DFID (\$2,778,200). Cumulatively, as of 31 December 2009, the five donors to the UNPFN had contributed \$18,435,535, including contributions from Norway (\$8,162,494), the United Kingdom/DFID (\$6,298,767), Canada (\$2,221,299), Denmark (\$1,552,000) and Switzerland (\$199,975), as shown in Table 4.2.

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

Donor	2007	2008	2009	Cumulative as of 31 Dec 2009
CANADA	1,235,203	986,096	0	2,221,299
DENMARK	1,200,000	352,000	0	1,552,000
NORWAY	2,013,061	841,810	5,308,623	8,163,494
SWITZERLAND	199,975	0	0	199,975
UNITED KINGDOM	1,003,935	2,516,632	2,778,200	6,298,767
Total	5,652,174	4,696,538	8,086,823	18,435,535

4.3. Interest Earned

4.3.1. UNPFN -Administrative Agent (Fund) Earned Interest

Fund earned interest (i.e. interest earned by the UNPFN Administrative Agent) of was \$38,260 in 2009, increasing the cumulative fund earned interest to \$180,950 as of 31 December 2009. This amount is an additional source of income for the UNPFN and increases the amount of funds available for project funding, as approved by the UNPFN Executive Committee.

4.3.2. Interest Earned by Participating Organizations

All interest earned by the Participating Organizations is 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. In 2009, UNOPS was the only Participating UN Organization that reported and refunded interest (\$31,884), bringing the total, cumulative Participating UN Organization earned interest to \$55,916.

In total, as per below table, fund-earned and Participating UN Organization earned interest amounted to \$236,867 as of 31 December 2009.

Table 4.3 Fund and PO Earned Interest (USD)

	2007	2008	2009	Cumulative as of 31 Dec 2009
Fund Earned Interest	0	142,690	38,260	180,950

POs	2007	2008	2009	Total
UNDP	0	24,032	0	24,032
UNESCO	0	0	0	0
UNOPS	0	0	31,884	31,884
WFP	0	0	0	0
Total PO Earned Interest	0	24,032	31,884	55,916

Total Interest Earned	0	166,723	70,144	236,867
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4.4. Transfer of Approved Funding to Participating Organizations

As of 31 December 2009, the UNPFN had funded approved projects for a total of \$10,294,479, accounting for 56 percent of the total donor contributions. During the reporting year, \$3,171,201 was approved for funding. In addition, \$6,755,830 was approved through PBF-funding during the reporting period.

The distribution of approved funding, consolidated by priority area and reporting period, is summarized in tables 4.4. As of 31 December 2009, three of the five priority areas have received funding of which Cantonment/Reintegration received 79 percent of total approved funding, Rights & Reconciliation received 13 percent and Elections/Governance received 8 percent of total approved funding. As of 31

March 2009, Quick Impact Projects became the fourth priority area to receive funding of \$2.66 million and Cantonment/Reintegration received additional funding of \$1.9 million.

Table 4.4a Transfer of Funds by Priority Area (USD)

UNPFN Priority Area	Prior Years	2009	Cumulative Funds Transferred	% of Total Funds Transferred
Cantonments/Reintegration	5,655,797	3,151,152	8,806,949	85.6
Elections/Governance	579,718	0	579,718	5.6
Rights and Reconciliation	887,763	20,049	907,812	8.8
Total	7,123,278	3,171,201	10,294,479	100.0

As of 31 December 2009, UNDP, UNOPS, WFP and UNESCO were the four Participating Organizations that had received funding under the UNPFN. Table 4.5 provides the breakdown of funding by Participating Organizations. Cumulatively, UNDP has received the bulk of UNPFN funding (51.5 percent), followed by UNOPS (39.6 percent), WFP (8.6 percent) and UNESCO (0.2 percent).

Table 4.4b Transfer of Funds by PO (USD)

POs	Prior Years	2009	Cumulative as of 31 Dec 2009	% of Total Funds Transferred
UNDP	2,154,933	3,151,152	5,306,085	51.5
UNESCO	0	20,049	20,049	0.2
UNOPS	4,080,582	0	4,080,582	39.6
WFP	887,763	0	887,763	8.6
Total	7,123,278	3,171,201	10,294,479	100.0

4.5. Expenditure

During the reporting period 1 January to 31 December 2009, a total of \$3,623,877 was reported by Participating Organizations as expenditure. Together with the prior years' expenditures, this adds up to \$9,326,347, which is 90.6 percent of the total approved funding of \$10,294,479. Similarly as in 2008, all expenditure reported for the year 2009 was submitted by the Headquarters of the Participating Organizations through the MDTF Office's UNEX Financial Reporting Portal, and extracted and analyzed by the MDTF Office. Expenditure data on all projects is available on the MDTF Office GATEWAY (<http://mdtf.undp.org>). The below tables provide different cuts on this expenditure data.

Table 4.5a Financial Delivery by Priority Area (USD)

Priority Area	2009 Transfers	2009 Expenditures	Cumulative Transfers	Cumulative Expenditures	Cumulative % Delivery Rate
Cantonments/Reintegration	3,151,152	3,616,665	8,806,949	8,325,264	94.5
Elections/Governance	0	0	579,718	106,108	18.3
Rights and Reconciliation	20,049	7,213	907,812	894,976	98.6
Total	3,171,201	3,623,877	10,294,479	9,326,347	90.6

Table 4.5b Expenditure by Priority Area and Reporting Period (USD)

UNPFN Priority Area	Cumulative Funds Transferred	Expenditure			Cumulative	% of Total Priority Area Transfers
		2007	2008	2009		
Cantonments/Reintegration	8,806,949	2,650,259	2,058,340	3,616,665	8,325,264	94.5
Elections/Governance	579,718	106,108	0	0	106,108	18.3
Rights and Reconciliation	907,812	278,338	609,425	7	894,976	98.6
Total	10,294,479	3,034,705	2,667,765	3,623,877	9,326,347	90.6

4.5.1. Analysis of expenditure data for the reporting period

As shown in Table 4.5b above, total annual expenditure the past three years has levelled at around \$3 million, bringing the cumulative expenditure to \$9,326,347. During the reporting period, a bulk of the total programme costs were incurred on Personnel costs (\$1,658,884) and on Supplies, Commodities, Equipment & Transport (\$1,316,448). On a cumulative basis, the categories of Personnel (\$3,734,347) and Contracts (2,725,093) together accounted for 74.9 percent of total programme costs. The expenditure on Supplies, Commodities, Equipment & Transport accounts for 20 percent of total programme costs, Other Direct Costs 4.7 percent and Training 0.3 percent.

Table 4.5c Expenditure by Category and Reporting Period (USD)

Category	Expenditure				% of Total Programme Costs
	2007	2008	2009	Cumulative	
Programme Costs					
Supplies, Commodities, Equipment & Transport	196,042	214,221	1,316,448	1,726,712	20.0
Personnel	829,222	1,246,241	1,658,884	3,734,347	43.3
Training	18,154	7,420	0	25,574	0.3
Contracts	1,630,652	942,777	151,664	2,725,093	31.6
Other Direct Costs	56,368	143,370	203,611	403,349	4.7
Total Programme Costs	2,730,439	2,554,029	3,330,608	8,615,076	100.0
Indirect Support Costs	304,266	113,736	293,269	711,272	8.3
Total Expenditure	3,034,705	2,667,765	3,623,877	9,326,347	

As reflected in Table 4.5c, expenditure by category has shifted through the years from a heavy emphasis on Contracts to an increased focus on Contracts and Supplies, Commodities, Equipment & Transport, reflecting the changing nature of the projects approved for funding by the UNPFN Executive Committee.

Expenditure by Participating UN Organization, as shown in Table 4.5d (by reporting period) and in Table 4.5e (cumulative by expense category) shows that UNDP has the highest cumulative expenditure in absolute terms (\$4,370,470), closely followed by UNOPS (\$4,060,902). However, in percentage/delivery rate, WFP (100 percent) and UNOPS (99.5 percent) top the list.

Table 4.5d Expenditures by POs (USD)

POs	Cumulative Funds Transferred	Expenditure				Cumulative	% of Total Transfers to PO
		2007	2008	2009			
UNDP	5,306,085	1,015,158	874,538	2,480,774	4,370,470	82.4	
UNESCO	20,049	0	0	7,213	7,213	36.0	
UNOPS	4,080,582	1,741,209	1,183,802	1,135,891	4,060,902	99.5	
WFP	887,763	278,338	609,425	0	887,763	100.0	
Total	10,294,479	3,034,705	2,667,765	3,623,877	9,326,347	90.6	

Table 4.5e Cumulative Expenditure by PO, with breakdown by Category (USD)

POs	Expenditure by Category							Total Expenditure
	Supplies, Commodities, Equipment & Transport	Personnel	Training	Contracts	Other Direct Costs	Total Programme Costs	Indirect Support Costs	
UNDP	1,400,307	2,218,899	0	174,151	225,143	4,018,499	351,971	4,370,470
UNESCO	0	6,741	0	0	0	6,741	472	7,213
UNOPS	139,420	893,097	13,450	2,550,943	163,241	3,760,151	300,751	4,060,902
WFP	186,985	615,611	12,124	0	14,966	829,685	58,078	887,763
Grand Total	1,726,712	3,734,347	25,574	2,725,093	403,349	8,615,076	711,272	9,326,347

Detailed project-level expenditure figures, by UNPFN Priority Area and by Participating UN Organization, are provided in the Annexes.

4.6. Balance of Funds

As per the Financial Overview (Table 4), as of 31 December 2009, 55.8 percent of gross donor contributions had been transferred to Participating Organizations, with a balance of \$7,993,559 remaining with the Administrative Agent (this includes earned interest and is after AA-fee and direct costs have been deducted). The unutilized balances remaining with Participating Organizations as of 31 December 2009 was \$968,131, or 9.4 percent of transferred amount.

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 between the Administrative Agent and donors, and the MOU concluded between the Administrative Agent and Participating Organizations.

For the reporting period, the costs were as follows:

- (a) The Administrative Agent fee: One percent charged at the time of donor deposits and is for the entire duration of the UNPFN. In the reporting period this amounted to \$80,876. Cumulatively, \$184,363 has been deducted in AA-fees.

- (b) Indirect costs of Participating Organizations: As per the Revised UNPFN TOR, this is set at 7 percent. However, the previous TOR allowed indirect cost to be charged within the range of 5-9 percent. Some Participating Organizations charge indirect costs up-front; therefore the amount reported as deducted as indirect cost in the middle of a project cycle is not representative of the amount once the project is terminated. All projects approved since the revision of the TOR have had a 7 percent indirect cost cap. In the reporting period indirect costs on all projects (pre- and post-revision of the TOR) amounted to \$293,269, or 8.8 percent of programme cost. Cumulatively, \$711,272 (8.3 percent) has been charged as indirect cost by Participating Organizations. Given the fact that some Participating Organizations charge indirect support costs upfront, coupled with that until the revision of the UNPFN TOR, the approved indirect cost range was 5-9 percent, it is expected that this percentage will come down as projects close.
- (c) Direct Costs: the UNPFN Executive Committee approved an allocation of \$200,000 against UNPFN Direct Costs in support of the UNPFN Monitoring and Evaluation and developing a Results Framework.

5. Transparency and Accountability of the UNPFN

The major vehicle for public transparency of operations under the UNPFN during the reporting period was the MDTF Office-maintained UNPFN website, (www.undp.org/mdtf/nepal). The website was updated regularly throughout 2009 and provided 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, provided a high level of transparency to national authorities, donors, the public, and Participating Organizations. Donor pledges, commitments, and deposits were updated monthly and provided 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 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.

Building on the success of the MDTF Office website, and in an effort to increase transparency, in early-2010, the MDTF Office launched the publically accessible GATEWAY (<http://mdtf.undp.org>), an online portal providing real-time financial information from the MDTF Office accounting system. It is foreseen that with the launch of the GATEWAY, transparency and accountability under the UNPFN will be further enhanced. The GATEWAY is also envisaged as a management tool to be used by the UNPFN Executive Committee, Participating Organizations, the UNPFN Support Office, Administrative Agent and other stakeholders.

Additionally, in an effort to harmonize and simplify reporting procedures, the MDTF Office developed and launched in 2009 a web-based reporting portal and online informational data upload system (UNEX) that allows Participating Organizations to report expenditures electronically, including the generation of financial reports to be certified by the submitting Participating Organization. In turn, this facilitates the accuracy and timeliness of annual financial reports submitted by Participating Organizations. The financial data reported by participating Organizations is displayed on the GATEWAY for public viewing. Participating Organizations submitted financial reports through UNEX for all MDTFs administered by the MDTF Office, including the UNPFN, whereas efforts are underway to also facilitate narrative reporting through the GATEWAY.

Participating Organizations' UNPFN Annual Progress Reports on individual projects are available on the GATEWAY, along with quarterly updates on progress throughout the year.

Conclusion

This Third Consolidated Annual Progress Report on Activities under the United Nations Peace Fund for Nepal reports on the implementation of the projects approved for funding up to 31 December 2009. The Progress Report is consolidated based on information and data contained in the individual progress reports and financial statements submitted by Participating 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 the strategic priorities for United Nations peace support articulated by UNMIN and the UNCT in consultation with its partners, the UNPFN has enhanced the capacity to sustain the peace process in Nepal.

With a financial delivery rate of 91 percent, with the majority of 2007 and 2008 projects operationally closed, the projects reflect the appropriateness of the approvals to deliver focused and time-limited support for urgent peace process and early recovery tasks in Nepal.

The UNPFN's strategic importance is illustrated through its support to mine clearance activities in Nepal, where the UNPFN is the primary source of funding. By addressing the problem of mines and unexploded ordinances remaining after the ten-year insurgency, the UNPFN has contributed significantly to improving public security and safety, as well as returning valuable land to local communities and industry.

In the area of discharge and reintegration of former Maoist combatants, the UNPFN has supported efforts to facilitate the transition to normal civilian life in the communities of return or resettlement and to provide former combatants with an attractive alternative to membership of armed/violent groups. These efforts were seen as an important contribution to, and a pre-requisite for, a successful peace process in the country. With the mid-2009 agreement reached between the Government and the UCPN-Maoists to resume the process of discharge and rehabilitation of the disqualified Maoist Army personnel, the foundations for further efforts to continue this process were laid.

In 2009, the UNPFN also placed efforts in supporting and contributing to strengthening Nepali media, especially in the context of the ongoing drafting of a new constitution. The main objective of the support was to empower female journalists by increasing their skills in personal security issues in order to make them feel safer and allow them to do their job as journalists with more confidence. Despite a relatively small intervention, the UNPFN Executive Committee's support to this project was a recognition of the importance of Nepal having a well-informed population with access to accurate and independent information from diverse sources, and with an understanding of what decision-making processes are happening around it. The intervention also contributes to people's participation in the peace and democracy process by enabling journalists, especially female, to report fairly and people to make informed decisions through balanced impartial information in the media. Through such initiatives, it is expected that opportunities for women in journalism will increase, with better understanding among female journalists about the role of media in conflict, media in peace building, gender and media and personal security.

The strategic importance of the UNPFN has been further enhanced by the \$10 million contribution provided by the PBF, allowing the UNPFN Executive Committee to support projects across a wide range of areas essential to peace process. PFB-funding in support of providing assistance to children, adolescents and women associated with the Maoist Army, ensuring their safe and sustainable reintegration into society has been pivotal for the progress of the peace process. Similarly, ensuring

employment opportunities for youth is an area of importance. Finally, the PBF funding has been instrumental in supporting the area of transitional justice by supporting efforts to provide intensive support and advisory services to the Ministry of Peace and Reconciliation to draft and review the Truth and Reconciliation Commission bill.

The recent, joint Government of Nepal and Donor review of the NPTF, confirmed that UNPFN's deliberate use of the same governance arrangements as the NPTF had contributed to ensuring harmonization and a coherent approach between the two funds, and also noted that the UNPFN's mandate, its flexible and rapid approach, technical expertise, combined with its coherence with the NPTF structure, means it has had a positive, complementary role to play. This was further underlined by the relevance of the UNPFN in areas where the Government of Nepal may not have the technical expertise or capacity, such as in demining and initiatives which are politically sensitive, including the verification of combatants.

The UNPFN Executive Committee's broadening of the programmatic scope of the UNPFN by approving allocations to additional Participating Organizations (with UNPFN as well as PBF resources), coupled with the consolidation of the chairmanship of the UNPFN Executive Committee with the UN Resident Coordinator, has contributed to the strengthening of coordination and coherence within the UN Country Team, mirroring a shift from an immediate post-conflict operating modality to one that supports early recovery and peace-consolidation.

The MDTF Office envisages that this Third Consolidated Annual Progress Report on Activities under the UNPFN will provide the UNPFN Executive Committee the basis on which to better assess upcoming resource requirements and to advocate and mobilize additional funding in support of the continued peace process in Nepal. Similarly, it is envisaged that the Progress Report's detailed description of progress made under projects funded through the UNPFN will provide the Government of Nepal, donors and other stakeholders with a comprehensive overview of the results achieved as of the end of the reporting period, and thereby contributing to a better understanding of the UNPFN's critical role in filling initial and immediate funding gaps through channelling resources to focused, time-limited activities deemed critical to the peace process in Nepal.

ANNEX I: UNPFN Projects: Expenditure by Priority Area, Participating UN Organization and Reporting Period

Project Number and Title		Cumulative Funds Transferred	Expenditures			Cumulative	% of Cumulative Funds Transferred
			2007	2008	2009		
Cantonments/Reintegration							
UNOPS	UNPFN/A-1: IEDD/EOD Operations in Nepal (Mine Action); Phases I-VII	4,080,582	1,741,209	1,183,802	1,135,891	4,060,902	100
UNDP	UNPFN/A-2: Verification of the Maoist Army Combatants in the Cantonment Sites	692,568	692,568	0	0	692,568	100
UNDP	UNPFN/A-2a: Verification of the Maoist Army Combatants in the Cantonment Sites (Ext 1)	534,185*	216,482*	874,538*	2,480,774*	3,571,794*	669*
UNDP	UNPFN/A-3: Project to Support Discharge of Adult Maoist Army Personnel from the Cantonment Sites	499,614*	0*	0*	0*	0*	0*
UNDP	UNPFN/A-6: Discharge and Reintegration Assistance to Maoist Army	3,000,000*	0*	0*	0*	0*	0*
Total		8,806,949	2,650,259	2,058,340	3,616,665	8,325,264	95
Elections/Governance							
UNDP	UNPFN/B-1: Electoral Observation Resource Center	195,218	56,296	0	0	56,296	29
UNDP	UNPFN/B-2: Provision of Specialized Electoral Assistance to the Election Commission of Nepal	384,500	49,812	0	0	49,812	13
Total		579,718	106,108	0	0	106,108	18
Rights and Reconciliation							
WFP	UNPFN/E-1: Surveillance and Programme Targeting for Post Conflict Reconciliation	489,610	278,338	211,272	0	489,610	100
WFP	UNPFN/E-1a: Surveillance and Programme Targeting for Post Conflict Transformation (Ext. I)	398,153	0	398,153	0	398,153	100
UNESCO	UNPFN/E-3: Training to Women Journalists in the Terai	20,049	0	0	7,213	7,213	36
Total		907,812	278,338	609,425	7,213	894,976	99
Grand Total		10,294,479	3,034,705	2,667,765	3,623,878	9,326,348	91

* UNDP has combined its expenditure reporting for UNPFN/A-2a, UNPFN/A-3 and UNPFN/A-6 in one report (UNPFN/A-2a).

ANNEX II: UNPFN Projects: Expenditure by Participating UN Organization, PO and Reporting Period

	Priority Area	Project Number and Title	Cumulative Funds Transferred	Expenditures			% of Cumulative Funds Transferred	
				2007	2008	2009		Cumulative
UNDP								
UNDP	Cantonments/ Reintegration	UNPFN/A-2: Verification of the Maoist Army Combatants in the Cantonment Sites	692,568	692,568	0	0	692,568	100
UNDP	Cantonments/ Reintegration	UNPFN/A-2a: Verification of the Maoist Army Combatants in the Cantonment Sites (Ext 1)	534,185*	216,482*	874,538*	2,480,774*	3,571,794*	669*
UNDP	Cantonments/ Reintegration	UNPFN/A-3: Project to Support Discharge of Adult Maoist Army Personnel from the Cantonment Sites	499,614*	0*	0*	0*	0*	0*
UNDP	Cantonments/ Reintegration	UNPFN/A-6: Discharge and Reintegration Assistance to Maoist Army	3,000,000*	0*	0*	0*	0*	0*
UNDP	Elections/ Governance	UNPFN/B-1: Electoral Observation Resource Center	195,218	56,296	0	0	56,296	29
UNDP	Elections/ Governance	UNPFN/B-2: Provision of Specialized electoral Assistance to the Election Commission of Nepal	384,500	49,812	0	0	49,812	13
Total			5,306,085	1,015,158	874,538	2,480,774	4,370,470	82
UNESCO								
UNESCO	Rights and Reconciliation	UNPFN/E-3: Training to Women Journalists in the Terai	20,049	0	0	7,213	7,213	36
Total			20,049	0	0	7,213	7,213	36
UNOPS								
UNOPS	Cantonments/ Reintegration	UNPFN/A-1: IEDD/EOD Operations in Nepal (Mine Action); Phases I-VII	4,080,582	1,741,209	1,183,802	1,135,891	4,060,902	100
Total			4,080,582	1,741,209	1,183,802	1,135,891	4,060,902	100
WFP								
WFP	Rights and Reconciliation	UNPFN/E-1: Surveillance and Programme Targeting for Post Conflict Reconciliation	489,610	278,338	211,272	0	489,610	100
WFP	Rights and Reconciliation	UNPFN/E-1a: Surveillance and Programme Targeting for Post Conflict Transformation (Ext. I)	398,153	0	398,153	0	398,153	100
Total			887,763	278,338	609,425	0	887,763	100
Grand Total			10,294,479	3,034,705	2,667,765	3,623,878	9,326,348	91

* UNDP has combined its expenditure reporting for UNPFN/A-2a, UNPFN/A-3 and UNPFN/A-6 in one report (UNPFN/A-2a).