

## Type of Review: Annual Review

**Project Title: Nepal Peace Support Programme**

**Date started: Feb 2013**

**Date review undertaken: February 2013**

### ***Instructions to help complete this template:***

*Before commencing the annual review you should have to hand:*

- *the Business Case or earlier project documentation.*
- *the Logframe*
- *the detailed guidance (How to Note)- Reviewing and Scoring Projects*
- *the most recent annual review (where appropriate) and other related monitoring reports*
- *key data from ARIES, including the risk rating*
- *the separate project scoring calculation sheet (pending access to ARIES)*

*You should assess and rate the individual outputs using the following rating scale and description. ARIES and the separate project scoring calculation sheet will calculate the overall output score taking account of the weightings and individual outputs scores:*

<b>Description</b>	<b>Scale</b>
Outputs substantially exceeded expectation	A++
Outputs moderately exceeded expectation	A+
Outputs met expectation	A
Outputs moderately did not meet expectation	B
Outputs substantially did not meet expectation	C

## Introduction and Context

### What support is the UK providing?

The UK has been supporting the peace process in Nepal since the end of the conflict in 2006 with the aim of ensuring that development gains are not reversed by a return to violent conflict.

DFID has provided extensive support to the peace process in Nepal through the Government-led Nepal Peace Trust Fund (NPTF) and the complementary UN Peace Fund for Nepal (UNPFN). In December 2011, we pulled this support together under a new Business Case allowing for flexible support, through either the NPTF or UNPFN, up to a value of £20m until 2015. Given slower than expected progress on the peace process, expenditure for 2012/13 is only at £3m, although £2m of this was only transferred in December 2012 for support to elections preparations.

### What are the expected results?

This programme is formulated under a framework Business Case which allows for timely, strategic inputs to keep the peace process on track. While progress in the peace process has been buffeted by political uncertainties well beyond UK control, UK funds continue to contribute successful results. These include :

- Orderly closures of cantonments that have housed thousands of Maoist ex-combatants (MACs) since the end of the war has helped ensure, to date, their peaceful return to civilian life. All Maoist weapons, that were stored in the cantonments, have been handed over to the Nepal Army.
- Rehabilitation support to over 2,000 child soldiers and late recruits has helped Nepal to be removed from the special monitoring conditions set by the UN Security Council under its resolution 1612 in relation to child soldiers. By June 2012, there have been no reports of any violations. This is a remarkable achievement by international standards.
- .
- Out of 100 planned police units in the first of three phases of post-war reconstruction, 95 have been completed. 85 of these have been inaugurated. Initial monitoring suggests that a large majority of local people (84%) feel more secure as a result.
- Around 311 psychosocial workers in 39 districts were provided with various levels of psychosocial trainings through the UN Peace Fund for Nepal (UNPFN). As a result, around 1,453 young people associated with armed groups received psychosocial support in 39 districts during the project duration.
- Two mobile reproductive health camps (for an initial 6 days, with a follow-up 4-day camp) were conducted through the UNPFN in two VDCs (each) of 14 of the most conflict-affected districts of the country.

When the Business Case was approved in December 2011, there was optimism that there could be progress on integration, transitional justice and elections and state-restructuring. However, due to changes in the political context (notably the non-take up of rehabilitation packages by the Maoists in favour of cash payments and lack of progress on forming a Truth and Reconciliation Commission that would confirm to international standards), significant programming has not been possible in the first two areas. There is no certain date for elections but preparations must necessarily continue. It is too early to assess a £2m UK contribution to a UN Election Support Programme, under this programme, which will help prepare the way for elections.

Because of this uncertainty, an internal zero-based review of the UK peace programme is being undertaken in early 2013 to re-assess the relevance and appropriateness of our approach in the current context in Nepal. This is expected to add more breadth and depth to the output recommendations

below. In the interim and in response to recommendations of previous reviews, a new logframe has been prepared by merging the logframes for NPTF and UNPFN. This results framework has been used for this Annual Review but will likely be subject to further revision by mid-2013, following the zero-based review.

### What is the context in which UK support is provided?

The civil war in Nepal ended with the signing of the Comprehensive Peace Accord in 2006. However instability remains a threat. Preventing a return to violent conflict is a key priority for the International Community as a whole and it underpins the design of the entire DFID programme in Nepal.

The peace process has tended to lapse into periods of stalemate around a set of contentious issues. While Maoist ex-combatants have been successfully discharged from the cantonment sites, neither DFID nor its Development Partners were able to support the payment of substantial 'reintegration' cash payments to former PLA fighters because these tended to go against international best practice and represented a fiduciary risk. Significant challenges will remain about how to sustain their peaceful return to civilian life,

Other political issues continue to impinge on the peace process including the composition and leadership of government, the timing of elections and the notion of state-restructuring; the latter dominated by the debate over whether or not Nepal should move towards a federal structure. The failure to agree a constitution by May 2012 has meant that the Constitutional Assembly (and parliament) has essentially dissolved and Nepal is currently under a caretaker government. Political uncertainty is likely to continue for the foreseeable future.

In this uncertain context, it is even more important that our support remains flexible and responsive, to be able to respond to opportunities when they arise (eg if elections are called or if TRC legislation is passed which conforms to international standards), to enable rapid support when needed.

## Section A: Detailed Output Scoring

### Output 1: Basic needs of the combatants living in all 28 cantonments are met until discharge

#### Output 1 score and performance description:

A

Support to cantonment has been a major success story for the peace process and for the NPTF as it helped to keep the peace process on track. The last NPTF Annual Review flagged the potential for imminent discharge of ex-combatants and therefore advised caution in investing in cantonments. This has proven to be the correct approach.

The focus now will be on finding useful and constructive uses for the cantonment sites and this is currently under consideration by the Government.

#### Progress against expected results:

Previous indicators covered allowances paid to Maoist ex-combatants and the medical treatment they received. With the closure of the cantonments, these services are no longer progressing. However prior to the closure 3,122 combatants had their basic needs fulfilled through small allowance payments (72-110 NPR per day) and water supply was secured to the sites through the addition of a small number of tube wells, boreholes, polytanks, as well as 25 distribution networks from water treatment plants.

A total of 22 projects are financed by NPTF under cantonment management. Until now, 14 projects

have been completed and 8 projects are on-going but will be wound down. The areas covered by the completed projects were construction and maintenance of the physical infrastructures including access and internal roads, temporary residential buildings, kitchens, drinking water, communication, etc and providing essential services such as health, sanitation, water supply, electricity, alternate source of energy and communication facilities to the ex-combatants.

While all the sites are under the control of either the Nepal Army or Armed Police Force, the future utilization of all 28 vacated cantonments is still being considered by GoN and details are awaited. All Maoist weapons that were stored in the cantonments have been handed over to the Nepal Army. Unfortunately, though, government agencies have been unable to prevent departing combatants from removing some furniture and fittings from the cantonments. The UK and its Development Partners have sought clarification on what happened at the sites.

Risk revised/needs revision? Yes. The cantonment process is now effectively concluding and so specific risks in this area have reduced. Under the Peace Support Programme, the UN has been supported to facilitate the reintegration of Verified Minors and Late Recruits (see below) and GIZ has an expanding project to assist communities where more than 50 MACs are now living, providing socio-economic and counselling inputs. There will, however, be on-going risks around the future of ex-combatants. Working with the UN and the DFID/GIZ, dynamics within affected districts will continue to be monitored, while possible programmatic responses will be studied during the Zero-based Review. Original or Revised Risk. Medium

**Recommendations:**

- Continue to engage through NPTF/PFS structures to monitor constructive utilisation of the cantonment sites.

**Impact Weighting (%): 10%**

**Revised since last Annual Review? Yes revised downwards as the cantonments are closing.**

**Risk: Low**

**Revised since last Annual Review? N/A**

**Output 2: PLA ex-combatants are successfully rehabilitated into their communities**

**Output 2 score and performance description:**

**A**

The discharge of 'verified' ex-combatants from the Maoist army has been carried out. The nationally-led process provided them with options to receive:

- payment of severance packages (not supported by NPTF/donors);
- integration into the Nepal Army (not supported by NPTF/donors);
- rehabilitation packages (supported by the NPTF).

15,600 out of about 19,000 'verified' PLA combatants opted for cash payments of between 500,000 and 800,000 NPR, depending on rank. During a period of prolonged dialogue with Government, the NPTF Donor Advisory Group (DAG) emphasised that they could not support these discharge payments in the light of international standards and accountability. The NPTF donors are also not engaged with the military's process of integrating and training PLA ex-combatants into the Nepal Army. This has nearly concluded, with 71 in officer positions and 1,371 in non-officer positions and all are now undergoing Army training.

Regarding rehabilitation, for which NPTF donor funding was made available, only 6 Ex-Maoist Army Combatants chose a rehabilitation package as the vast majority preferred to take the cash payments, which NPTF donors could not support: 5 combatants are involved in taking skill based training in a

vocational training institute while 1 is waiting for veterinary training to start.

Given this small take up, this output has been amended under the revised logframe to focus on the UN Interagency Rehabilitation Programme of support to VMLR (Verified Minors & Late Recruits).<sup>1</sup>

Upon completion of the discharge of the VMLRs from the cantonments, the Government of Nepal had requested the UN to facilitate their rehabilitation into civilian life. From mid-2010, building on the UN inter-agency collaboration during the discharge, the UNIRP has been supporting the rehabilitation process. UNIRP's main objective is to support the transition of the discharged VMLRs from military to civilian life by providing them with training and education to access employment and livelihood opportunities.

In January 2013, contributing donors to the UNIRP (including the UK) agreed to extend to July 2013 to allow for further support to VMLR who came into the programme late in the process. This will help ensure that they are not cut adrift and can be linked in with longer-term development and peace building programmes. A phase-out strategy is being devised by the UN and shared with donors (including the UK) to ensure that VMLR-related issues, including the political contestation amongst political parties and an awaited Supreme Court ruling about how much the State should continue to provide financial support, are monitored and mitigated sustainably.

The programme has been relatively high cost (in relation to the number of beneficiaries) given the geographical spread and international experience that successful reintegration requires individually tailored assistance. However, although political sensitivities remain, considerable success can be identified in the fact that, by June 1012, Nepal had been taken off the watch list for UNSC 1612 (special measures for the UN to report on child soldiers) and there has been no further evidence of 1612 violations.

### Progress against expected results:

4,008 VMLR were discharged in 2010. With a substantial trend of outward migration among all segments of Nepal's population, only 3,040 remained contactable in Nepal following discharge from cantonments. Of these, 2,743 made contact with the programme through a toll-free number and 2,231 (31% Female/62% Male) have been enrolled for training or education. Of these 60 (7%F/93%M) have dropped out, 1774 (38%F/62%M) have completed and 397 (42%F/58%M) are currently in training or education. 2,149 VMLR had previously been the reported figure for those enrolled in training and education. The Government of Nepal asked the UN to consider or reconsider 151 other VMLR for training and education and this, minus those who dropped out, raised the overall figure to 2,231.

### Update on Status of Participants

The table below summarizes the key statistics of individuals enrolled in training and education, broken down by rehabilitation options and disaggregated by gender.

Rehabilitation Package	Total number enrolled by sector	Those currently in training /education	Those who have dropped out from training/education	Those who have completed training/education	Those Employed / Started own business
Vocational Skills Training	441 (1% F, 99% M)	0 (0% F, 0% M)	28 (0% F, 100% M)	413 (1% F, 99% M)	204 (1% F, 99% M)
Microenterprises	1323 (48% F, 52% M)	27 (11% F, 89% M)	9 (11% F, 89% M)	1287 (49% F, 51% M)	942 (49% F, 51% M)
Education	406 (44% F, 56% M)	359 (44% F, 56% M)	20 (15% F, 85% M)	27 (59% F, 41% M)	-
Health Training	61 (30% F, 70% M)	11 (45% F, 55% M)	3 (0% F, 100% M)	47 (28% F, 72% M)	21 (24% F, 76% M)
<b>Total</b>	<b>2231 (38% F, 62% M)</b>	<b>397 (42% F, 58% M)</b>	<b>60 (7% F, 93% M)</b>	<b>1774 (38% F, 62% M)</b>	<b>1167 (40% F, 60% M)</b>
				<b>Employment Rate (%)</b>	<b>66% (of the total 1774)</b>

66% of the 1774 who have completed training and education are in employment or have started their own

<sup>1</sup> Project 'Support to the Rehabilitation of VMLRs', implemented by the United Nations Interagency Rehabilitation Programme (UNIRP) comprising UNDP, UNICEF, ILO and UNFPA (UNPFN/A-7).

business. The majority of these will be self-employed – reflecting the realities of the job market in Nepal, particularly in more rural parts. UNIRP and the Youth and Small Entrepreneur Self Employment Fund (YSESE Fund) under the Ministry of Finance signed a memorandum of understanding in October 2012 that enables UNIRP graduates to access affordable loans to sustain and expand their businesses. VMLR discontent has been a feature of the programme throughout and bandhs and protests have continued to take place through this reporting year. Discontent can be considered in the context of a complex political environment in Nepal, high expectations of the VMLR (in relation to other combatants with whom they lived for a number of years) and some sensitivities around their status and provision of services like counselling. The UN have undertaken extensive monitoring in regard to this.

After enrolling in the programme, participants also received regular career and psychosocial counselling during and after training to facilitate their rehabilitation and reintegration into civilian life. The current external evaluation of UNIRP will highlight some international best practice recommendations from the degree of psychosocial support provided. Other good practices include: linkage of vocational skill training to national certification systems and extensive gender-related support.

Given the post-war challenges including deep sensitivities over the status of VMLRs and political contestation of what level of support the State should provide, further work will be needed to ensure that these kinds of results are broadly sustained. The exit strategy will need to include continued efforts under programmes such as the UK's Rural Access Programme and Community Support Project. By supporting job creation and socio-economic investments in local communities, some of which will be experiencing the return or arrival of ex-combatants, other programmes can help to sustain the benefits created by UNIRP. The upcoming Zero-based Review will look further into this issue and how also to ensure that ex-combatants are not given undue advantage over others in their local communities

**Recommendations:**

- Ensure that an appropriate exit strategy is devised and followed up on, with careful attention to the politics of VMLR support.
- Continue to incorporate concerns about the VMLR and other ex-combatants into risk monitoring by DFID and other partners.

**Impact Weighting (%): 30%**

**Revised since last Annual Review?** Weighting unchanged but reflects only the UNIRP support.

**Risk: Medium**

**Revised since last Annual Review? N**

**Output 3: Increased access to and participation in constitution building and free and fair electoral processes**

**Output 3 score and performance description:**

A

An election support project was recently approved under the NPTF in December 2012, albeit with polls support to be triggered only in the event of a general election being called. The UK has moved to support the election cycle through the UN Election Support Programme, previously funded under a separate DFID programme (the Enabling State Programme). The UK made a £2m contribution to the UN programme in December 12. It is too early to assess this support in this Annual Review.

We have supported constitution drafting through a separate project (SPCBN), Support to Participatory Constitution Building, through the ESP programme. We have also provided support directly to the Prime Minister's Office to develop a White Paper and Road Map for state restructuring. It was envisaged that the constitution would be drafted by May 2012 and that a further programme of support



for state restructuring would be supported through this Business Case. However, the dissolution of the CA in May 2012 with no constitution agreed and lack of political consensus on state restructuring, means that this area of support is essentially 'on hold'. We will consider in the zero-based review whether and how to support this process going forward.

Under the UNPFN, the Collaborative Leadership and Dialogue project (CLD) implemented by UNDP continued to promote local and national dialogue processes. Capacity-building exercises were carried out both at the national and district levels.

**Progress against expected results:**

It is too early to report on the elections support but under CLD, primary results include:

- Collaborative leadership and dialogue skills have been strengthened in 161 national-level leaders from government, political parties, and civil society. Out of the total participants 37% (60 participants) were women, and 20% (33 participants) were from marginalized communities.
- A joint agenda (urban sanitation) was identified and a multi-stakeholder dialogue initiated around it in Janakpur (Dhanusha District) led by the municipality.
- Public dialogue was enhanced through 24 radio talk programmes, 12 radio magazine episodes and 2 short documentaries.

Risk revised/needs revision? Yes. Fair and credible elections cannot be guaranteed but our approach in strengthening electoral systems and institutions is designed to mitigate this risk. Constitutional issues can also be highly sensitive and represent a particular risk in terms of engagement. Funding through Government systems represents a high fiduciary risk but, given extensive PFM work around the NPTF, this can also be mitigated.

Original risk: Low

**Recommendations:**

- The UK will closely monitor election risks, with particular attention to the credibility of the polls. It remains important to ensure that NPTF and UN funds are managed in coordination.

**Impact Weighting (%): 25%**

**Revised since last Annual Review? *N***

**Risk: High**

**Revised since last Annual Review? *Y***

**Output 4: Police administration strengthened through increased presence throughout Nepal**

**Output 4 score and performance description:**

**B**

**Progress against expected results:**

Under Phase 1 of the Police Reconstruction Project starting in November 2009, 95 police units (PUs) out of 100 in total have been reconstructed. 85 of these units have been inaugurated so far. 44 out of 100 units have produced a work completion report and a Technical Audit of 26 units has also been completed. Although 98% of reconstruction is completed, the evidence base on outcomes is somewhat limited.

External monitoring reports under the NPTF mechanism have indicated strong progress in perceptions

of improved security where PUs have been re-established (84%of people surveyed) but sample sizes are small. However, it has been found also that, despite efforts to provide gender friendly reconstructed infrastructures, none of the PUs that have come into operation have deployed female police.

Under Phase 2 approved on 7 July 2011, detailed design and estimation of all proposed units; tenders have been awarded and the construction process is on-going for all 93. An additional 77 police units identified in 67 districts are approved to be funded through a third phase approved on 10 July 2012. Both these phases have integrated a priority to ensure gender-friendly police infrastructure.

**Recommendations:**

- Ensure that lessons learned from the police post building are being fed into the development of a DFID Justice and Security Programme in Nepal.
- As part of the Zero-based review, follow-up with the Nepal Police on progress towards outcomes, including on matching human resources and capacities to the investments being made with infrastructure

**Impact Weighting (%): 20%**

**Revised since last Annual Review? *N***

**Risk: High**

**Revised since last Annual Review? *N***

Output 5: Conflict-affected people (CAP), including those with disabilities, have access to rehabilitation services

**Output 5 score and performance description:**

C

A total of 4 projects are financed by NPTF under this cluster since the establishment of NPTF. Current progress shows that all 4 projects are on-going but have been subject to significant delay because of a variety of factors, including: identification issues and certification of CAP with disabilities is not mainstreamed with Government social protection schemes and policies.

**Progress against expected results:**

Under NPTF, 25,295 Internally Displaced Families have been supported for subsistence, transport, incidentals, education for children, reconstruction or maintenance of damaged houses since September 2007. Reporting under the NPTF including the external monitoring process, indicates that slow progress has been made on achieving the project goal. Delays have been arising from deficiencies in reporting from districts (e.g. without periodic break downs) and gaps in the required documentation.

Two NPTF projects on establishing rehabilitation centre for conflict affected people, one at BP Koirala Institute of Health Sciences, Dharan, and another at National Disability Fund (NDF) have been on-going. With start-up delays at the end of 2011, project extensions are likely to be requested. The former project is still working on the development of physical infrastructure and the actual services have not yet commenced. The latter was expected to provide support to 2,750 CPAwD requiring assistive devices and repairs (615 prostheses, 615 orthoses, 940 mobility aids and 580 repairs) and 12,000 rehabilitation therapy sessions for them. The project is close to its completion phase, but has so far served only 58 target people through its seven service centres.

Altogether, 256 conflict affected people with disabilities have been supported including through occupational therapy and psychological therapy services from 7 collaborating partners in four



development regions.

Through UN support under UNPFN, important results include

- 311 psychosocial workers in 39 conflict-affected districts were provided with various levels of psychosocial trainings through the UN Peace Fund for Nepal (UNPFN). As a result, around 1,453 CAAFAG/ Children Associated with Armed Forces and Armed Groups (48% Females) received psychosocial support during the project duration.
- In the same 39 districts, capacity building support was provided to 209 Child Protection Committees, 308 child clubs and 140 School management committees.
- Two mobile reproductive health camps (for an initial 6 days, with a follow-up 4-day camp) were conducted through the UNPFN in two VDCs in each of the 14 most conflict-affected districts of the country

**Recommendations:**

- Assess obstacles to progress in more detail as part of the Zero-based Review
- Push for improved implementation and delivery of better results from CAP projects.

**Impact Weighting (%): 10%**

**Revised since last Annual Review? *N***

**Risk: Medium**

**Revised since last Annual Review? *N***

**Output 6: Support provided to build capacity of the Peace Fund Secretariat (PFS)**

**Output 6 score and performance description:**

A

As a result of significant engagement by DFID and other NPTF donors, financial monitoring reports have improved significantly and provide more reassurance on NPTF progress and spend, as have progress reports and financial annexes. Considerable efforts have also been made to improve the collection, validation and presentation of data in PFS progress reporting. The PFS has developed a guideline for financial reporting and provided orientation to Implementing Agencies to aim to improve performance on disaggregating lower level data. Further steps are being taken to continue this progress, including developing automated tools to improve the accuracy and timeliness of project data. Other actions have been initiated to strengthen NPTF management, including consolidation of Foreign Currency Account management and improving the standard of budget requests submitted with project proposals.

**Progress against expected results:**

DFID contributes to wider coordinated donor support in this area. The main UK contribution is the financing of a PFM expert as an advisor to the Secretariat. The EU, GIZ and, more recently, USAID are the main direct contributors to the appropriate pool of support for strengthening the PFS. EU-contracted support in particular will help strengthen the Financial Management in the PFS over the next 3 years. This support has helped the PFS to improve its reporting and compliance as per JFA agreements.

**Recommendations:**

- Alongside both the PFS and implementing Government partners under the NPTF, DFID should monitor the need for further engagement on issues like PFM, including through a newly contracted DFID PFM programme.

**Impact Weighting (%): 5**  
**Revised since last Annual Review? *No***

**Risk: Low**  
**Revised since last Annual Review? *No***

## **Section B: Results and Value for Money.**

### **1. Progress and results**

#### **1.1 Has the logframe been updated since last review?**

Yes. Since the design of the unified Business Case, DFID Nepal has recognised the need to merge the aims and objectives of the UNPFN and NPTF into one overarching logframe. This was also recommended by our own internal audit. Accordingly, we have started this work and a new merged logframe is used for this review. However, on-going uncertainty around the peace process and the decision to undertake a 'zero-based review' of our peace support means that the logframe will be further revised and updated during the year. For the purpose of this review, we have removed outputs already achieved or which are unlikely to lead to funding opportunities due to changes in the political situation. Following the wider zero based review of DFID's peace support work and approach; we will make more substantial and consolidated revisions to the logframe.

#### **1.2 Overall Output Score and Description:**

**A** – Progress is being made where possible and the programme continues to achieve impact. However this comes with a strong caution that, given the political uncertainty around the programme, the zero based review should consider any necessary changes to the outputs to ensure that the logframe is capturing the full range of peace programming.

#### **1.3 Direct feedback from beneficiaries**

This continues to be monitored through regular joint reviews and field visits by NPTF, UN staff and donors, including DFID. Extensive independent monitoring of NPTF operations has also been carried out by a contracted firm (Scott Wilson Nepal Pvt Ltd) using techniques such as focus group discussions and social audit to assess impact and VFM. In terms of support to the VMLR, and in comparison to other DDR programmes, UNIRP carried out a particularly large number of home visits of participants, a fact which will be recognised by the independent evaluation. NPTF monitoring (Scott Wilson reports) have also flagged benefits from UNPFN and other donor support.

The zero-based review will consider how we can improve any aspects of beneficiary monitoring.

#### **1.4 Summary of overall progress**

The NPTF and UNPFN can point to significant achievements as outlined above. Many of these achievements – i.e. the success of the cantonments – have continued towards a successful conclusion during this review period. Support to the UN VMLR programme, as the most significant recipient of funds, can also point to significant progress. However, plans to provide significant support to other aspects of the peace process have not played out as originally anticipated and there has been less need for major UK funding. This is why it will be important to undertake a zero based review of DFID's peace support programming.

## 1.5 Key challenges

The key challenges to the programme as a whole remain significant political uncertainty in the peace process. It is worth noting that even the UN VMLR programme has been undertaken, since its inception and design, in a heavily politicised environment. Avoiding a return to conflict will be the on-going and overarching challenge for the international community, the Government and the people of Nepal. Providing funds through Government systems, especially with a caretaker Government in place, will also provide a major on-going challenge. The lack of a PAC and substantive heads of Accountability agencies also mean that fiduciary risks of channelling through GoN may be higher than previously. We are currently conducting a FRA of the NPTF as this review is underway. This will inform all DPs and will support work to improve the financial management plan of NPTF.

## 1.6 Annual Outcome Assessment

To support the successful implementation of the Comprehensive Peace Accord (CPA) and other peace agreements.

The indicators for the outcome above will be revised during the zero based review. The current indicators in the merged logframe focus on constitutional processes and elections and VMLR. Constitutional delays mean that any indicators will need to be revisited to make them meaningful. The elections indicators should be revised to ensure they capture the full range of activities under DFID supported programming. The VMLR indicator has essentially been achieved but we will re-assess and confirm this following the completion of the UNIRP project.

## 2. Costs and timescale

### 2.1 Is the project on-track against financial forecasts: Y/N

No. £20m is very much an upper limit rather than a forecast for the project overall. However spend has still been very low, with only £1m provided for demobilisation and rehabilitation of VMLR ex-combatants (in January 2012) and £2m provided, through the UN, for its Election Support Project (in December 2012). Given the political uncertainty, and as a framework Business Case covering two funds and a range of projects, lower spend is not unexpected but this is another reason for carrying out a zero based review.

It is too early to assess the £2m transferred in December 2012 for elections, although activities under the UN Electoral Support Project are proceeding.

A further £3m UK contribution (under the Multilateral Debt Relief Initiative – MDRI) has been provided to the NPTF. This money does not come directly from DFID Nepal's budget so it will be reported on separately but will draw on monitoring and reports from this programme.

### 2.2 Key cost drivers

Key cost drivers remain the costs of delivery through 1. Government systems and 2. Through UN systems. Government systems require specific costs to cover mitigation (e.g. the costs of quality assuring Government audits), although some of these costs are currently shared with other donors, principally the EU.

### 2.3 Is the project on-track against original timescale: Y/N

No. Largely because progress in the peace process has not been smooth or straightforward. This is not unexpected but we will undertake a full internal review to assess progress.

### 3. Evidence and Evaluation

#### 3.1 Assess any changes in evidence and implications for the project

The most recent external monitoring of the NPTF suggests particularly slow progress in the cluster focused on conflict-affected people. For security and justice, there are indications of progress but a wider evidence-base is needed to track outcomes for communities and close attention is needed to human resourcing by the Nepal Police in the newly reconstructed units.

While NPTF reporting and complementarity with the UNPFN is improving, further analysis is needed across the projects.

These issues will be among those assessed in more detail during the zero based review.

#### 3.2 Where an evaluation is planned what progress has been made?

We expect to receive a copy of the UNIRP independent evaluation shortly, although some of its findings have already been shared. We have also just received the latest independent review of the NPTF. Both of these processes will feed into the zero-based review.

### 4. Risk

#### 4.1 Output Risk Rating: Low/Medium/High

Medium.

Taken individually output risks point to a medium rating, with two low, two medium and two high, of the six rated. However we consider peace programming to be higher risk in terms of political uncertainty and conflict risk and fiduciary risk as set out below. We will re-examine output ratings to reflect this during the zero-based review and associated revision of the lograme.

#### 4.2 Assessment of the risk level

The broad risks around engagement in Nepal's peace process are high. This stems from the political uncertainty and fact that, while the direction of the peace process is beyond the control of development partners, there can be criticism from some Nepali actors about foreign 'meddling'. In addition, the NPTF projects are Government-led and managed leading to higher fiduciary risks. However, these risks are mitigated by a number of design features of the peace support programme including:

- The multiple channels for implementation - Government led (NPTF), UN led (UNIRP and UNDP)
- NPTF Board including political parties to ensure cross-party political buy-in and dialogue on political issues
- Financial management TA and a financial management improvement plan
- Capacity support provided to the donor Secretariat (by DFID and to the PFS of the NPTF to strengthen PFM and reporting)
- DFID/HMG political analysis and reporting which informs our engagement

The more specific programme-related risks for NPTF are monitored by donors through on-going dialogue, through field visits and independent monitoring (Scott Wilson reports). The risks around support to ex-combatants are receding as the discharge process has taken place now and the

cantonments are closing. However conflict risks around ex-combatants, particularly in relation to disquiet among VMLRs about their status, will remain an on-going concern and we are monitoring this closely. Electoral risks have been discussed and documented extensively as part of a cross-donor discussion on elections.

#### **4.3 Risk of funds not being used as intended**

Funding through Government systems is assessed as high risk in DFID Nepal's Fiduciary Risk Assessments but we have had effective mitigation measures in place. We have recently updated our national level FRA (again with a high risk rating) and associated mitigation recommendations and will undertake more detailed sectoral FRAs for the many of the areas in which NPTF line ministries work. This will further inform fiduciary risk mitigation procedures. We will continue to ensure appropriate double checking of all NPTF audits and can provide additional technical assistance on financial management, alongside other donors, as required.

#### **4.4 Climate and Environment Risk**

This is a low risk programme but we will ensure that climate and environmental risks, as well as wider resilience concerns, are factored into the police post reconstruction programme and into discussions around the future use of the cantonments.

## **5. Value for Money**

### **5.1 Performance on VfM measures**

In relation to UNIRP, we judge the costs to be within the parameters of other global examples of DDR programming but perhaps towards the higher end. This is largely because the programme dealt with a smaller but highly dispersed caseload across 72 of Nepal's 75 districts. This includes significant numbers in remote and mountainous areas. International lessons from reintegration programmes show the need for highly tailored approaches and this makes such programmes relatively high cost per beneficiary. The programme has also incurred security costs as staffs have been subject to actual physical violence, kidnapping and threats.

The programme could have taken on a substantially higher caseload at relatively marginal cost but VMLR numbers were essentially limited. That said the programme did manage to accommodate some additional VMLR, at no additional cost, after a request from the government.

It is worth highlighting that decision not to fund – eg. Not funding severance cash payments for ex-combatants – are based on sound VFM factors, including fiduciary risk and accountability considerations.

### **5.2 Commercial Improvement and Value for Money**

We will continue to assess VFM in considering funding mechanisms and will ensure that this is reflected in any submissions for support. The zero based review will also assess the delivery costs of the programme, both through the UN and through Government.

### **5.3 Role of project partners**

Coordination between the UN and NPTF continues to improve and the donors continue to provide a united approach on peace issues. The UK has provided a staff member to support the donor lead agency on NPTF to assist with this programme. We will also continue to engage strongly on PFM

issues, including through a newly contracted DFID PFM programme.

#### **5.4 Does the project still represent Value for Money : Y**

Ensuring sustainability of UNIRP successes so far will be a major focus of VFM.

#### **5.5 If not, what action will you take?**

In any case, on-going actions include:

- Continuing to improve GoN PFM systems through the PFS and MOPR and also with wider Ministries.
- Continue dialogue with the UN on issues around procurement and due diligence, as well as assessment of costs.
- Work to ensure that gains so far, including on the VMLR programme, are sustained.

### **6. Conditionality**

#### **6.1 Update on specific conditions**

We will monitor the situation with regard to any concerns about human rights, public finances, accountability and commitment to the poorest.

### **7. Conclusions and actions**

Overall the programme has performed reasonably well in some areas, particularly where work can be taken forward on established and politically agreed processes. Aspects of the original business case are being superseded by events and the zero based review will be well-timed to consider how to address these concerns.

### **8. Review Process**

This has been a light-touch review based on the initial revision of the programme logframe (in order to bring together NPTF, UNPFN and UN election indicators) and with a view to a zero-based review to be undertaken shortly. During the reporting period, the UK has only provided £1m to the UNPFN. It is too early to report on the £2m provided to the UN for elections and reporting of the £3m UK MDRI funds will be carried out separately. The report has therefore focused on the VMLR issue, with an update on broader NPTF and UN programming areas.