In this document the Administrator reports on the operations and management of the Interim Fund and on its current resource status. Innovative measures for project appraisal and approval and procedures for accelerating project implementation are described. The report contains a tabular summary of 800 project proposals with breakdowns by geographical distribution and by substantive categories. Information on the initial group of approved projects and on activities supported through the programme reserve is also presented, as is data on staffing and related costs. This report is submitted to the Governing Council for its information. It is expected that supplementary information will be made available to the Council during the twenty-eighth session.
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I. BACKGROUND

Introduction

1. In this report, the Administrator is providing information on the operation and management of the Interim Fund for Science and Technology for Development in accordance with the provision of paragraph 2 of the Annex to General Assembly resolution 34/218 of 19 December 1979.

2. A first such report was submitted to the Governing Council at its twenty-seventh session in June 1980 in document DP/487. At this session, the Governing Council in its decision 80/40, inter alia, requested the Administrator to report on further developments and progress of the Interim Fund.

Financial resources

3. In line with the provisions of General Assembly resolution 34/218 the Secretary-General convened a Pledging Conference for the Interim Fund which was held on 27 March 1980. At the Pledging Conference, 35 Governments made firm pledges of contributions to the Interim Fund totaling $35.8 million. A number of other countries, in addition, notified the Pledging Conference of their decision to contribute but did not specify the amount or timing of their contributions. Following this Conference, the Administrator declared the Interim Fund operational on 19 May 1980.

4. Since this date, some additional contributions have been pledged and arrangements have been made for the co-operative financing of projects. However, one major contribution pledged to the Interim Fund in March 1980 is not now expected to be forthcoming. The resources pledged by Governments to the Interim Fund for 1980 and 1981 amount, at this stage, to approximately $40 million, only about 16 per cent of the target of $250 million agreed by the General Assembly. Arrangements have been made however, which should lead to additional resources for the financing of projects by the Interim Fund through co-financing with other sources of funds.

5. There is widespread disappointment and concern that the resource target carefully negotiated in Vienna and endorsed by the General Assembly will not be achieved. In these circumstances, efforts have been undertaken by a number of countries, and by the Interim Fund itself, to identify alternative ways of

1/ See section VI, para. 8 of the Annex.

2/ For example, in resolution 35/67 the General Assembly urgently appealed to all Governments to contribute substantially to the Interim Fund so that the agreed target of $250 million could be reached by the earliest possible date.
mobilizing financial and other resources for the Interim Fund's programme. The Administrator will report orally on progress in this respect to the Governing Council.

Establishment of procedures for the Interim Fund

6. The provisions of the Annex to General Assembly resolution 34/218 require the Administrator of UNDP to develop procedures for the submission of requests for assistance from the Interim Fund. These procedures, designed for accelerated operations, have now been completed in consultation with the Director-General for Development and International Economic Co-operation, the United Nations Centre for Science and Technology for Development (CSTD), the specialized agencies and other organizations of the United Nations system. They have been transmitted to Governments, field offices of UNDP and to other organizations concerned. The procedures make provisions to ensure that the expertise and capacities of agencies, regional commissions, CSTD and other organizations of the United Nations system, together with the existing resources of the UNDP, can be mobilized in an effective partnership with the Governments of developing countries for achieving the objectives of the Interim Fund.

7. The creation of the Interim Fund was clearly a matter of significance to UNDP, as well as to Governments and the United Nations system as a whole. Accordingly, the Administrator has taken a number of steps to ensure, in the design of procedures and arrangements for the Interim Fund, as well as in the implementation and monitoring of projects, that the Fund will be able to co-operate in the most effective way with UNDP and with other relevant organizations of the United Nations system, and with the concerned Governments.

8. The procedures of the Interim Fund are based on those of UNDP itself so as to avoid duplication; but, in view of the time constraints within which the Interim Fund must operate, they are aimed at accelerating the process of appraisal, approval, and implementation. Particular stress has been laid on the need to facilitate Government execution of projects, in accordance with relevant directives of the General Assembly.

9. In accordance with the decisions of the Intergovernmental Committee, taken at its meeting in May 1980, the Director-General for Development and International Economic Co-operation and the Administrator have reached agreement on arrangements for co-operation between CSTD and the Interim Fund.

*See document ST/PROG./1
II. APPRAISAL AND APPROVAL PROCESS

Project proposals

10. The response to the creation of the Interim Fund has been remarkable. Up to the present, over 800 requests for support have been received from more than 80 Governments. In accordance with the General Principles laid down by the General Assembly in the Annex to resolution 34/218, particular efforts have been made to assist developing countries with limited capabilities in the identification, formulation and processing of requests for assistance. Among the areas covered by these requests are:

(a) Science and technology policies and plans for development, including institutional infrastructure;

(b) Choice, acquisition and transfer of technology;

(c) Scientific and technological information;

(d) Human resources development for the application of science and technology through education and training;

(e) The strengthening of research and development in and for developing countries and their linkage to the productive system; and

(f) Research and development in the field of energy.

11. The Interim Fund has specific mandates to support high-risk, innovative activities where required; to utilize national expertise; and to pay particular attention to the needs of the most disadvantaged countries. Tables 1 and 2 below present an analysis of proposals received as at 15 March 1981, by sector, origin and geographical distribution.
### Table 1

**DISTRIBUTION AND ORIGIN OF REQUESTS**  
(As at 15 March 1981)

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
<th>Per cent of Total</th>
<th>National or Intercountry Projects</th>
<th>Source of Requests</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Country</td>
<td>Intercountry</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>a/</td>
</tr>
<tr>
<td>Latin America</td>
<td>145</td>
<td>17.8</td>
<td>120</td>
<td>25</td>
</tr>
<tr>
<td>Arab States</td>
<td>72</td>
<td>8.9</td>
<td>40</td>
<td>32</td>
</tr>
<tr>
<td>Asia</td>
<td>197</td>
<td>24.2</td>
<td>160</td>
<td>37</td>
</tr>
<tr>
<td>Africa</td>
<td>241</td>
<td>29.6</td>
<td>218</td>
<td>23</td>
</tr>
<tr>
<td>Europe</td>
<td>53</td>
<td>6.5</td>
<td>47</td>
<td>6</td>
</tr>
<tr>
<td>Interregional</td>
<td>106</td>
<td>13.0</td>
<td>NA</td>
<td>106</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>814</td>
<td><strong>100.0</strong></td>
<td><strong>585</strong></td>
<td><strong>229</strong></td>
</tr>
</tbody>
</table>

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a/ Includes proposals on which two or more countries are co-operating on the project and will benefit from it.

b/ Projects forwarded directly by Governments to IFSTD for financing, including those prepared by Governments in collaboration with agencies for financing by IFSTD.

c/ Projects forwarded by agencies, regional commissions or other United Nations entities. These projects are generally based on requests of Governments or intergovernmental bodies. In accordance with the decision of the Intergovernmental Committee at its second session, the Interim Fund will in each case, consult with the concerned Government(s) to ascertain the priority given to the project.
Table 2

BREAKDOWN OF REQUESTS FOR ASSISTANCE<sup>a/</sup>
(As at 15 March 1981)

<table>
<thead>
<tr>
<th>Description</th>
<th>No. of requests</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Science and technology policies and plans for development, including institutional infrastructure</td>
<td>191</td>
<td>23</td>
</tr>
<tr>
<td>2. Choice, acquisition and transfer of technology</td>
<td>178</td>
<td>22</td>
</tr>
<tr>
<td>3. Scientific and technological information</td>
<td>54</td>
<td>7</td>
</tr>
<tr>
<td>4. The development of human resources for science and technology</td>
<td>106</td>
<td>13</td>
</tr>
<tr>
<td>5. The strengthening of R and D in and for developing countries and their linkage with the productive system</td>
<td>201</td>
<td>25</td>
</tr>
<tr>
<td>6. The strengthening of research and development capability in the field of energy</td>
<td>84</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>814</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

<sup>a/</sup> A significant proportion of the proposals in the sub-sectors above include measures designed to promote technical co-operation between developing countries.

<sup>b/</sup> Including requests for preparatory assistance.
Initial approvals

12. A convincing start has been made in addressing the needs reflected above with the approval in November 1980 of an initial group of 19 projects requested by Governments in all parts of the world. Thus, in less than one year since its establishment, the Interim Fund has appraised and approved project requests which cover such subjects as research development and adaptation in remote sensing, metallurgy technology, photo-voltaic materials, energy related technologies in tea production and in low-cost housing materials and production techniques, agricultural research, the utilization of chemical wastes, and geological cartography. Each project has been carefully appraised and prepared for approval according to criteria based on the decisions of the General Assembly and the Intergovernmental Committee. This appraisal process has been carried out in close collaboration with the Government(s) concerned. The Interim Fund component in the cost of these projects is $16 million. Further information about the projects is contained in Annex I.

13. Some 32 additional project proposals are now being appraised for possible approval early in 1981, and other projects are in the course of preparation for later approval. The Council will be informed of the decisions on this group of projects by the Administrator in his oral presentation. As mentioned above, the needs of the least developed countries are receiving particular emphasis in an effort to carry out the specific decisions negotiated and agreed to by Governments in the General Assembly.

III. ACTIVITIES SUPPORTED THROUGH THE PROGRAMME RESERVE

14. The Interim Fund was authorized to establish a Programme Reserve by earmarking for this purpose up to two per cent of the total contributions made. The purpose of the Programme Reserve is to ensure that the Interim Fund has a capacity for flexibility and innovation, as well as to provide technical support in the preparation of proposals to be financed from the Fund. The Programme Reserve is utilized at the discretion of the Administrator for purposes consistent with the objectives of the Vienna Programme of Action and the guidelines established by the General Assembly and the Intergovernmental Committee.

15. The Programme Reserve has so far been used mainly to provide preparatory assistance to countries in identifying and formulating projects for submission. Resolution 34/218 of the General Assembly and the financial procedures of the Interim Fund provide that, in the event that projects initially prepared through use of the Programme Reserve are subsequently approved for the Interim Fund's financing, the resources expended from the Programme Reserve will be recouped from the project budget.
16. More recently the Programme Reserve has been used to finance preliminary work in substantive areas of high interest to a large number of Governments where there is a demonstrated potential for specific country or intercountry project proposals. Examples of such areas are briefly described below.

**Analytical case studies in the field of science and technology information**

17. Given the interest in this subject expressed during the UNCSTD in Vienna, by the General Assembly and by the Intergovernmental Committee in the drawing up of the Operational Plan, and in view of the large number of requests received by the Interim Fund from Governments, an initial analysis is being financed of the problems actually encountered by eight selected developing countries in obtaining, selecting, disseminating and utilizing science and technology information. An amount of $95,000 has been allocated from the Programme Reserve for this purpose in which the Governments are collaborating with UNESCO. The preliminary analysis is expected to lead to specific proposals for Interim Fund assistance in this field. If, as a result of this effort, specific projects are approved by the Interim Fund, a proportion of this expenditure will be recouped.

**Appropriate technology**

18. A number of requests have been received from Governments calling for the identification, adaptation, acquisition, testing, demonstration and pilot production of technologies particularly suited to the needs of the developing countries. The Interim Fund has accordingly devoted a small amount of Programme Reserve resources for the analysis of these requests with a view to ensuring the continuous exchange of information to avoid duplication and to promote co-ordination between efforts of the Interim Fund and other organizations.

**Research and development in energy**

19. In view of the numerous requests received which call for research, development, adaptation and acquisition of technologies, testing, demonstration, pilot production, training, etc., in the field of energy, the Interim Fund has committed a small amount of Programme Reserve resources to the analysis of project requests received.  

IV. CO-ORDINATION

**Co-ordination with CSTD**

20. General Assembly resolution 34/218 and resolution 11.2 of the Intergovernmental Committee requested the Director-General and the Administrator to make suitable arrangements to ensure a close and continual relationship between the CSTD

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3/ A paper drawing on this analysis of projects received has been prepared and submitted to the Secretary-General of the United Nations Conference on New and Renewable Sources of Energy.
and the Interim Fund including, *inter alia*, discussions on an appropriate involvement for the Centre in the review of the operation of the Interim Fund. Accordingly, the basis for such a working relationship was prepared after consultations among the Administrator, the Director-General, representatives of the Interim Fund and CSTD. Agreement was reached on those Interim Fund activities in which the CSTD should have a consultancy or participatory role and on CSTD activities to which relevant inputs from the Interim Fund would be provided.

21. These areas for interaction were based on a recognition of mutual interest and support and were formulated in the light of the following: (a) current responsibilities mandated by General Assembly resolution 34/218 and the prospectus contained in its Annex; (b) additional guidelines provided by the Intergovernmental Committee; (c) the 1980-1981 Programme Budget authorizing specific activities of the CSTD for that period; and (d) the experience gained over the past year by both units in carrying out their individual and joint responsibilities. It was understood that working relationships relating to these areas or activities were intended to cover the interim period only, since decisions by intergovernmental bodies on the long-term financing and institutional arrangements would determine the basis for responsibilities and working relationships beyond that period.

Co-ordination with other United Nations system organizations

22. Modalities for co-ordination with other organizations in the United Nations system is specified in the Procedures of the Interim Fund. In practice, this co-ordination is reinforced through the involvement of the specialized agencies and regional commissions in the identification, formulation and appraisal of projects and proposals, in assisting Governments to revise and improve project proposals and through regular consultations.

23. For example, to facilitate co-ordination of Fund activities and to draw fully upon the substantive experience of the agencies in an appropriate manner, periodic consultations are held with the agencies in conjunction with the Inter-agency Consultative Meetings and with the Interagency Task Force at UNDP headquarters which is consulted on a regular basis. Other channels are also used as required. These consultations provide an opportunity for a full exchange of views on the orientation and progress of activities and have proved of value to the Interim Fund in establishing its procedures and developing its operational activities.

*See document ST/PROG./1*
V. FUNDING SITUATION

24. In view of the rapidly changing funding situation of the Interim Fund, the Administrator will present the Governing Council with an up-to-date account in his statement to the twenty-eighth session.

VI. STAFFING AND RELATED COSTS

25. In the initial budget approved by the General Assembly for the two-year interim period, the Administrator estimated the costs of staff, consultants, travel and overhead expenditures for the Interim Fund at $794,320 in 1980 and $1,145,140 in 1981. Moreover, the Administrator also indicated his intention, based on the decisions reached by the General Assembly in respect of a minimum level of resources for the Interim Fund, to keep the administrative and programme support costs of the Interim Fund within two per cent of the Fund's total resources.

26. To ensure the rapid implementation of the mandate of the Interim Fund as instructed by the General Assembly, a small core staff of six professional and five general service was established in 1980. Assisted by periodic consultant services, this cadre was required to respond to the project proposals received in the first year of the Fund's operation.

27. In reporting to the General Assembly in December 1980, the Administrator was able to state that the expenditures for that year would amount to approximately $640,000, well within the figure proposed. He also drew attention to the importance of adequate staffing to insure effective operations in view of the very substantial demands made on the Interim Fund in dealing with over 800 project proposals. Given the importance of responding to Government requests in an efficient and timely manner, the General Assembly recognized that it could be necessary for the administration and support costs of the Interim Fund to exceed two per cent of contributions depending on the rate and level of additional contributions. In view of the need to ensure the effective operation of the Fund during the interim period so as to prepare for the coming into operation of the Financing System, the General Assembly authorized the Administrator to incur such costs on behalf of the Interim Fund, within the level indicated for 1981. In its report to the General Assembly on this item, the ACABQ stated that "the situation will need to be reviewed in the course of the year in the light of developments as regards additional pledges". The Administrator will comment further on this matter in his oral presentation to the Council.

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1/ General Assembly resolution 35/217, section XIX, See also A/C.5/35/91.
2/ General Assembly resolution A/35/7/Add.32, paras. 15-18.
VII. INNOVATIVE MEASURES UNDERTAKEN

28. The Intergovernmental Committee on Science and Technology for Development has stressed that procedures for the operations of the Interim Fund should be streamlined and innovative. Accordingly, the procedures - developed in close consultation with UNDP, the relevant United Nations system agencies and the Centre for Science and Technology for Development - incorporate provisions to accelerate the provision of assistance, to reduce wasted effort, and to make appropriate use of national expertise, consulting and research organizations.

29. In order to minimize wasted effort, for example, the procedures provide that a project concept may be submitted which outlines both the problem to be tackled as well as the suggested approach. This project concept is then appraised by the Interim Fund on a preliminary basis before further elaboration into a project document. The project document itself is concise and detailed with a budget and work plan to be carried out on approval.

30. A systematic and specified appraisal process is undertaken by the Fund taking into account the results of examination by the competent United Nations bodies, regional and technical bureaux of UNDP itself, Resident Representatives and expert consultants where required.

31. After the project has been approved in principle, the project management is required to prepare a detailed work plan and budget within a stipulated period of time in each case, e.g. three months. This work plan, when mutually agreed upon, constitutes the basis for the disbursement of funds.

32. A noteworthy feature of approved projects is that a high proportion are being executed by Governments themselves. For this purpose, as well as for active monitoring of all projects, new procedures have been issued in close consultation with the appropriate services of UNDP, and with the United Nations development system organizations concerned.

VIII. DEVELOPMENTS IN THE EXPERT GROUP ON THE FINANCING SYSTEM

33. To assist the Intergovernmental Committee in formulating the long-term arrangements for the Financing System scheduled to start in January 1982, General Assembly resolution 37/218 provided for an Intergovernmental Group of Experts to undertake, with the support of the Director-General, a prompt and thorough study of all relevant arrangements for the operation of the Financing System.
In the course of preparing its report and recommendations to the Intergovernmental Committee, the 27-member Expert Group met twice in 1980 and is scheduled to have two further meetings in 1981. It is scheduled to present its report at the resumed Third Session of the Intergovernmental Committee in August 1981. After considering this report, the Intergovernmental Committee is to make its own recommendations, through the Economic and Social Council (ECOSOC), to the General Assembly at its thirty-sixth session.

35. The Administrator will report to the Governing Council on the decisions taken by the Intergovernmental Committee at the first part of its Third Session in May 1981 and will, if necessary, bring to the attention of the Council any points of importance to the UNDP, particularly as regards the transition from the interim to the long-term financing arrangements.