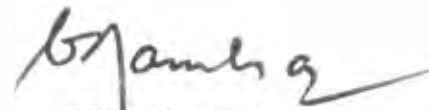


Note to Ms. McAskie

Nepal -- Declaration of Eligibility to Peacebuilding Fund

In reference to your note of 22 October, please be informed that the Secretary-General has approved your recommendation of declaring Nepal eligible to receive funding under the second window of the Peacebuilding Fund.



Vijay Nambiar
25 October 2007

27-12711



United Nations



Nations Unies

Executive Office of the Secretary-General
Cabinet du Secrétaire général

To: Mr. Nambiar,

Please find attached a note to the SG from Ms. McAskie/PBSO, requesting that the SG declares Nepal eligible to receive PBF funding through its “second window” (i.e., the SG’s prerogative to declare an eligible country even if it is not under consideration by the PBC). This request is supported by SRSG Martin, key UN departments/agencies, as well as senior Nepali government officials.

The Political Unit recommends that the SG endorses this request. As stressed by the SG’s recent meeting with SRSG Martin, Nepal is facing a critical moment in terms not only of the Constituent Assembly elections but also the peace process as a whole. In addition to overall weakness in the implementation of the peace process, there are critical issues (e.g., integration of the Maoists combatants) that remain unaddressed. In view of this, we believe that Nepal uniquely fits the criteria for the PBF’s second window, as “a country in exceptional circumstances and on the verge of lasing or relapsing into conflict.”

If approved, PBF funding will be channeled through a UN Peace Fund for Nepal, an arrangement in line with the PBF’s policy of making use of the existing mechanisms where possible.

27-12711

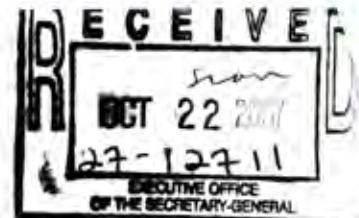
cc: Mr. Kim Won-soo

SG OFFICE

692

25 Oct.

ACTION ✓
COPY DSG
DH



✓ Note to Secretary-General

PEACEBUILDING FUND – DECLARATION OF ELIBIBILITY OF NEPAL

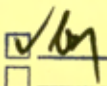
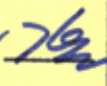
1. As you are aware, the Peacebuilding Fund was established in 2006 at the request of the General Assembly and the Security Council (60/180 and S/RES/1645 (2005)) as a multi-year standing fund for post-conflict peacebuilding, funded by voluntary contributions.
2. In line with the terms of reference of the Fund, you have the prerogative to determine that a country in exceptional circumstances and on the verge of lapsing or relapsing into conflict be considered for Peacebuilding Fund support, even if the country is not under consideration by the Peacebuilding Commission. (This is the second window of the Fund.)
3. I have recently received a request from your Special Representative in Nepal, Mr. Ian Martin, to consider declaring Nepal eligible to receive funds from the PBF. The SRSR's request is based on a series of consultations with key players in the country, including senior government and UN officials who are all supportive of this request.
4. In view of the current political situation in Nepal, it is imperative that funding is made available to support initiatives that can help strengthen the peace process and help avoid a relapse into conflict. Support from the PBF would enable Nepal to reinforce peacebuilding activities in four priority areas: Reintegration, Security, Rights and Reconciliation, and Elections and Governance. The Fund would provide the resources needed for critical peace process needs that have been identified and agreed in consultation with the government, parties to the peace agreement, and, to the extent possible, civil society organizations, donors and other partners.
5. Mr. Martin proposes to channel PBF funding through the existing UN Peace Fund for Nepal which, in substance and process, is consistent with the goals of the PBF. I fully support this proposal as this is very much in line with the spirit of the PBF's Terms of Reference, which encourage countries to make use of existing mechanisms where possible. The UN Peace Fund for Nepal was jointly established by donors, the government and the UN after a shared analysis of critical gaps and agreement on priorities for focused, time-limited peace process support.
6. As is our practice, I discussed a possible use of the Fund for Nepal with relevant departments during a meeting of the ASG-level Senior Policy Group for Peacebuilding in June. The SPG fully supported this and endorsed my recommendation that you declare Nepal eligible for PBF funding.

7. I am attaching a short internal analysis that reviews the rationale for including Nepal under the Fund in line with its Terms of Reference.

8. I therefore recommend that you declare Nepal eligible to receive funding under the second window of the Peacebuilding Fund. Should you agree, my office will work closely with your press office to issue a statement to that effect, and will prepare a notification for the PBC informing member states of this decision. Subsequent to such declaration, my office will work closely with the SRSG and his team to ensure the PBF is applied in line with its terms of reference.


for Carolyn McAskie
22 October 2007
(07080)

Cc: Ms. Migiro
Mr. Nambiar
Ms. Arbour
Mr. Dervis
Mr. Guehenno
Mr. Holmes
Mr. Pascoe
Mr. Orr

CdC		SG	
For SG's approval	<input checked="" type="checkbox"/> 	Approved	<input checked="" type="checkbox"/> 
For SG's attention	<input type="checkbox"/>	Noted	<input type="checkbox"/>
For SG's information	<input type="checkbox"/>	Seen	<input type="checkbox"/>
For SG's signature	<input type="checkbox"/>	Signed	<input type="checkbox"/>
Date	24.10.2007	Date	
Comment (if applicable):			

[27-12711]

Eligibility to the Second Window of the Peacebuilding Fund for Nepal¹

1. According to the Terms of Reference for the Peacebuilding Fund (A/60/984), the “Secretary-General may determine that a country in exceptional circumstances and on the verge of lapsing or relapsing into conflict be considered eligible for Peacebuilding Fund support, even if the country is not yet under consideration by the Peacebuilding Commission. The Secretary-General will inform the Commission of such a decision.”
2. The United Nations began in January 2007 registering and storing weapons of Maoist former combatants in Nepal, marking a new phase in the peace process following a November 2006 comprehensive agreement ending the civil war, signed by the Nepalese Government and Maoist rebels. According to the SG’s report to the SC (9 Jan. 2007), “the significant political process that Nepal has set in motion represents a crucial opportunity for the country to reshape its structures and institutions to reflect the capacities and meet the aspirations of all its peoples.” The UN established a political mission in Nepal (UNMIN) under the leadership of a SRSG (Resolution S/RES/1740(2007)), Mr. Ian Martin. The people in Nepal view the UN presence as positive.
3. However, elections that were to be held on 22 November were delayed two weeks ago by the interim Government because of ongoing disputes between the Seven-Party Alliance and the Communist Party of Nepal-Maoist (CPN-M). The SG and SC have voiced disappointment at the delay and its impact on the political aspirations of the Nepalese. Ian Martin declared (10 October 2007) that Nepal’s political parties should use the delay to the holding of Constituent Assembly elections “to bolster the peace process by tackling its weaknesses and agreeing on a road map for ensuring that credible polls can take place”.
4. A World Bank's Nepal Country Assistance Strategy (CAS) was prepared for 2004-2007. A PRSP was prepared and Nepal recently concluded its Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility. No PCNA was finalized for Nepal.
5. The Government of Nepal (GoN) has established a MDTF (the "**Nepal Peace Trust Fund**" or "Peace Fund"), directly administered by the Ministry of Finance and designed to be the primary channel for donors to support the peace process². The UK, Norway and Switzerland signed a joint agreement with the Nepal government, expressing their commitment to finance the Peace Fund. The government **aims** to generate Rs 5.5 billion (**USD 77 million**) in the fund, which will remain active for next **three years**. As a complement, **some donors will contribute to a UN Peace Building Fund** (UNPFN) that will mobilize resources for activities of clear, short-term relevance to the peace process where these are not possible to fund or implement through the GoN's Peace Fund or other existing mechanisms or programs. The **UNPFN will channel resources for focused, time-limited activities** deemed critical to the peace process and subject to a strategy for UN peace support articulated by UNMIN in consultation with its partners. The Fund will run for **two years**. The UNPFN will operate within the same governance framework as the Peace Fund to ensure non-duplication of effort and strategic coherence in support of the peace process. *[[I could not reach Amar on this but Anders said he could try to get more info if needed]]*
6. More than one-third of Nepal's 25 million people live below the absolute poverty line (less than a dollar a day), but in the past 5 years, the percentage of people living below this line has come down from 42% to 31%. If this trend continues, Nepal will be on track for the MDG to halve poverty by 2015. However, if the situation changes and the conflict intensifies, those gains could be reversed. The risk is amplified by

¹ Sources: WB, UNDP, IMF, ICG, Reliefweb. Views expressed in this note are for preliminary analysis and provide an overview of the rationale for a potential referral of Nepal to the PBF, but are not related to efforts by the Government of Nepal and its partners to identify priority areas for peacebuilding.

² 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

the fragile economic situation, as there has been a decline in the government's resource base and a difficulty in generating local resources; the economy is still affected by the Maoist insurgency and by the phasing out of textile quotas last year under a WTO agreement. The government is increasingly spending on day-to-day expenses and less on building capital, due in part to the conflict.

7. Many of Nepal's traditionally marginalized indigenous groups remain concerned that commitments made to them are not being fulfilled. There is frustration by all communities in the Terai, and across Nepal, about the poor state of public security. The Nepal police are demoralized and need improvements and training. Without greater cooperation among the parties and civil society at the local level, the risk of communal tension and violence remains considerable. A renewed commitment is needed to non-violent and democratic political activity. An independent monitoring of peace process commitments should be set up, and a concerted effort is essential to address the future of Maoist combatants and the security sector (UN). Registration of combatants at the Maoist cantonment sites is still difficult.
8. Overall, Nepal faces exceptional circumstances and is on the verge of relapsing into conflict, less than a year after the peace agreement was signed. The country needs urgently to create a political and security climate conducive to holding elections. While bearing in mind potential overlaps with existing trust funds in Nepal, it appears therefore advisable to resort to the 2nd window of the PBF for this country.

Box 1 – Fit With PBF Criteria³

Peacebuilding Stage

- Nepal is at an early stage of peacebuilding.

Potential Activities for Funding

- Resources are needed for activities to build and strengthen capacities in Nepal that promote coexistence and the peaceful resolution of conflict, thereby reducing the likelihood of recurrent conflict – e.g. capacity for the police.
- Resources are also needed for the establishment or re-establishment of essential administrative services and related human and technical capacities – e.g. basic services for marginalized populations.
- Critical interventions designed to respond to imminent threats to the peacebuilding process also need funding – e.g. political dialogue and DDR.

Potential for Catalytic Impact of the PBF in Nepal

- The PBF can contribute to attracting new sources of funding, by adding visibility to priority areas for peacebuilding, in complement of existing Peace Fund. Neglected areas could also receive fresh resources thanks to the pooled nature of the PBF which facilitates funding in projects that often appear as 'aid orphans'. The PBF could also contribute to triggering alternate sustained financing, as several major donors are active in Nepal and could provide a relay in the future on the basis of the achievement of PBF-funded projects.

Potential for Filling Critical Funding Gaps

- Critical funding gaps need to be addressed for political dialogue, DDR, security in the country, establishment of essential services to the population.

9. Nepal would also qualify for the Emergency Window. There needs to be immediate cooperation at the local level to ensure more effective governance and public security and reduce communal tensions, and to foster political dialogue at the national level, in view of holding free and fair elections and implementing the November 2006 peace agreement.

³ This non exhaustive description illustrates the potential compatibility between the needs of Nepal for Peacebuilding and PBF criteria. This does not aim to bear any impact on the work conducted by the Government and its partners.

Upon confirmation of the SG's endorsement of Nepal's eligibility, PBSO will draft a press statement and a notification to the PBC. Following the SG's declaration of Nepal's eligibility, PBSO will also work with SRS Martin to develop a priority plan, outlining proposed activities and the funding level.



Nicholas Haysom
23 October 2007

27-12711
cc: Mr. Kim Won-soo