

Donor Aid Priorities for Peacebuilding in Nepal's Post-Peace Settlement Transition

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Introduction

This paper grows from the meeting between IA and the Donor Group on 23rd November 2006 on how to respond effectively and appropriately in the changed political context in Nepal. Drawing on the comments and analysis at the meeting, this paper offers recommendations on priorities for donor engagement. The basic theme is that short-term goals can be achieved, but only if addressing the culture of power in Nepal is the starting point.

Short-term Goals

The short-term goal for Nepal is to achieve a smooth transition through to mid-2007 and the planned Constituent Assembly elections. This means adequate compliance by the Maoists and Army to the military sections of the Peace Agreement, well resourced and technically assisted preparation for the elections to the Constituent Assembly (which will need significant support considering Nepal's remoteness and inaccessibility), and relatively smooth functioning of the interim government. While clear benchmarks and conditions for non-compliance with the Peace Agreement are essential, donors should not expect perfect compliance and too speedy a transition. Early wins in terms of the peace dividend will also be important, particularly in the more unstable areas of the Terai.

Long-term Goals

The long-term goal for peace and development in Nepal is to address and change the 'culture of power'. This means the rules, practices and un-stated norms of 'the way we do things', and the acceptance of it, in the power structures and processes of Nepal. Any prospect for gains in Nepal in terms of reconstruction, poverty reduction or reform of the administration and security sector will be de-railed if the framework of how things get done is dysfunctional for the needs of Nepalis. This goal is a Nepal-context interpretation of Principle Three for *Good Engagement in Fragile States*, to 'focus on state-building as the central objective' (November 2006). In this case, the Nepali culture of power prevails not only in the state apparatus, but also within civil society, business, media and political parties and their relationship or contract with the state. Free and fair elections, independent media and space for civil society are crucial mechanisms of democracy and peace, but the impact of the often intangible culture of power is the greatest long-term obstacle to stability.

The following two pages provide recommendations for what and how donors should prioritise their aid strategies. These are informed by the following analysis:

The way donors prioritise their aid strategies is as important as what is prioritised. Too often, interventions are supported within the current dysfunctional culture of power to their detriment. Rectifying this means ensuring there is honest and genuine inclusion and participation in processes of consultation and decision-making as part of the design and content of *all* activities. This does not mean including everyone as direct beneficiaries of all activities. In this context, *process is substance*.

Classic poverty reduction should take a back seat. While the long-term donor objective is poverty reduction, in Nepal for now, classic poverty reduction is the wrong approach. Addressing the culture of power through peacebuilding and new development processes should be the starting point and priority. This does not negate the urgent need for job creation but re-calibrates both the goal and the process (see points 2 and 7 below).

Embed key cross-cutting issues as an objective under the goal of addressing the culture of power. This must include supporting local-level dispute management mechanisms for

natural resource management and land reform. This will minimise local conflict, strengthen participation and inform national decisions over how to share the benefits of natural resources in Nepal. Support for civil society should also be embedded as part of the process of interventions, rather than through direct support. This is in order to prevent duplication and to respect the independence of Nepal's strong civil society movement.¹ It also means ensuring that the rural areas and the Terai, amongst other potential secessionist regions, are included in the above as their undue (or uneven) attention could act as a trigger for the eruption of new wars.

Recommendations on Priorities for Donor Engagement

1. Provide short-term support to immediate peace process: Donors should ensure the arms management programme and cantonments, and the preparations for elections to the Constituent Assembly are properly funded and well managed.
2. Enable job creation: The army of unemployed youth sets an unstable environment for any peace process—whether they are recently demobilised combatants or simply young people for whom there is not enough work. Immediate job creation through labour-intensive rural infrastructure development could offer an early win for the peace process if it provides long-term and community-based employment (this is not the approach in many current road-building programmes in Nepal, see Box 2). As an element of challenging the culture of power, these programmes (like all programmes) should be developed and planned with a participatory approach. This does mean a trade-off in terms of prioritising participation, inclusion and sustainable impact over number of beneficiaries (per programme) and a quick process. The trade-off can be mitigated by increasing resource allocation.
3. Provide support and accompaniment for state capacity-building and, for the time being, rule out direct budget support: Nepal remains a fragile state and will be so for several years. Donor-supported programmes should focus on building functional state systems for honest and competent administration. Direct budget support risks funding dysfunctional systems, thereby sustaining a wholly flawed culture of power. The right programmes will often require close accompaniment of actors in the state bureaucracy. Donors will also need to press political actors to maintain the pace of state reform, based on the BOGs. Like-minded donors should engage with other donors to get the importance of this point across so as to ensure as much donor coherence as possible. The agreed-upon OECD DAC principles for *Good Engagement in Fragile States* offer the right policy framework; the key part of the advocacy with other donors may therefore be a well argued case that a peace agreement does not *automatically* bring stability (almost 50 percent fail within five years).
4. Provide sustainable aid flow: Though Nepal has always been a major recipient of aid, absorption capacity has also always been an issue in Nepal. A trust fund mechanism would be valuable to maintain an absorbable rate of disbursement.
5. Support institution-building for the peace process: In addition to capacity for economic and social service delivery, the capacity of state institutions to meet the democratic and justice needs of Nepalis has to be strengthened. This means:
 - Supporting the Election Commission, NHRC and Peace Secretariat at national level through direct financial support and training;
 - Encouraging the development of legislation on corrupt practices;

¹ See International Alert: *Supporting Civil Society in Building Peace in Nepal: Recommendations to Donors* (May 2006)

- Supporting, financially and with training, local- and district-level structures and processes, such as the Peace Councils, to enable inclusive consultation and mediation on, for example, land reform and natural resource management;
 - Ensuring that SSR aims at building a police force the ordinary citizen can trust;
 - Developing a justice reform package that also produces a court system the ordinary citizen can trust; and
 - Prioritising resource allocations in the above sectors to regions outside Kathmandu to redress current imbalances.
6. Develop mechanisms for monitoring, assessing and reacting to non-compliance of the peace accords: What will donors do should elections to the Constituent Assembly be deemed unfair? If the Maoists fail to reach a majority and some factions return to violence, should the ‘mainstream’ Maoists in Government be held accountable? Scenarios and potential donor responses should be identified and publicly articulated so that leaders can be held accountable. If possible, the process of identifying appropriate responses could be embedded in the NDF. In this way, the process will be transparent, there will be broad awareness of consequences of actions, and donors will not be accused of undermining the social contract. However, the short timescale should not negate support to a longer-term process of consensus-building on what is ‘acceptable’ to Nepalis as part of their vision of a new Nepal.
7. Embed peacebuilding in sectoral development programmes: Major resources flow through the different social, economic and security sectors in Nepal (i.e., education, health, infrastructure development, water and sanitation, and so on). Building on work by OECD DAC, DFID and others on service delivery in fragile states, and based on the analysis that the culture of power in Nepal is a key driver of conflict and an obstacle to peacebuilding, it is essential that these sectoral programmes are implemented with socially and politically inclusive participation. This will provide early wins for a new way of doing business in the new Nepal by demonstrating immediate, visible change in which ordinary citizens, and in particular those outside Kathmandu, are heard and respected as they begin to participate in shaping key decisions. Examples are as follows:
- Build participation in the process of planning for the Three-Year Plan;
 - Support national education, health, water and sanitation and community policing programmes that embed ongoing district, regional and national trust- and consensus-building consultation processes (see Box 1);
 - Support rural infrastructure development based on community-targeting mechanisms (see Box 2);
 - Prioritise development programmes, including quick-start job creation, that fill the urgent gap in addressing community relations in cantonment zones; and
 - Support resource-based development programmes (e.g., irrigation, micro-hydro-power, forestry management) that build the capacity of community mechanisms for inclusive debate and local dispute management related to land reform and resource management.

Box 1. Education For All (EFA)

The national EFA programme is a relatively conflict-sensitive and inclusive programme. It could do much more, however, to address the culture of power in Nepal by:

- Facilitating debate on critical issues identified as challenges to reaching EFA's inclusive education and potential peacebuilding goals: overcrowding and allocation of teachers, community-managed schools, examination failure and language of instruction, lack of functioning consultative process;
- Building constituencies within teachers', parents', women's, youth and minority rights associations to engage in this debate;
- Facilitating regional and national linkages between these constituencies and with political parties and government representatives to strengthen inclusion and participation in the debate; and
- Supporting these processes to inform and contribute to the formulation of education policies that are accountable, inclusive and contribute to an environment of peace and education 'for all'.

Box 2. Peacebuilding through Road-building

Selection processes for recipients in some current road-building programmes in Nepal are based on self-targeting mechanisms. This means very short-term employment and missed opportunities to strengthen community self-governance and social mobilisation.

Community-based targeting mechanisms mean that communities themselves identify the criteria for selection and the distribution of benefits. This enables longer-term employment, capacity development of local governance structures and trust-building among different groups (ex-combatants, IDPs, caste, class, gender, etc.).

In order to achieve both short-term high visibility impact on employment and participation—i.e., to address the culture of power—significant investment will be needed. If one is traded off against the other, neither will succeed.