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**The United Nations Peace Fund for  
Nepal  
Terms of Reference**

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Revised: 29 June 2009

## **The United Nations Peace Fund for Nepal Terms of Reference**

### **Key Features:**

- *Designed to deliver focused, time-limited support for urgent peace process tasks*
- *Designed to complement the Nepal Peace Trust Fund and other existing mechanisms for peace process support by focusing only on tasks that cannot be funded or implemented through existing mechanisms*
- *Designed for rapid, flexible response sensitive to the unique needs of Nepal's transitional environment*
- *Designed to enhance UN and donor coordination in the interest of more efficient, transparent support to Nepal*
- *Governance arrangements common with Nepal Peace Trust Fund governance in order to ensure coherence*

### **I – General**

1. 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 and the CPN (M) to support a full implementation of the Comprehensive Peace Agreement and help consolidate the peace.

2. Donors have indicated their desire to contribute to the peace process, through direct contributions to the Government as well as through the United Nations (UN) and other implementing partners. To this end, the Government has established a multi-donor trust fund (the 'Nepal Peace Trust Fund' or 'Peace Fund'), directly administered by the Ministry of Finance, later transferred to the Ministry of Peace and Reconstruction, 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.

3. As a complement to the Peace Fund, donors have called for the creation of a United Nations Peace Fund for Nepal (the 'Fund') 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 Peace Fund or other existing mechanisms or programs. As described below (at II – Purpose and Principles and III – Description of the Proposed Fund), the Fund would channel resources for focused, time-limited activities deemed critical to the peace process and subject to a strategy for UN peace support articulated by UN in consultation with its partners. The Fund is designed particularly to enable rapid delivery of essential peace support activities that are responsive to the demands of a fast-moving environment. The Fund will operate within the same

overall governance framework as the Peace Fund to ensure non-duplication of effort and strategic coherence in support of the peace process.

4. The operations of the Fund will be designed and carried out in accordance with these Terms of Reference and complementary to Security Council Resolution 1740 (2007).

## **II - Purpose and Principles**

1. Donor contributions to the Fund will be utilized to finance projects (the ‘Projects’) carried out by Participating UN Organisations (the ‘Participating UN Organisations’) and Implementing Partners (the ‘Implementing Partners’) within a framework of priorities developed in consultation with the Government of Nepal and the parties to the peace agreement and aimed at supporting the implementation of the Comprehensive Peace Agreement as well as the peace process more broadly. It will be guided by the articulation of an UN-specific strategy for focused, time-limited, and flexible support to the peace process, developed by the UN in consultation with its partners as well as the Nepal Peacebuilding Fund (PBF) Priority Plan. The Fund will only be used to fund activities that cannot be funded or implemented through the Peace Fund, through reprogramming existing projects, or through other existing mechanisms. The Fund is further expected to enhance UN coordination in support of the peace process as well as to contribute to coherence, efficiency, and aid effectiveness in relation to the peace process.

2. The Fund will operate, to the extent possible, based on best practice and principles that normally apply in a post-conflict situation, including the OECD/DAC guidelines on ‘Helping Prevent Violent Conflict’ and ‘Principles for Good International Engagement in Fragile States’ as well as the Basic Operating Guidelines in Nepal. The Fund’s arrangements will aim to ensure, in particular, that:

- (a) Proposals approved for funding contribute to the implementation of a clear strategy to support the peace process; are based on credible needs assessment; and are formulated in consultation with the Government of Nepal, the parties to the peace agreement, and, to the extent possible, civil society organisations, donors, and other partners;
- (b) Activities financed through the Fund are carried out as much as possible with and through national/local authorities, with the aim of contributing to local capacities, while also seeking to ensure that the immediate peace process needs of Nepal are met;
- (c) Implementation and funding modalities (i) reflect the needs of the peace process; (ii) apply a ‘do no harm’ methodology; (iii) promote the reestablishment of functioning democratic institutions, especially at the local level; (iv) provide for transparency and accountability; (v) facilitate efficient and prompt delivery; (vi) minimize management and reporting burdens; and, (vii) facilitate donor coordination and harmonisation.
- (d) A common governance structure prevents the emergence of gaps and duplication in funding, as well as inconsistency in policy advice; and,

- (e) The financial responsibilities related to the administration of the Fund are kept clearly separate from the policy and fund allocation responsibilities.

### **III - Description of the Proposed Fund**

1. Consistent with the above principles and objectives, the Fund is intended to be a time-limited mechanism to channel modest resources to activities of direct relevance to the peace process, that are not otherwise possible to fund or implement through existing mechanisms or programs, and within an agreed structure for joint prioritisation, coordination, monitoring, and evaluation. It is thus designed to complement, not duplicate, the Peace Fund and other options available to donors to support peacebuilding in Nepal. To allow uniform and consolidated financial reporting, UNDP will act as Administrative Agent of the Fund on behalf of the PBF and Participating UN Organisations and will act under the Administrative Agent's financial regulations and rules.

2. Proposals to the Fund will need to describe implementation arrangements, including Implementing Partners, which may include government ministries, local authorities, civil society organisations, national and international NGOs, international organisations, and private sector entities. Choice of implementing partners and recruitment of personnel should reflect the imperative to promote inclusion of historically marginalised groups. Proposals will be expected to demonstrate that activities could not be carried out through reprogramming existing projects.

3. Processes and modalities for project planning and implementation should be flexible and conflict-sensitive, while allowing Participating UN Organisations to manage Projects in accordance with their financial regulations and rules.

4. Proposals may be solicited in five clusters of activities, complementary to the priorities and programs of the Peace Fund:

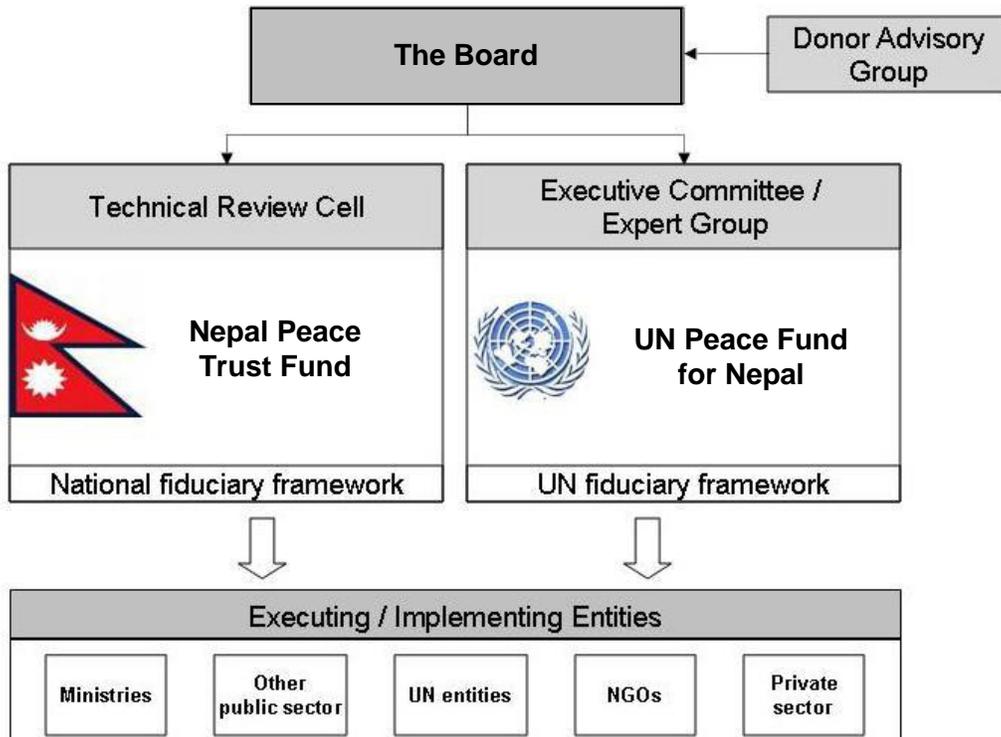
- **Cantonment/Reintegration**
  - cantonment improvements
  - de-mining/IED removal
  - registration, verification, and reintegration
  - resettlement of minors
- **Elections/Governance/Mediation**
  - specific technical advice on elections/constitutional issues
  - assistance, where appropriate, to Government efforts to restore government in the countryside on an urgent basis, and specifically in those instances where UN support is seen by the parties as a direct aid to the peace process or local reconciliation, with efforts conducted in such a fashion as to contribute to strengthened long-term government capacity
- **Recovery/Quick Impact Projects**
  - in extraordinary cases, where not possible to utilise existing programs and projects for such purposes, resort to the Fund's flexibility to target time-sensitive, high impact projects to particularly vulnerable communities where the absence of a 'peace dividend' would represent a proximate threat to the peace process

- **Security**
  - specific technical support to Government efforts to reintegrate former combatants, conduct a comprehensive security sector review, provide onward assistance to demobilized combatants, or other elements of potential security sector reform
  - police advisory support, if requested by the parties, for potential expansion of UN technical advisory support to policing related to election security or potential security sector reform
  
- **Rights and Reconciliation**
  - empowering disenfranchised groups
  - transitional justice
  - national monitoring mechanisms
  - local reconciliation efforts/civil monitoring

5. Funds earmarked as PBF contributions will also be allocated under the priority areas indicated in the Nepal PBF Priority Plan.

6. Proposals in all clusters will aim to promote the concerns of women, children and marginalized groups in the peace process, consistent with the terms of the Comprehensive Peace Agreement as well as Security Council Resolutions 1325 (2000) and 1740 (2007).

7. Donor contributions to the Fund will be utilized to finance Projects consistent with strategic priorities for peace support agreed in consultation with the Government-led Board and a Donor Advisory Group, and approved through a two-tier process involving technical assessment by an Expert Group and review and approval by an Executive Committee.



#### **IV - Contributions to the Fund**

1. Contributions to the Fund may be accepted in fully convertible currency or in any other currency that can be readily utilized. Such contributions will be deposited into bank accounts designated by UNDP. Each individual contribution should amount to the equivalent of at least USD 200,000, although smaller amounts will be considered exceptionally on a case-by-case basis. The value of a contribution-payment, if made in other than U.S. dollars, will be determined by applying the UN operational rate of exchange in effect on the date of payment.
2. Contributions to the Fund may be accepted from governments of Member States of the United Nations or from intergovernmental or non-governmental organisations, or from private sources.
3. Contributions to the Fund may be made in non-earmarked or earmarked forms subject to the consultation, review, and decision process described at Section III (6) above and at Section V below. While non-earmarked contributions are preferable for reasons of flexibility and timeliness, earmarking by cluster or Participating UN Organisation is also possible.
4. As the Administrative Agent of the Fund, UNDP will be responsible for receiving all donor contributions in the Fund Account established for this purpose, and in turn, will make contribution-payments to the respective Participating UN Organisation as soon as possible after the donor funds and instructions from the Executive Committee are received.
5. Each Donor would sign a Standard Administrative Arrangement (formerly Letter of Agreement) with UNDP as Administrative Agent, setting out the terms and conditions governing the receipt and administration of the contributions.
6. Participating UN Organisations would sign a standardized Memorandum of Understanding (MOU) with UNDP, setting out the terms and conditions under which UNDP would work as Administrative Agent and the Participating UN Organisations would receive and use funds from the Fund Account.

#### **V - Utilisation of the Fund**

1. The Fund will be utilized for the purpose of meeting the costs of activities managed by Participating UN Organisations and carried out with Implementing Partners in accordance with these terms of reference, donor agreements, and relevant project documents. Project parameters, including budgets and Implementing Partners, will be set out by the relevant Participating UN Organisation. Because of the premium on quick responses to urgent needs pertinent to the peace process, project documents may be streamlined to emphasize main purposes, expected outputs and/or outcome, and indicative budget. Project and legal documents should also allow for easy adjustment in response to changing circumstances, especially as regards implementation modalities.
2. In accordance with such guidelines and procedures as the Executive Committee may issue, Participating UN Organisations will submit proposals to the Executive Committee for

approval. These proposals may also begin with a request from the Government, UNMIN, or donors for Participating UN Organisations to develop concrete projects to meet specific needs. An Expert Group will review proposals and recommend action to the Executive Committee, including requiring Participating UN Organisations, where appropriate, to provide joint work plans to ensure coherent and efficient delivery of desired outcomes. The Executive Committee will, upon review of recommendations by the Expert Group endorse proposals to be supported.

3. Each Participating UN Organisation will establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it from the Fund Account. Each Participating UN Organisation will assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Project-level management, procurement and expenditures will be governed by the regulations, rules and directives of the respective Participating UN Organisations.

4. In exceptional cases, in particular during the start-up phase of the Fund, Participating UN Organisations may, subject to conformity with their respective financial regulations and rules, start implementation of priority Projects through pre-financing from their own resources. Such pre-financing will require prior and written approval by the Executive Committee based on: (a) the receipt of official donor commitments by the Administrative Agent covering the amount of pre-financing; and (b) agreement by the Executive Committee that these donor commitments will be used to finance the priority Projects concerned.

5. The Administrative Agent and the Participating UN Organisations will be entitled to deduct their indirect costs on contributions received. The Administrative Agent's administrative fee will be 1 percent. The fee will be deducted from the contributions to the Fund at the time they are deposited. UNDP will also deduct from the Fund and transfer to itself the actual costs of UNDP staff supporting the Executive Committee in the project review process or supporting UNMIN and the UNCT in the preparation of consolidated reports, should UNDP be requested to provide such support. The indirect costs of the Participating UN Organisations will be capped at 7 percent.

## **VI - Governance Arrangements**

1. The Projects and the operations of the Fund will be designed and 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 will, in particular, help avoid the emergence of gaps and duplication in funding, as well as ensure that support to the Fund complements support to the Peace Fund and other existing funding mechanisms.

### ***The Board***

2. The same Board established to oversee the operations of the Peace Fund will provide overall policy guidance to activities of the Fund. More specifically, it will be responsible for:

- (a) Identifying funding needs and priorities for implementation of the Comprehensive Peace Agreement;
- (b) Helping define major programmatic priorities for the Fund consistent with the above and complementary to activities supported through the Peace Fund;
- (c) Ensuring coherence between peace support activities funded from, respectively, the

- Peace Fund, the Fund, and other government or donor channels;
- (d) Reviewing financial flows and performance as needed to facilitate a harmonized approach to monitoring and evaluation of peace support activities;
- (e) Designating a Representative to serve on the Executive Committee to ensure complementary of approach between the Peace Fund and the Fund.

3. The Board will be composed as described in the Programme Document of the Nepal Peace Trust Fund and convened as required under the chairmanship of the Minister of Peace and Reconstruction. In regard to the Board's guidance to the Fund as outlined above, decisions will be made by consensus with the participation as full members of the Representative of the Secretary-General and the UN Resident Coordinator.

***The Donor Advisory Group***

4. The same Donor Advisory Group established to provide advice to the Board on the operations of the Peace Fund will provide advice on the operations of the Fund. It will comprise all donors whose paid-in contributions or binding commitments to either the Peace Fund, or the Fund, or the two combined, amount to a minimum of USD 200,000 per donor, although smaller amounts may be considered on an exceptional, case-by-case basis.

5. The Donor Advisory Group will be responsible for:
- (a) Providing strategic advice on the Fund, through the Board 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 between 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;
  - (e) Designating a Representative to serve on the Executive Committee to ensure complementary of approach between the Peace Fund and the Fund.

6. Other key donors and implementers involved in the peacebuilding process in Nepal such as the International Financial Institutions and members of civil society can attend the Donor Advisory Group as observers, as determined by the Donor Advisory Group Chair.

7. The Donor Advisory Group will normally convene once every four months in Kathmandu, or more often as required, with consultations likely to be more frequent in the initial stages.

***The Executive Committee***

8. An Executive Committee will manage Fund activities. It will be composed of one Government Representative designated by the Board, a donor Representative designated by the Donor Advisory Group, the Representative of the Secretary General (RSG), and the UN Resident Coordinator (UNRC). The RC will serve as Chair, and the RSG as Vice Chair of the Executive Committee.

9. The Executive Committee will be responsible for:
- (a) Reviewing and defining the Fund's requirements and priorities in consultation with the Board and Donor Advisory Group;
  - (b) Reviewing and approving proposals and resource allocations from the Fund, based on agreed priorities; for proposals whose budget exceeds USD 1 million, special notification will be made to the Steering Committee and Donor Advisory Group;
  - (c) Reviewing and approving the Fund's annual reports;
  - (d) Making a formal report and bringing recommendations to the Donor Advisory Group at meetings of the latter;
  - (e) Recommending improvements to project design and/or implementation to make them more effective and efficient in supporting the peace process.

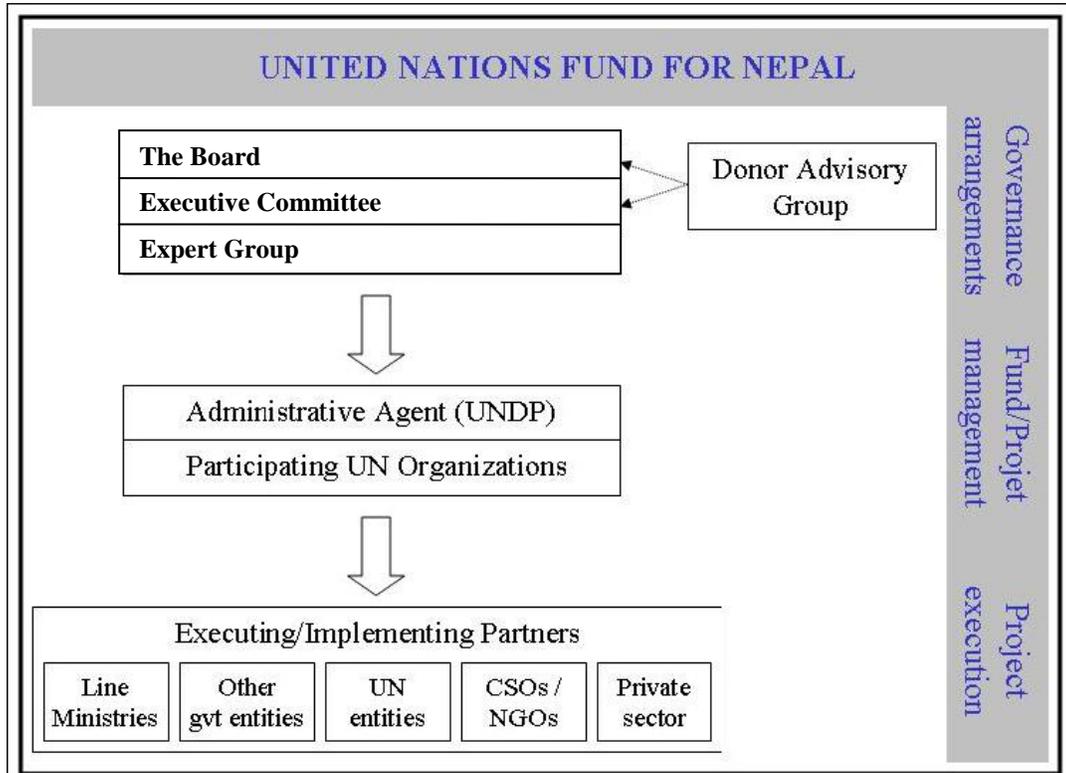
10. The Executive Committee will meet regularly in Kathmandu. Decisions will be made in close consultation with the Board and the Donor Advisory Group. Decisions on selection of Participating UN Organisations and Implementing Partners will be made based on demonstrated expertise, and operational and absorptive capacity.

11. The Executive Committee will be assisted in its work by ad hoc Expert Groups responsible for reviewing Project proposals prior to their submission to the Executive Committee. The members of the Expert Group will be nominated by the Chair and Vice Chair of the Executive Committee.

***Administrative Agent***

12. UNDP's responsibilities as Administrative Agent will include the following:
- (a) Receipt, administration and management of contributions from Donors;
  - (b) Disbursement of such funds to the Participating UN Organisations in accordance with instructions from the Executive Committee;
  - (c) Consolidation of narrative and financial reports on the UNPFN to the Executive Committee, Participating UN Organizations, Donors and development partners, based on progress reports received from Participating UN Organizations, in accordance with the reporting schedule specified in IX.

13. In line with the Memorandum of Understanding (MOU) between Participating UN Organizations and the Administrative Agent, 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 UN Organization.



**VII - Monitoring and Evaluation**

1. Projects funded by the Fund will include a Monitoring and Evaluation (M&E) component, which can, however, be streamlined per consideration of timeliness and flexibility as described above at Section V – Utilisation of the Fund, paragraph 1.
2. M&E of the overall Fund will be undertaken in accordance with an M&E Framework of the Fund that contains outcome and output indicators, as well as a calendar of M&E activities to be carried out, as appropriate, by Participating UN Organizations themselves or jointly as part of the Fund. Participating UN Organizations will also explore further thematic or functional clustering of M&E activities.
3. Donors, the Resident Coordinator, the Administrative Agent and the Participating UN Organizations will hold annual consultations, as appropriate, to review the status of the Fund.
4. In addition, the Executive Committee may commission a regular, independent lessons-learned and review exercise relating to the operations and management of the Fund.

**VIII – Audit**

1. The Administrative Agent and Participating UN Organizations will be audited in accordance with their own Financial Regulations and Rules and in accordance with the Framework for Auditing Multi-Donor Trust Funds which has been agreed to by the Internal Audit Services of Participating UN Organizations and endorsed by UNDG.

## **IX – Reporting**

1. For each Project approved for funding from the Fund, each Participating UN Organisation will provide the Administrative Agent with the following statements and reports prepared in accordance with the accounting and reporting procedures applicable to the Participating UN Organisation concerned. The Participating UN Organizations will endeavour to harmonize their reporting formats to the extent possible.

- (a) Annual narrative progress reports, to be provided no later than three months (31 March) after the end of the calendar year;
- (b) Annual financial statements and reports as of 31 December with respect to the funds disbursed from the Fund Account, to be provided no later than four months (30 April) after the end of the calendar year;
- (c) A final narrative report, after the completion of the activities in the approved programmatic document and including the final year of the activities in the approved Project document, to be provided no later than four months (30 April) of the year following the financial closing of the Project. The final report will give a summary of results and achievements compared to the goals and objectives of the Fund; and
- (d) A certified final financial statement and final financial report after the completion of the activities in the approved Project document and including the final year of the activities in the approved Project document, to be provided no later than six months (30 June) of the year following the financial closing of the Project.

2. The Administrative Agent will prepare consolidated narrative progress and financial reports, based on the reports referred to in paragraph 1 above and will provide (a) and (b) by 31 May and (c) and (d) by 31 July to the Government, (through the Executive Committee), Participating UN Organizations and to each Donor that has contributed to the Fund, in accordance with the timetable established in the Standard Administrative Arrangement.

3. The Administrative Agent will also provide the Executive Committee, Participating UN Organizations and Donors with the following statements on its activities as Administrative Agent:

- (a) Certified annual financial statement (“Source and Use of Funds”) to be provided no later than five months (31 May) after the end of the calendar year; and
- (b) Certified final financial statement (“Source and Use of Funds”) to be provided no later than seven months (31 July) of the year following the financial closing of the Fund.

Consolidated reports and related documents will be posted on the website of the Administrative Agent ([www.undp.org/mdtf/nepal](http://www.undp.org/mdtf/nepal)).

## **X - Public Disclosure**

1. The RC and the Administrative Agent will ensure that decisions regarding the review and approval of Projects funded under the Fund, as well as periodic reports on the progress of implementation of such Projects and associated external evaluation reports are posted for public information on the website of the Administrative Agent ([www.undp.org/mdtf/nepal](http://www.undp.org/mdtf/nepal)). Website postings may also include a record of decisions of the Executive Committee, as appropriate, summaries of approved Projects, fund level financial and progress reports, and external evaluation reports, including relevant information on the operations of the Fund.

## **XI - Other Matters**

1. The Fund will be established upon signing of the first donor agreement. It will terminate upon completion of all Projects funded through the Fund and after satisfaction of all commitments and liabilities. Notwithstanding the completion of the Projects financed from the Fund, any unutilized balances will continue to be held in the Fund Account until all commitments and liabilities incurred in implementation of the Projects have been satisfied and Project activities have been brought to an orderly conclusion. Any balance then remaining will be disposed of by the Participating UN Organisations in consultation with donors.