

# UNITED NATIONS DEVELOPMENT PROGRAMME



# UNDP

Distr.  
GENERAL

DP/538  
7 April 1981

ORIGINAL: ENGLISH

GOVERNING COUNCIL  
Twenty-eighth session  
June 1981  
Agenda Item 7(d)

## OTHER FUNDS AND PROGRAMMES

### United Nations Revolving Fund for Natural Resources Exploration

#### Report of the Working Group of Government Experts

#### Summary

The report of the Working Group of Government Experts contained in document E/1981/23 makes certain recommendations requiring authorization by the Governing Council to enable the Administrator of UNDP to put them into effect. The Council's attention is therefore directed to the draft decision elaborated in the present paper.

1. In accordance with Economic and Social Council resolution 1762(LIV) of 18 May 1973, and subsequent related resolutions and decisions of the General Assembly, the Economic and Social Council and the Governing Council, a working group of Government experts was convened by the Director-General for Development and International Co-operation, on behalf of the Secretary General, in consultation with the Administrator of the United Nations Development Programme to assist in a comprehensive review of the functions and institutional arrangements of the United Nations Revolving Fund for Natural Resources Exploration, and of its repayment system, with a view to recommending to the Economic and Social Council necessary changes and improvements, taking into account the comments of the Governing Council and the Committee on Natural Resources.

2. In conformity with Economic and Social Council resolution 1979/65, the report of the working group of Government experts, presented as document E/1981/23, is to be submitted to the Economic and Social Council through the Governing Council of UNDP and the Committee on Natural Resources. On the basis of this report, the Administrator proposes the following draft decision by the Governing Council which would permit revision of the Fund's Operational Procedures and Administrative Arrangements (DP/142) as well as propose amendments to Economic and Social Council resolution 1762 (LIV).

Recommendation of the Administrator

3. Taking into account the recommendations contained in the report of the working group of Government experts as they affect the functions, institutional arrangements and repayment system of the Fund, the Administrator proposes that:

The Governing Council,

(a) Take note of the report of the working group of Government experts, as contained in document E/1981/23, and endorse its recommendations for the future operations of the Fund;

(b) Reaffirm that the functions and scope of the Fund should include assisting countries in their efforts to pursue the findings of a solid minerals exploration project in such a way as to improve its chances of reaching the stage of acceptability for exploitation; and agree that, for such activities the Fund may negotiate a replenishment contribution based on reimbursement to the Fund as specified in paragraph 35 of the working group of Government experts' report;

(c) Authorize the Fund to expand its activities into geothermal energy, up to and including exploration drilling, and agree that the Fund may nego-

tiate a replenishment contribution for such activities at the rate of 5 per cent of the fair market value of energy produced subject to the conditions described in paragraph 36 of the working group of Government experts' report;

(d) Decide that the Fund should expand the scope of its operations to include hydrocarbon exploration, subject to further consideration by a group of petroleum experts, at a meeting to be convened at an appropriate time, of the ways and means of integrating these activities into the Fund's operations;

(e) Recognize UNDP's over-all role of policy guidance and coordination and that its administration of the Fund assures appropriate support to carry out its managerial and financial responsibilities;

(f) Agree that the Fund should maintain a core of technical staff for decision-making, particularly in order to ensure adequate direction of all aspects of project selection, financing and management;

(g) Endorse the recommendation of the working group of Government experts that maximum use should be made of the technical services of the Division of Natural Resources and Energy of the Department of Technical Co-operation for Development for the operational activities of the Fund and that those services should also be used for the additional activities proposed by the group in the fields of feasibility studies, petroleum and gas exploration and geothermal development;

(h) Confirm that the present 2 per cent rate of replenishment contributions in respect of solid minerals should be maintained, but with a concessional reduction of the rate by half to 1 per cent in the case of the least developed countries (LDCs) (as so designated by the United Nations);

(i) Decide that a ceiling of 10 times project costs at constant prices should be applied to repayment by recipient countries to the Fund for successful exploration projects for solid minerals;

(j) Decide that the Joint Operations Group of the Fund should be chaired by the Administrator or his representative;

(k) Request the Administrator to apply the necessary modifications to the present Operational Procedures and Administrative Arrangements (DP/142) of the Fund in accordance with this decision;

(l) Recommend that the Economic and Social Council endorse the report of the working group of Government experts; and

(m) Recommend to the Economic and Social Council for adoption the following resolution:

The Economic and Social Council,

1. Takes Note of Governing Council decision \_\_\_\_\_;
2. Endorses the recommendations of the working group of Government experts as contained in document E/1981/23;
3. Decides to amend its resolution 1762 (LIV) as follows:
  - (i) paragraph 1(h)(ii): "Payments by recipient participating states as specified in Project Agreements with the Fund.";
  - (ii) paragraph 1(i): "...the rate of repayment and the length of the repayment period should be on the basis of the pertinent provisions contained in the operational procedures and administrative arrangements approved by the governing body of the Fund"; and
  - (iii) paragraph 1(m): "The Governing Council of the United Nations Development Programme shall continue to be the governing body of the Fund"; and
4. Urge all States Members of the United Nations to recognize the need for additional voluntary contributions to the Fund in order for it to fulfill more adequately its mandate for the benefit of developing countries.

- - - - -