



Distr.  
GENERAL

DP/SR.699  
24 June 1980

ENGLISH  
Original: FRENCH

GOVERNING COUNCIL

Twenty-seventh session

SUMMARY RECORD OF THE 699th MEETING

held at the Palais des Nations, Geneva,  
on Friday, 20 June 1980, at 10 a.m.

President: Mr. POPESCU (Romania)

CONTENTS

Other funds and programmes (continued)

(d) United Nations Revolving Fund for Natural Resources Exploration

(j) Energy Fund for Exploration and Pre-investment Surveys

Programme planning and preparation for the third programming cycle (continued)

(b) Programme planning

(iv) Assistance to Nicaragua (continued)

This record is subject to correction.

Participants wishing to make corrections should submit them in writing to the Official Records Editing Section, room E.6108, Palais des Nations, Geneva, within one week of receiving the record in their working language.

Corrections to the records of the meetings of the Governing Council at this session will be consolidated in a single corrigendum to be issued shortly after the end of the session.

The meeting was called to order at 10.15 a.m.

OTHER FUNDS AND PROGRAMMES (agenda item 7) (continued)

(d) UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION  
(DP/477 and Corr.1)

(j) ENERGY FUND FOR EXPLORATION AND PRE-INVESTMENT SURVEYS (DP/438)

1. Mr. VECEGA (Acting Assistant Administrator, Bureau for Special Activities) said that the programmes of the Bureau for Special Activities, though diverse in character, had three common goals: to assist the developing countries by providing them with capital goods, expertise and training; to increase the speed and quality of programme delivery; and to apply sound management practices in the procurement and utilization of goods and services.

2. The Bureau for Special Activities had been established in November 1976 to regroup the operations carried out by the United Nations Capital Development Fund, the United Nations Revolving Fund for Natural Resources Exploration, the United Nations Volunteers Programme and the Office for Projects Execution. Subsequently, the Inter-Agency Procurement Services Unit and the relations between UNDP and external institutions had been added to the mandate of the Bureau. The main objective had been to rationalize the management of those funds and operations, which were an integral part of UNDP, while maintaining their special characteristics and modalities. That process had recently been strengthened when the Administrator had requested the Resident Representatives to assure full co-ordination between IPF-financed activities and those sponsored by the Bureau for Special Activities.

3. According to estimates available at the end of April 1980, commitments would increase from \$112 million in 1979 to \$154 million in 1980 and expenditures from \$68 to \$87 million. The implementation rate was not the same for all the funds and programmes represented in the Bureau, but because their characteristics differed it was difficult to make comparisons.

4. As the United Nations Capital Development Fund developed, the results of its operations were becoming more evident: low-income countries benefited increasingly from its activities in such fields as water supply, irrigation, health facilities, housing, road building and credit. It had an enormous growth potential for the benefit of the most vulnerable groups in the least developed countries. Its programming and project implementation rate was improving and the few operational problems which it had experienced were on the point of being resolved.

5. At its twenty-sixth session, the Governing Council had decided that the Capital Development Fund should adopt a policy of partial funding, for an experimental period, keeping 20 per cent of the project commitments as an operational reserve. It was still too early to draw conclusions; measures had, however, been taken to safeguard the financial integrity of the Fund. The implementation rate of the Fund's programme was still not entirely satisfactory, owing mainly to the relatively long lead time required before disbursements began. But the specific measures that were being undertaken, such as the strengthening of staff resources and the simplification of procedures, would undoubtedly lead to better results.

6. The United Nations Volunteers Programme was expanding rapidly, and almost three-quarters of the volunteers now came from developing countries. The out-of-country costs of volunteers from developing countries were borne by the Special Voluntary Fund, and it was essential to increase the resources of that Fund. The functions and countries of assignment of volunteers were extremely varied, and the services provided were very well suited to meet the needs of recipient countries in terms of middle-level operational personnel. While the Programme was primarily geared towards youth, there was nothing in its mandate which restricted its work to a specific age group.

7. The activities of the United Nations Revolving Fund for Natural Resources Exploration were gathering momentum, as was evidenced by an increased number of approved and operational projects and an accumulation of pending projects in the previous two years. That positive trend was expected to lead to an excess of commitments over resources and, to maintain the trend, pending the necessary increase in voluntary contributions, recourse could be had to short-term solutions such as co-financing and partial funding. One donor Government had expressed its willingness to co-finance a project without participating in any possible reimbursement, and it would be advisable for the Council to endorse that kind of co-operation. Moreover, as stated in document DP/477, the Administrator had decided to adopt a policy of full funding for the so-called minimum work programme, which would open up the possibility of financing new projects. In view of the rapid expansion of its activities, the Fund should build up its own technical and managerial staff as expeditiously as possible, in line with its operational mandate. It had benefited greatly from the technical support provided by the United Nations Division for Natural Resources and Energy, and it had been agreed, during recent discussions between UNDP and the Department of Technical Co-operation for Development, that the expert group which was to meet in September 1980 - if the Council approved its establishment - should consider, within the framework of the review of the Fund's operations, whether that support and the related subvention arrangements should be maintained.

8. As evidence of the usefulness of the Inter-Agency Procurement Services Unit, whose operations had already been discussed in the Budget and Finance Committee, he referred to the system-wide cost savings that had been effected in 1979.

9. During the previous 12 months, steps had been taken to give effect to the guidelines concerning relationships between the UNDP and external institutions. The Bureau for Special Activities had concentrated on the identification of institutions wishing to be associated with UNDP, the negotiation of co-operative agreements with those that had accepted the guidelines and the preparation of some projects which included inputs from external institutions.

10. The Office for Projects Execution, for its part, was operating satisfactorily and had achieved a high implementation rate. Various delegations had commended the quality of its work during the general debate. Its activities were expected to increase primarily because of the interest shown by several United Nations agencies such as the United Nations Sudano-Sahelian Office, the United Nations Capital Development Fund, the United Nations Fund for Drug Abuse Control, and the United Nations Fund for Population Activities.

11. Mr. MORSE (Administrator), introducing agenda item 7 (d), said that the United Nations Revolving Fund for Natural Resources Exploration had reached a crucial stage of its development. Its operations and project pipeline had greatly expanded, and the time had come to review its functions and institutional arrangements, as requested by the Governing Council, the Economic and Social Council and the General Assembly.
12. After the special meeting in February 1980, the members of the Governing Council had been requested to approve the four projects relating to Egypt (DP/428), Guyana (DP/429), the Philippines (DP/438) and Upper Volta (DP/431), in order to avoid the beginning of operations being delayed by the timing of Council sessions, particularly when field-work was closely linked to climatic conditions. Accordingly, he asked the Council to delegate to him the authority to approve projects financed by the Revolving Fund, on the understanding that he would report on each approval action to the Council at its regular annual session. He cited the example of a project in Ecuador which, after having been approved by the Council, had been automatically cancelled because of a number of legal problems which had made it impossible to ratify the agreement in time. If the Council delegated the authority requested to the Administrator, UNDP would be able to resume that and other projects.
13. The financing of an intergovernmental group of experts, approved by the Economic and Social Council, had not been confirmed by the General Assembly (DP/477, para. 21), because the subject of the review pertained to an extrabudgetary activity and the cost should be chargeable to the Fund itself. As the resources of the Fund were limited, he proposed to convene a smaller representative group of experts to assist in the review of the Fund's activities.
14. It was expected that the arrangements made with the Division of Natural Resources and Energy for technical and other support services (DP/477, para. 15) would be analysed by the group of experts and then by the Governing Council and the Economic and Social Council. In view of the constant growth of its activities, the Revolving Fund did not wish to strain unduly the resources of the Division, on whose support and technical services it hoped always to be able to rely.
15. The Revolving Fund was ready to expand its services to developing countries, where they were increasingly in demand because of the great shortage of risk capital for mineral exploration. However, such expansion called for increased resources, and he urged Governments to contribute generously to the Fund. In conclusion, he requested the Governing Council to confirm the appointment of Mr. Kobayashi as the new Director of the Fund.
16. Referring to agenda item 7 (j), he said that the item offered the Council, which normally concerned itself with operational matters, the opportunity to address directly and substantively an urgent development concern. It was his fervent hope that the Council would approve the establishment of a fund for energy exploration and pre-investment surveys. The international community had become aware that the enormous indebtedness of many developing countries, particularly the low-income countries, was partly a result of the steep rise in energy costs. The collective balance-of-payments deficit of developing countries - attributable in large part to energy imports - was expected to exceed \$30 billion in the current year; and \$1.3 billion to \$1.9 billion a year would probably be needed during the 1980s to finance the exploration for petroleum resources in oil-importing developing countries.

17. In many developing countries, the potential resources - not only of petroleum and gas, but also of coal, hydroelectricity and non-commercial energy - were still undeveloped. The World Bank had announced its intention to grant loans for oil and gas exploration in developing countries, amounting to \$350 million in 1980 and \$1.2 billion from 1983 onwards. The Bank had already financed five such projects, while 13 others were in progress and 20 more were in the pipeline. UNDP had itself supported numerous projects for energy resources development, but its activities had necessarily been marginal compared with the magnitude of the problems. Its other operational activities included the global research programme, executed by the World Bank for the development and application of solar pumps, and a very successful project for the training of engineers and scientists from developing countries in geothermal exploration.

18. In view of the experience acquired by UNDP in that area, the increasing interest shown in it by the World Bank and the pre-investment work required for the effective use of the funds provided by the Bank, he proposed to establish, on an interim basis, a mechanism to meet the urgent need for assistance in the energy sector. The object of the pre-investment surveys would be to stimulate high-risk capital-intensive petroleum exploration, or to develop alternative conventional and non-conventional energy sources. The specific terms of reference of the proposed fund had been the subject of extensive consultations with the World Bank and the United Nations Department of Technical Co-operation for Development. He did not contemplate the establishment of any new structure to administer the facility.

19. At the time when the terms of reference of the United Nations Revolving Fund for Natural Resources Exploration had been established, a number of sectors - petroleum, natural gas, geothermal energy, hydroelectricity and other conventional and non-conventional energy sources - had been excluded from its sphere of activity, largely because it would have been difficult to meet the Fund's terms of repayment. The five-year review of the Fund's activities would not take place until the twenty-ninth session of the Council, and a number of Governments had already requested, both individually and collectively, increased assistance in areas not within the mandate of the Fund. The proposal outlined in document DP/438 had already received the support of OPEC, which had offered an initial contribution of approximately \$6 million, or 10 per cent of the total contributions. It had also received the support of the World Bank, which saw the initiative as an important complement to the Bank's energy programme. In addition, the activities of the proposed fund, which would include exploration, pre-investment surveys and the construction of small-scale demonstration plants, would be complementary to those of the United Nations Interim Fund for Science and Technology for Development in the area of research and development.

20. In view of the urgent needs of the developing countries and the keen interest shown by the financing institutions, he asked the Council to approve his proposal and thus provide UNDP with the means of attacking rapidly and effectively what would become one of the most important problems of the coming decade. That would require a flexible mechanism - "fund", "facility" or "account", as the Council decided - the key consideration being that there should be no delay in dealing with such critical problems. UNDP had always responded to the needs of developing countries, and it was his hope that, in the case in question, the Council would provide it with the means to live up to that reputation.

21. Mr. KOBAYASHI (Director, United Nations Revolving Fund for Natural Resources Exploration) said that, after a difficult start, the Fund had considerably expanded its activities and Governments now had a better appreciation of the Fund's role and the type of assistance they could expect from it. Nineteen projects had already been approved by the Governing Council, four projects were under way (in Argentina, Cyprus, Liberia and Panama) and ten other projects were expected to become operational within a year. Three new projects were to be submitted for the approval of the Council within two months and a further seven within six to twelve months. Twenty-two more projects were under study.

22. The Fund's activities had also gained in effectiveness: for example, in Ecuador, one of the Fund's projects had led to the discovery of a high-grade silver mine. The Government of Ecuador had asked the Fund to provide consultants to advise on the most advantageous methods of developing the mine.

23. However, if the Fund was to continue to improve and develop its activities as it had been doing until then thanks above all to the support provided by Governments, the World Bank and the Governing Council of UNDP and the valuable assistance provided by the staff of the United Nations Department of Technical Co-operation for Development and UNDP Resident Representatives, the Governing Council should agree to delegate to the Administrator authority to approve projects financed by the Fund, thereby making it possible to avoid the accumulation of projects awaiting approval.

24. Members of the Governing Council should also give serious consideration to the possibility of contributing substantially to the Fund. It would not be possible to approve all pending projects if new resources were not made available to the Fund very quickly. In the light of the financial situation of the Fund (DP/477, paras. 21 to 26) and of the new projects awaiting approval in 1980, it was expected that commitments up to the end of 1980 would exceed available resources by approximately \$15 million. If the Fund did not obtain the necessary additional resources soon, it might not be able to respond to new requests or develop on-stream projects. Nor would it be able to undertake any full feasibility studies, and that would be most regrettable from the point of view of the developing countries.

25. It was vital, therefore, that donor countries should continue to make regular contributions to the Fund and that, following the example set by the Dominican Republic, Indonesia, Iraq and Panama, more developing and other countries should undertake to help finance the Fund's activities. In addition, there was a strong possibility that the Fund would find other sources of funding, particularly through the conclusion of co-financing agreements with Governments, international financing institutions and other public bodies. A major mineral exploration and development institute had already indicated an interest in a linkage with the Fund.

26. Despite the Fund's current financial difficulties, he remained optimistic, since he was convinced that the members of the Governing Council would do their utmost to mobilize the resources which were vital to the Fund if it was to be able to play its crucial role satisfactorily.

27. Mr. BRAND (Deputy Director, Division of Natural Resources and Energy, Department of Technical Co-operation for Development), speaking on behalf of Miss Anstee, Assistant Secretary-General for the Department, expressed satisfaction with the results obtained by the Fund, particularly since the Department of Technical Co-operation for Development, through the Division of Natural Resources and Energy, had always been closely associated with the activities of the Fund and had provided technical services and other support services to the Fund ever since its establishment. In fact, the Fund's Technical Director was a staff member of the Division of Natural Resources and Energy, and most of the Fund's technical staff were from the Department of Technical Co-operation for Development.

28. The Fund now needed support more than ever before if it was to perform its functions satisfactorily, since much had to be done in the field of pre-investment surveys to enable developing countries to develop their natural resources and thus increase their foreign exchange earnings. However, it was understood that Fund resources devoted to the financing of such pre-investment activities should merely complement the IPP and that such resources should not themselves be used to supply technical or other services, since that was not their purpose, but should be used merely to support and strengthen such services.

29. The Department of Technical Co-operation for Development and UNDP had jointly discussed ways of strengthening co-operation between the Department and the Fund. The role of the Department would, moreover, be considered during the review of institutional arrangements and Fund activities which the Economic and Social Council was to undertake in 1981. In that connexion, it was to be noted that the subvention arrangements made between the Department and the Fund would remain in force pending that review. The Department intended to participate actively in the preparations for the meeting of the intergovernmental group of experts responsible for reviewing and analysing the activities of the Fund. The Department of Technical Co-operation for Development hoped that the Governing Council of UNDP would give its approval for the financing of that meeting, the cost of which was estimated at \$90,000. Since the Revolving Fund was a United Nations trust fund and since the proposed review would concern extrabudgetary activities, it was appropriate that the cost of the meeting of the group of experts should be chargeable to the Fund's general resources, as provided for in the financial rules and regulations of the United Nations.

30. The Department of Technical Co-operation for Development also asked the Governing Council to endorse the appointment of Mr. Kobayashi as the new Director of the Fund and to delegate to the Administrator the authority to approve projects financed by the Fund, it being understood that each approval action would be reported to the Council at its regular annual session. Such a procedure would enable the Fund to be more responsive to the needs of developing countries.

31. For its part, the Department undertook to continue collaborating closely with the Fund and to help UNDP in the establishment of an Energy Fund for Exploration and Pre-Investment Surveys should the Governing Council approve the proposal made by the Administrator in document DP/438.

32. Mr. HODY (Belgium) said he was pleased to note that the Fund, which had experienced considerable difficulties at the outset, was now operating satisfactorily. According to the Administrator, a large number of countries from the five regions had fulfilled the conditions qualifying them for assistance from the Fund, and an equally large number of countries had expressed an interest in receiving such assistance. He inquired which were the countries in question.

33. With regard to the recommendations submitted by the Administrator (DP/477, para. 32), he said that Belgium had no objection to projects being approved by the Administrator in really urgent cases, provided that the normal procedure, whereby projects were considered and approved by the Governing Council, was followed in all other cases.

34. His delegation was also prepared to approve the financing of an expert group to assist in the 1981 review of Fund operations at a maximum estimated cost of \$90,000 to be defrayed out of the Fund's general resources if the United Nations should not be able to find another source for financing the group.

35. In view of the gravity of the energy problem, particularly in non-petroleum-producing developing countries, he considered it desirable that the Fund should undertake activities in the energy field. After having contributed in a not insignificant way to the financing of the Fund for three years, Belgium had discontinued its assistance because it considered that the Fund had not fulfilled the expectations of developing countries; but Belgium might reconsider its position if a worth-while programme was drawn up in the energy field.

36. Mr. CAVALCANTI (Brazil) said he was pleased to note that the Fund might soon receive its first replenishment contribution from a successful project, namely the project in Ecuador. He hoped that other such contributions would follow and that, in future, the Fund would be able to function on the basis of the automatic replenishment of its resources. He also welcomed the increase in the number of approved projects and the high number of projects pending - a reflection of the hopes of many developing countries for assistance from the Fund.

37. His delegation recommended that authority to approve projects be delegated to the Administrator, as requested, but only on a provisional basis, since the Council must be able to examine projects in depth and in the final analysis it was the Council's function to approve projects.

38. His delegation also approved the recommendation concerning the allocation of \$90,000 to finance a small expert group which, it was to be hoped, would be able to submit useful suggestions on ways of expanding Fund activities. In view of the Fund's current financial situation, any expansion of its activities should be contingent on a substantial increase in contributions.

39. According to document DP/477, paragraph 25, it was estimated that the Fund's administrative expenditures for 1980 would amount to approximately \$1 million. That figure seemed a little high, and his delegation would like to receive particulars of the expenditures in question.



40. He thought that the proposed funding policy was reasonable, since it took realistic account of the Fund's possibilities. In his opinion, it was only by pursuing a full-funding policy that the Fund would be able to expand its activities significantly.

41. Mr. EGUCHI (Japan) said that his delegation was fully aware of the need to assist developing countries in the exploration and development of their natural resources, for in the initial stage those activities involved high risks. In that respect the Revolving Fund for Natural Resources Exploration had a useful part to play. The success of the Ecuador project and the increasing interest of developing countries in the Fund's activities were evidence of its viability. However, in view of the growing need for funding, the Administrator would have to redouble his efforts to attract wider financial support. Japan, which had already contributed \$17 million to the Fund and would continue to make appropriate contributions to it, was very pleased that Italy had decided to join others as a major contributor to the Fund and that the Secretariat was actively exploring the possibility of co-financing agreements with interested Governments and international financial institutions.

42. Since the Fund had now firmly established itself and since the promotion of energy resources, particularly petroleum, in developing countries was an urgent requirement, the Japanese delegation considered that the Governing Council should seriously consider expanding the activities of the Fund to the financing of projects in the energy sector, in accordance with its original mandate.

43. The Japanese delegation agreed that the Governing Council should delegate to the Administrator the authority to approve projects financed by the Fund, on the understanding that each approval action would be reported to the Council at its regular annual session; in addition the delegation endorsed the appointment of Mr. Kobayashi as Director of the Fund.

44. Mrs. BELEN (Argentina) considered that the progress made by the Fund, particularly in the preparation and approval of new projects, was proof of the growing interest of the international community in natural resources and energy matters.

45. The Argentine delegation was pleased to note the success of the Ecuador project and hoped that it would contribute to that country's economic and social development, for it was the Fund's main objective to assist the recipient countries in utilizing their natural resources for their own and other developing countries' benefit, thanks to the system of resource replenishment. Referring to the project for the prospection of copper, lead, zinc, gold and silver deposits in Argentina, she said that the first phase of the work had been completed and that the results were satisfactory.

46. Commenting on the question of the Fund's operations, she expressed the hope that the subvention arrangements made with the Division of Natural Resources and Energy would continue, that the World Bank would continue to provide legal services at no cost to the Fund and that UNDP would continue to provide the administrative and financial services. The Fund's proposed participation in

energy activities would depend on the decision to be taken by the Governing Council on the Administrator's proposal to set up an Energy Fund For Exploration and Pre-investment Surveys (DP/438).

47. She noted that Government contributions had sharply declined, whereas the volume of operations was expanding steadily. In her view, that situation would paralyse the Fund, if necessary financial action was not taken to enable it not only to continue its current projects but also to conclude further agreements with the developing countries.

48. Mr. HARE (Canada) said that he shared the Administrator's view that 1979 had been a decisive turning-point in the Fund's development. The success in Ecuador augured well for the future and the Canadian delegation had no hesitation in supporting the four projects recommended in document DP/477. Given the critical funding situation, the policy whereby full funding would be applied to the Minimum Work programme, with its assumed success ratio of 1 in 3, appeared to be sensible.

49. Furthermore, the Canadian delegation supported the recommendation in paragraph 32(a) of document DP/477 that the Council should delegate authority to the Administrator to approve projects financed by the Fund, on the understanding each approval action be reported to the regular annual session of the Council. Likewise, if the United Nations should be unable to finance the costs of the expert group which was to review the Fund's operations, the Canadian delegation would agree to the convening by the Administrator of a smaller group at a maximum cost of \$90,000 to be charged to the Fund's general resources. He added that the Canadian delegation whole-heartedly endorsed the appointment of Mr. Kobayashi as Director of the United Nations Revolving Fund for Natural Resources Exploration.

50. Mr. FRANZI (Italy) said that it had taken both the potential recipient countries and the donor countries considerable time to appreciate the importance of the Fund, no doubt because its financing system differed from that of the other funds administered by UNDP. Italy had announced an initial contribution of \$1,234,568 in 1979 and would continue to contribute to the Fund in the years to come. He added that his country had stated its readiness to contribute to the financing of a project without requesting repayment. He hoped that Italy's example would be followed by other countries and that the Council would approve that type of arrangement.

51. The Italian delegation was preparing a draft decision taking into account the statements by the Administrator and his colleagues and the views expressed by delegations on the question of the United Nations Revolving Fund for Natural Resources Exploration, and asking the Council to delegate to the Administrator the authority to approve projects financed by the Fund, as recommended in paragraph 32(a) of document DP/477, and to authorize him to allow governmental, public and semi-public institutions whose operations were compatible with those of the Fund to participate in project financing. The Italian delegation hoped that the Fund would soon receive the financial support of the countries which depended for their well-being on the exploration of natural resources and, in some cases, on the exploration of only one natural resource.

52. In conclusion, he stated that Italy endorsed the appointment of Mr. Kobayashi as the new Director of the Fund.

53. Mr. RILEY (World Bank) stressing that developing countries had to find new sources of energy in order to lessen their dependence on petroleum imports, referred to the statement made by the Director-General of the OPEC Fund for International Development at a recent meeting of the Governing Council that OPEC would provide substantial aid if the proposal to create an Energy Fund for Exploration and Pre-investment Surveys was approved. The World Bank was convinced that such a Fund should be set up forthwith, in view of the serious problems facing the smallest and poorest among the developing countries and also because of the problems of exploiting energy resources at the multinational level. The Bank had initiated a large-scale lending programme to assist developing countries in pre-investment work and to exploit their petroleum resources. Those loans would amount to almost \$400 million in the current year and the Bank hoped to triple that figure during the next three years. The Bank had only limited means of direct aid and it could only provide aid to needy countries through its lending and credit programmes. Small countries with a low per capita income were not in a position to contract high-risk loans for their pre-investment petroleum surveys. Furthermore, whereas the Bank had difficulty, for legal reasons, in making loans for multinational operations, the Fund proposed by the Administrator would be able to provide the necessary resources on more favourable terms than any other financing institutions. He therefore urged the Council to take the necessary action to establish that Fund.

54. Mr. KELLAND (Denmark) said that the Nordic countries, on whose behalf he was speaking, had noted with great interest the proposal for establishing an Energy Fund for Exploration and Pre-investment Surveys. They believed that the proposal should be considered in the light of three factors: the importance of energy problems for low-income oil-importing countries, the special character of the energy sector, and the disadvantages of setting up new funds and organizations.

55. It was obvious that the financial burden which petroleum imports imposed on many developing countries seriously threatened their economic and social development. The best way of helping them to increase their capacity for growth would therefore be to enable them to augment their energy production. Furthermore, the energy sector was very well suited to the kind of fund proposed, in that the costs of projects would be recovered as far as possible. In many cases, the projects financed by the Fund would be high-risk projects but they could also bring a substantial return. Lastly, the Nordic countries were in favour of the idea of financing the projects of low-income countries on a grant basis so that the World Bank could give greater attention to countries in the higher income brackets.

56. Nevertheless, the Administrator's proposal had given rise to some hesitation. As a matter of general principle, the Governments of the Nordic countries were reluctant to establish new funds and organizations as they wished to avoid the proliferation of multilateral agencies. Moreover, the establishment of new funds narrowed the possibilities for recipient countries to determine their own priorities. Only in very few cases had the establishment of new funds led to the mobilization of

additional resources. However, if a special Fund was to be set up, it would be desirable that it should be established within the framework of the United Nations. The Nordic countries considered, however, that it would be prudent to reflect still further before taking any decision on the matter. As things stood, the resources required for a new Fund would have to be taken from aid programme sectors. It might therefore be better to await the outcome of the 1981 Conference on New and Renewable Sources of Energy in Nairobi before taking action on the Administrator's proposal.

57. Mr. MADI (Jordan) said that the creation of the Energy Fund for Exploration and Pre-investment Surveys could be of great service to his country. If the Fund was established, his Government hoped to benefit from its assistance in carrying out its programmes for exploration for petroleum and new and renewable sources of energy. It was to be hoped that the criteria for the selection of projects would be applied with great flexibility and understanding for the specific circumstances of each country, for the per capita GNP and the balance-of-payments status did not necessarily give an accurate picture of a country's financial situation. That was true of Jordan whose current financial situation was the result of exceptional circumstances such as financial assistance from Arab countries and remittances by Jordanians living abroad.

58. Mr. GIOVANNINI (Switzerland) agreed with the Administrator of UNDP that more technical and financial aid should be granted as a matter of urgency to the poorest countries, severely affected by the energy crisis, in order to enable them to increase their renewable and non-renewable energy resources. UNDP activities in that field should, of course, be strengthened as far as possible. However, before action was taken to establish the Fund proposed by the Administrator, its objectives would have to be clearly defined. Thought must be given, inter alia, to the way in which the new Fund would be able to contribute to a solution of the energy supply problem for the entire population and particularly the most disadvantaged sectors. Emphasis should also be placed on non-commercial forms of energy which could help to meet pressing needs such as cooking, particularly in rural zones. For example, if organic waste was better used, it could replace kerosene, which had become prohibitively expensive. Consideration could also be given to the decentralization of energy sources, particularly at the village community level, for example by encouraging the construction of small hydroelectric plants.

59. Furthermore, consideration should be given to the system for financing the proposed Fund. In his view, the system whereby expenditure would be recovered if the results of the project were exploited was acceptable in the case of petroleum exploration but it would not be reasonable to apply it to projects for the development of non-commercial energy sources destined for the most disadvantaged sectors of the population.

60. His Government was opposed in principle to the creation of new funds, unless it was clearly shown that existing institutions, in particular UNDP and the development banks and funds, were unable to meet the requirements. As regards the additional resources it was hoped to mobilize by establishing a new Fund, he pointed out that for many donor countries, at least for Switzerland, development aid was the subject of global planning, and the creation of new funds merely altered the allocation of resources which would, in any case, be devoted to co-operation. In the circumstances, it would probably be better to set up provisional machinery linked to the Revolving Fund.

61. Mr. GAJENTAAL (Netherlands) said that the Administrator's proposal concerning the establishment of an Energy Fund for Exploration and Pre-investment Surveys was a timely initiative. Rising concern over the current energy crisis justified the Governing Council in paying particular attention to the financing of exploration for petroleum and other sources of conventional energy in the poorest countries as well as assisting the developing countries in the development of new and renewable sources of energy to promote greater self-reliance in that field. His Government was prepared to channel funds through UNDP for assisting poorer developing countries with energy projects. Those problems would be a major area of concern not only at the Conference on New and Renewable Sources of Energy to be held in Nairobi but also in the new round of global negotiations. Thus, all members of the Council should welcome the Administrator's initiative. However, he did not think that it would be appropriate to attach the new Fund to the United Nations Revolving Fund for Natural Resources Exploration, since that would merely complicate the review of the activities of the latter which was scheduled for 1981. However, time was pressing and in view of the desperate needs of the developing countries, it was to be hoped that the Council would authorize the Administrator to seek and accept voluntary contributions from Member States, multilateral assistance organizations and private sources to finance the exploration and pre-investment surveys described in DP/438. Governments and other donors might enter into interim agreements for financing specific pilot projects for which funds were urgently needed. In that respect, he welcomed the aid promised by the Director-General of the OPEC Fund for International Development. The Netherlands delegation hoped that the Administrator would report to the twenty-eighth session of the Governing Council in the light of the preparatory work for the Nairobi Conference and the results of the review of the operations of the Revolving Fund. The Council would then have further data available and would be able to make recommendations to the Nairobi Conference and to the General Assembly. Meanwhile, funds could be mobilized to finance specific projects.

62. Lastly, he noted with satisfaction that the document before the Governing Council (DP/438) was the result of close co-operation with the World Bank. In his view, it was essential that such co-operation should be maintained, because when the new arrangements were established within the United Nations and UNDP in particular, they would be an essential complement to the activities of the World Bank in meeting the needs of the poorest countries.

63. With regard to the United Nations Revolving Fund for Natural Resources Exploration, he welcomed Mr. Koyabashi's appointment to the post of Director and noted with satisfaction that the Fund appeared to have overcome the difficulties encountered during its initial stages. The Netherlands delegation endorsed the recommendation that the Governing Council should delegate authority to the Administrator to approve projects financed by the Fund in certain cases and hoped that that procedure would be applied in respect of projects which had been unanimously approved within the Joint Operations Group. However, it was more reluctant with regard to the recommendation in document DP/477, paragraph 32 (b), regarding the financing of an expert group to assist in the 1981 review of Fund operations. It should not be made too easy to draw from the Fund's general resources, but it would be regrettable if such an important review were jeopardized by lack of finance.

64. Mr. DUVERNEY-GUICHARD (France) welcomed the Administrator's initiative of stressing energy problems at the current session. The French delegation was among those which realized the urgent need for greater UNDP assistance to a number of developing countries that were finding it increasingly difficult to satisfy their energy demand. However, it had doubts with regard to the institutional solution proposed in document DP/438, namely the creation of a new Energy Fund for Exploration and Pre-investment Surveys, for inasmuch as UNDP's regular programme covered all sectors of activity, the creation of parallel funds raised difficult jurisdictional problems; it was hard to distinguish activities under the regular programme from those of the sectoral funds. Nor did the creation of funds increase the over-all volume of assistance, for donor countries tended more and more to make provision for "global packages". Besides, the functions described in document DP/438 could be performed by the Revolving Fund for Natural Resources Exploration, regarding which the Administrator had pointed out, in paragraph 22 of document DP/477, that it could enter into energy-related work. Indeed, the results described in document DP/477 were very encouraging: the Revolving Fund had recorded its first successful exploration work and many Governments had accepted its operational procedures. Lastly, his delegation felt that in view of the growth in the number of projects submitted to the Revolving Fund it was right that authority should be delegated to the Administrator to approve projects; it also supported his recommendation concerning the financing of an expert group to assist in the review of Fund operations.

65. Mr. SUZUKI (Japan) said that the Administrator had taken a timely initiative in proposing to the Council an additional funding arrangement for exploration and pre-investment surveys in the energy field and that the proposal outlined in document DP/438 deserved serious consideration.

66. On the other hand, the original mandate of the Revolving Fund for Natural Resources Exploration, established within UNDP, had been to finance the exploration of mineral, water and energy resources. Given the remarkable success of the Fund, it might perhaps be better to expand its activities so that it could fulfil its original mandate properly rather than establishing a separate fund. In conclusion, his delegation supported the proposal for authorizing UNDP to play an additional role in promoting energy resources exploration in order to meet the pressing needs of developing countries. It wished to continue consultations with a view to reaching a consensus on that subject at the current session.

67. Mr. KAUFMAN (United States of America) said that his delegation was gratified by the much improved performance of the Revolving Fund for Natural Resources Exploration recorded in 1979; it agreed to the delegation of project approval authority to the Administrator of UNDP, on the understanding that each approval action was reported to the Council at its regular sessions. His delegation also approved the allocation of a maximum of \$90,000 from the Fund's general resources to assist in preparing analyses and recommendations for the 1981 review of the Fund's operations. It endorsed the Administrator's step towards partial funding of activities, but urged that the question be studied in depth during the 1981 review. However, noting that four relatively advanced developing countries appeared in the status of projects as of 31 December 1979 (DP/477, annex I) his delegation felt

that, in view of the limited resources available, efforts should be concentrated in the relatively less developed countries. He added that his delegation endorsed the appointment of Mr. Koyabashi as the new Director and that the United States Government had recently paid the contribution it had pledged.

68. His delegation supported UNDP's role in energy-related activities and its participation in the preparations for the 1981 Conference on New and Renewable Sources of Energy. However, with regard to the creation of an Energy Fund for Exploration and Pre-investment Surveys, it would like to make a distinction between two components of the Fund. The first, assistance for the petroleum sector should be increased and the conditional lending concept proposed for the new Fund in that area was worthy of consideration; however, the role of UNDP in the early phases of petroleum development must be made clear. For the non-petroleum sector, it would be better to use the newly established Interim Fund for Science and Technology for Development. The proposed Fund should, in any case, concentrate on only a few energy technology and pre-investment projects related to hydroelectric and geothermic power and coal, excluding the nuclear technologies. After consultations with other delegations, his delegation also felt that the petroleum sector of the proposed new Fund should be assigned to the Revolving Fund for Natural Resources Exploration. His delegation would not block a consensus in favour of establishing an Energy Fund for Exploration and Pre-investment Surveys, but his Government would not be able to contribute to it in 1981 and could not make any commitment for the following years. In conclusion, he sounded a general warning against the proliferation of funds.

69. Mr. PREUSS (Federal Republic of Germany) felt that the mandate of funds financing energy-related activities should be clearly defined, in accordance with the relevant General Assembly resolutions, so as to prevent any duplication of work. His delegation would like to participate in more detailed discussions on the creation of an Energy Fund for Exploration and Pre-investment Surveys before taking any decision. He wished to congratulate the Director of the Revolving Fund for Natural Resources Exploration on the excellent results he had obtained.

70. Mr. AL-IBRAHIM (Kuwait) said that, in his statement at the 694th meeting, Mr. Shihata, Director-General of the OPEC Fund for International Development, had stated that the OPEC Fund was prepared to contribute immediately 10 per cent of the resources now envisaged for the Energy Fund for Exploration and Pre-investment Surveys in its initial three-year period, provided that the remainder was supplied by other sources.

71. Mr. CORDERY (United Kingdom) welcomed Mr. Kobayashi to the post of Director of the Revolving Fund and was pleased to note the significant progress made by the Fund during 1979. In the opinion of the United Kingdom delegation, any changes in the Fund's modus operandi should be made with caution. Although it was not essential to consult the Governing Council with regard to the approval of projects in every case, it would be better, in urgent cases, to follow the written approval procedure agreed upon by the Council in February.

72. With regard to the funding policy, he agreed that resources must be released to enable the Revolving Fund to respond to all the possibilities; but the level of commitments must be governed by the level of existing and prospective contributions rather than by the number of projects in the pipeline. His delegation agreed that the Fund should meet the costs of the expert group which would prepare the 1981 review. In his view, the relationship between the Revolving Fund and the United Nations Division of Natural Resources and Energy was one of the central questions to be addressed at that time.

73. Mr. KOBAYASHI (Director of the United Nations Revolving Fund for Natural Resources Exploration), replying to questions raised during the discussion, indicated that altogether 71 countries had expressed an interest in receiving assistance from the Revolving Fund; 30 of them had accepted the operational mandate of the Fund contained in document DP/142.

74. Administrative and programme expenses had been apportioned in the following way: in 1977, of a total amount of \$1.8 million, 24.8 per cent had been allocated to administrative expenses and 75.2 per cent to programmes; in 1979, the proportions had been 20.8 and 79.1 per cent respectively of \$2.5 million; and in 1980, 17 and 82 per cent of \$2.6 million.

ASSISTANCE TO NICARAGUA (agenda item 5 (b) (iv)) (continued) (DP/GC/XXVII/CRP.15)

75. Mr. KUNIGI (Japan) introduced draft decision DP/GC/XXVII/CRP.15. His delegation had already made an oral proposal on the subject of assistance to Nicaragua and, since then, in the light of consultations with a number of delegations, a text had been worked out which should meet with the approval of all members of the Council.

76. Draft decision DP/GC/XXVII/CRP.15 was adopted.

77. Mr. BENDANA (Observer for Nicaragua) thanked the members of the Governing Council for having approved assistance which would be a material contribution to his country's reconstruction effort. It was significant that members of the Council with different systems had been able to reach agreement on that subject; thus, a very useful contribution was coupled with a success that was in harmony with the spirit of the Charter.

The meeting rose at 1 p.m.