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OTHER FUNDS AND PROGRAMMES

INTERIM ARRANGEMENTS FOR ENERGY EXPLORATION  
AND PRE-INVESTMENT SURVEYS

Action taken in respect to the Energy Account  
and the preparation by UNDP for the United  
Nations Conference on New and Renewable Sources  
of Energy, Nairobi, 10 - 21 August 1981

Report of the Administrator

Summary

This report has been prepared to inform the Governing Council of the progress made in implementing its decision 80/27 authorizing the Administrator to establish an Energy Account. The report outlines the various actions taken by the Administrator regarding fund-raising and with respect to projects submitted by Governments for approval under the Energy Account.

In the report, the Administrator provides details of the various actions he has initiated in respect to UNDP's inputs to the forthcoming Conference on New and Renewable Sources of Energy.

Finally, in the event that the Conference proposes to the General Assembly that a fund mechanism for energy be established and that UNDP be requested to administer and manage these resources, the Administrator requests the Council's authorization to accept such an arrangement. Furthermore, contingent upon the Conference's not adopting a resolution, the Administrator seeks the Council's approval to review the arrangements for the Energy Account with a view to deciding future modalities for funding energy activities.

The report is submitted to the Council primarily for information and attention is drawn to the draft decision contained in paragraph 18.

1. At its twenty-seventh session in June 1980, the Governing Council in its decision 80/27 authorized the Administrator, on an interim basis, to seek and accept voluntary contributions in cash or kind to undertake specific programmes and projects designed to meet urgent needs for assistance to developing countries, especially the poorest among them, in the energy sector, without prejudice to future arrangements which may result from the review of the United Nations Revolving Fund for Natural Resources and Exploration (UNRFNRE) and from the United Nations Conference on New and Renewable Sources of Energy.
2. In accordance with this decision, the Administrator initiated various actions. At the global meeting of Resident Representatives held in Tunis in July 1980, he made a personal request to Resident Representatives to assist Governments of developing countries to identify high priority projects in the energy field for funding under the country indicative planning figure or from one of the UNDP-managed programmes including the new Energy Account. The Administrator stressed the need to ensure the complementarity of energy programmes in developing countries with similar climatic, economic and social conditions in order to maximise the limited financial resources available for projects, particularly those involving research and development.
3. A senior officer experienced in the various energy disciplines of conventional and new and renewable energy resources visited several developing countries in order to assess the needs for special funding of energy programmes and projects and to obtain some indications of both the type and volume of requests which are likely to be received. The findings of this mission confirmed that developing countries expect UNDP to play an important and effective role in assisting them in the planning and development of their energy programmes and projects, particularly those which may lead to capital investment from the World Bank and other regional financing institutions.
4. Following the directive of the Governing Council, the Administrator, addressed a letter to all donor countries requesting contributions to the new Energy Account. While various donors have expressed some interest in contributing, only one major donor has come forward with a specific pledge to the Energy Account of \$2.5 million. This amount, together with the 10 percent of all contributions received ( up to an amount of \$6 million) pledged by the OPEC Fund for International Development, has already been earmarked largely for the purposes set out below.
5. With the World Bank as Executing Agency, a \$1 million allocation from the Energy Account has been approved for a 60-country energy assessment survey. The total cost of the project ultimately to be allocated to the Energy Account is estimated at \$3.5 million. These country surveys are expected to identify potential investment projects for financing by the World Bank and other lending sources, as well as technical assistance needs of countries, including further feasibility and pre-investment studies, for funding by UNDP. Assessments have

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been started in Burundi, Mali, Mauritius, Haiti, Kenya and Rwanda.

6. At the request of the Caribbean Group for Co-operation in Economic Development, UNDP has recruited a consultant to prepare in collaboration with the World Bank, the Inter-American Development Bank and the United Nations, a report on the on-going and pipeline investment and technical co-operation projects in the energy sector for the countries in the region. The report will assess development assistance in relation to the energy policies and strategies of these countries and make recommendations to the Group on improving the planning, co-ordination, financing and monitoring of external assistance for the energy sector. In particular, the consultant will examine the scope and nature of assistance to be provided in the region by the special oil facilities of the Governments of Trinidad and Tobago, Venezuela and Mexico.

7. A further \$200,000 has been allocated for Colombia, with the World Bank as Executing Agency, to carry out a coal transportation study under contract with a consulting organization. A study of the feasibility of establishing an International Network for Training in Energy Planning has also been approved in the amount of \$138,000 for implementation partly under a sub-contract and partly by UNESCO. This study will attempt to identify institutions which will provide training for energy planners and policy makers from developing countries. In addition, \$120,000 has been approved for a short-term training programme on the Management of Energy Resources and Energy Saving organized by the Turin Centre for Advanced Training to train 15 participants. This programme is a repetition of a very successful one which the Turin Centre carried out in 1980.

8. A proposal is in the final stages of consideration with the United Nations Institute for Training and Research (UNITAR) for establishing an International Centre for Heavy Crudes and Tar Sands. An initial grant of \$20,000 has been earmarked for this purpose from the Energy Account. The unique feature of the proposed Centre is that Governments and the petroleum industries would sponsor it and participate directly with the United Nations in its operation. A financial contribution from Governments and industries for the establishment of the Centre is envisaged. A number of smaller projects have also been identified for funding from the limited resources of the Energy Account. In addition, the Administrator has approved an allocation in the amount of \$100,000 for preparations by Governments for the forthcoming Energy Conference.

9. In view of the limited financial resources available for energy projects, the Administrator has addressed a letter to selected donors listing the various projects which have been submitted by developing countries for funding under the Energy Account and the United Nations Interim Fund for Science and Technology for Development. He hopes in this way that it might be possible to interest various bilateral programmes in jointly financing projects of high priority where the Energy Account with a small input could play a catalytic role in their initial stages.

10. The technical staff of the Bureau for Programme Policy and Evaluation (BPPE) has undertaken a number of missions for the purpose of preparing programmes and projects for financing under the country IPF or from one of the UNDP-managed funds.

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A senior official of the Bureau for Programme Policy and Evaluation recently undertook a mission to New Zealand to negotiate the modalities for further funding of the Geothermal Training Institute at the University of Auckland. 1/ A further three-year programme for joint funding by the New Zealand Government and the Division for Global and Interregional Projects has been approved recently by the Administrator. The New Zealand Government will make a special contribution in cash of \$320,000 towards the cost of the project with the University bearing all fixed costs. A further mission to Pakistan by a senior technical advisor has led to the approval of an IPF-funded project for establishing energy centres in four rural villages.

11. The Administrator believes that with adequate financial resources and a modest increase in the technical staff, UNDP's activities in the energy field can be greatly expanded. In order to ensure consistent policy and integration of programmes and projects whatever the source of funding, the Administrator has established an Energy Policy Group under the chairmanship of the Deputy Administrator. All important matters relating to project approvals, as well as preparation for the forthcoming Conference on New and Renewable Sources of Energy are brought before this Group for advice.

12. In connexion with the preparation for the Conference, moreover, the UNDP Secretariat has participated in the various preparatory committee meetings and some of the technical panel meetings. A paper has been prepared for the Preparatory Meeting outlining the various activities presently being financed by UNDP or one of its associated funds with the modalities for financing future activities. Various proposals for increasing the financial resources for pre-investment and technical co-operation have been made in a further paper presented to the ACC Task Force on Long-Term Development Objectives, under the item Energy, Money and Finance. The Administrator expects that some of these ideas might be favourably considered by the Conference when it meets in August 1981.

13. In order that delegates to the Conference might have an overview of UNDP's experience in the field of energy, the Administrator has retained the services of a senior consultant who will assist him in formulating various alternative approaches which Governments of developing countries might adopt in planning and developing their energy programmes. A relevant paper entitled UNDP Proposals to the United Nations Conference on New and Renewable Sources of Energy for the Plan of Action will be presented to the Conference and will be available to members of the Council for information.

14. UNDP has been actively co-operating with the United Nations Division for Economic and Social Information (DESI) in promoting knowledge of the Conference and its goals. To this end, UNDP has produced a series of fact sheets on its activities in this field. The UNDP evaluation study conducted in 100 developing countries on new and renewable sources of energy has been given wide circulation in developed and developing countries in four working languages of the United Nations. In addition, UNDP has published a series of background papers for the

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1/ This project is currently being assisted by an interregional project, INT/76/007.

information media on this study, as well as on UNDP energy policies in order to enhance its role in assisting developing countries in both the identification and implementation of their priority energy projects. While all this material has been made available to DESI, UNDP itself is promoting the publications as a major information priority in 1981 by personal contacts with important editors and publications in the energy field.

15. A separate document 2/ has been submitted to the Governing Council on the results of the Expert Review of the United Nations Revolving Fund for Natural Resources Exploration. The document contains the Group's recommendation that the Fund expand its activities into exploration for geothermal resources, limited for the present to exploration of hydrothermal systems. A repayment formula in accordance with the mandate of the Fund for financing such projects is proposed. The Expert Group further supported expansion of the Fund's scope to include petroleum and gas exploration and, on the assumption that substantial additional funding could be made available, recommended that a Group of Petroleum Experts be convened to consider the ways and means of integrating these activities into the Revolving Fund's operations. (See paragraph 20 of document DP/538).

16. In the event that the Conference on New and Renewable Sources of Energy decides to recommend to the General Assembly a new funding mechanism for energy and to request UNDP to administer and manage it, the Administrator would propose that the Governing Council authorize him to accept such a mandate. This proposal is consistent with and would give further expression to UNDP's central role in co-ordinating activities of the UN development system and in funding technical co-operation and pre-investment activities in the energy field.

17. If, on the other hand, the Energy Conference does not adopt a resolution on a future funding mechanism for energy, it is proposed that the Administrator be authorized to review the interim arrangements for the Energy Account in order to develop recommendations as to the future modalities for funding of energy activities. Such a review would be subject to consideration by the Economic and Social Council and the General Assembly of the report of the Expert Group Review of the United Nations Revolving Fund for Natural Resources Exploration which includes the proposal that the Fund be given an appropriate mandate for financing petroleum, natural gas and geothermal exploration and development. The review would also include consideration as to whether the resources of the Energy Account should be transferred to the Revolving Fund.

18. In the light of the above, the Administrator recommends that:

The Governing Council:

- (a) Authorize, in principle, the Administrator to accept the administration and management of any new funding mechanism

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2/ DP/538 Report of the Working Group of Government Experts to assist in the review by ECOSOC of the Revolving Fund for Natural Resources Exploration.

for activities related to energy, if requested by the United Nations Conference on New and Renewable Sources of Energy and endorsed by the General Assembly; and.

- (b) Further authorizes the Administrator, in the event that the Conference does not adopt such a resolution on future funding, to review the interim arrangements for the Energy Account with a view to deciding the future modalities for funding of energy-related activities, taking into account the Report of the Working Group of Government Experts on the review of the United Nations Revolving Fund for Natural Resources Exploration and the proposal that the Fund be given an appropriate mandate for financing petroleum, natural gas and geothermal exploration and development.

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