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OPERATIONAL ACTIVITIES

Report of the Working Group of Government Experts on the United  
Nations Revolving Fund for Natural Resources Exploration

SUMMARY

In accordance with Economic and Social Council resolution 1979/65 of 3 August 1979, a Working Group of Government Experts was appointed by the Secretary-General, in consultation with the Administrator of the United Nations Development Programme, to review and analyse the activities of the United Nations Revolving Fund for Natural Resources Exploration. This review and analysis was intended to assist the Council to review, in the light of experience gained, the functions and institutional arrangements, as well as the repayment system of the Fund, with a view to recommending to the General Assembly necessary changes and improvements, taking fully into account the comments of the governing body and the Committee on Natural Resources, in accordance with Council resolution 1762 (LIV) of 18 May 1973. The present report of the Working Group of Government Experts records its conclusions and recommendations under the following headings: (a) the operational experience of the Fund; (b) functions and scope; (c) the replenishment system; (d) the funding system; and (e) institutional arrangements.

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## INTRODUCTION

1. A Working Group of Government Experts was appointed by the Secretary-General, in consultation with the Administrator of the United Nations Development Programme (UNDP), in accordance with Economic and Social Council resolution 1979/65 of 3 August 1979, to review and analyse the activities of the United Nations Revolving Fund for Natural Resources Exploration, in order to assist the Council in carrying out a comprehensive review, in 1981, of the functions, institutional arrangements and repayment 1/ system of the Fund.
2. When the Economic and Social Council recommended to the General Assembly, by resolution 1762 (LIV) of 18 May 1973, that the Fund should be established, it indicated its intention to review, in the light of experience gained, the functions and institutional arrangements as well as the repayment system of the fund, with a view to recommending to the General Assembly necessary changes and improvements, taking fully into account the comments of the governing body and the Committee on Natural Resources.
3. The Fund was established on 17 December 1973, by General Assembly resolution 3167 (XXVIII), based on the principles and objectives contained in Council resolution 1762 (LIV). After the Council decided to establish a Group to assist it in this exercise, the Group was invited to consider the following: (a) ways in which the Fund should include among its activities concrete projects for promoting research and development in developing countries, at their request, so that they might enhance their indigenous capacities for the exploration and development of their natural resources (General Assembly resolution 34/201 of 19 December 1979); (b) review of the funding system, including the possibility of activating the original mandate of the Fund to cover energy sources, as foreseen in paragraph 1 (d) of Council resolution 1762 (LIV) (UNDP Governing Council decision 80/29 of 26 June 1980); (c) ways and means of promoting the Fund's effective operation, while carrying out a comprehensive review of the functions, institutional arrangements, funding and repayment system of the Fund (General Assembly resolution 34/109 of 14 December 1979); and (d) review of the relationship between the Fund, the United Nations, the World Bank and other relevant agencies of the United Nations system, including the subvention arrangements with the Department of Technical Co-operation for Development of the Secretariat (Division of Natural Resources and Energy) (UNDP Governing Council decision 80/29).
4. The Group met from 12 to 23 January 1981 and was chaired by Mr. Juanito Fernandez (Philippines); Miss Gaositwe K. T. Chiepe (Botswana) served

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1/ The terms "repayment" and "replenishment" have been used interchangeably to refer to payments by recipient participating States to the Fund as specified in Council resolution 1762 (LIV), paragraphs 1 (h) (ii) and 1 (i). These were further defined in document DP/142 as "replenishment contributions", the term used throughout the present report except where repayment other than in the form specified in paragraph 18 to 23 of document DP/142 is intended.

as Vice-Chairman and the Rapporteur was Mr. Paul Lafleur (Canada). The members of the Group, who served in their personal capacity, as well as the organizations represented in an observer capacity, are listed in annex 1.

5. The conclusions and recommendations of the Group are presented under the following headings: (a) operational experience of the Fund; (b) functions and scope; (c) replenishment system; (d) funding system; and (e) institutional arrangements. The Group adopted the present report for submission to the Economic and Social Council through the Governing Council of UNDP and the Committee on Natural Resources.

#### I. OPERATIONAL EXPERIENCE OF THE FUND

6. At its twentieth session in June 1975, the Governing Council of UNDP, acting as the Fund's governing body, authorized the Fund to start operations and approved its operational procedures and administrative arrangements (DP/142). The Fund was established with a basic concept and procedural and substantive requirements markedly different in many respects from the usual form of the United Nations development system of technical co-operation. Consequently, the Fund had a rather slow start, having first to create a tangible identity and thoroughly acquaint potential recipient Governments with the services it had to offer and the arrangements under which they would be provided. Only five projects were approved between June 1975 and January 1978. In the ensuing three years, 16 projects were approved. Of the total number of projects approved, two have been completed (Ecuador and Sudan), nine are operational (Argentina, Cyprus, Guyana, Kenya, Liberia, Panama, Philippines, Sudan II, and Suriname) and six have been cancelled (Afghanistan, Bolivia, Dominican Republic, Ecuador II, Ghana and Turkey). <sup>2/</sup> Project Agreements for two more projects have been signed, but not yet ratified by the recipient Governments, and another Project Agreement is ready for execution. Several more projects are in the course of negotiation.

7. The related approved maximum project costs total \$US 26.2 million. The project completed in Ecuador resulted in the discovery and economic evaluation of high-grade silver mineralization on which the Fund is entitled to replenishment. The projects approved as at the end of 1980 are surveys for minerals such as base metals, precious metals, phosphates, diamonds, kaolin and lateritic nickel, niobium and rare earths.

8. The Group noted that, due to the delay inherent in gaining acceptance for a totally new concept of technical co-operation and the time lag in formulating and executing mineral exploration projects, the Fund, so far, has very limited experience from completed projects.

9. The Group did not choose to review the approved projects in detail, partly because of time constraints, and partly because it seemed that under the

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<sup>2/</sup> The Governing Council of UNDP is notified of cancellations at its first session subsequent to such action.

circumstances such a study would add little to an evaluation of the subjects included in its terms of reference. In particular, it might have proved difficult, without a more thorough analysis of individual projects, to draw conclusions at this stage about their potential for generating the resources needed to make the Fund revolving. It will be several years yet before reasonably firm conclusions can be drawn from a study of project experience. It was therefore suggested that the Economic and Social Council might wish to consider a further review when analysis of the Fund's activities would be more propitious.

10. The negotiation of a substantial number of Project Agreements has, however, given the Fund considerable insight into what constitute the main reasons for reluctance on the part of some potential recipient Governments.

11. On the general question of gaining acceptance for the principles of the Fund there has been significant progress. Fourteen countries have signed Project Agreements with the Fund, and 27 have formally accepted the provisions of document DP/142, while only five countries have officially rejected them.

12. Of the more concrete reasons for government hesitancy to enter into agreement with the Fund, the Group considered that the question of a ceiling on replenishment played a large part, together with the lack of a mandate for the Fund to assist in bringing the possible discovery of a potential economic mineral resource further along towards production.

13. The Group also noted that contributions from donor countries had not been forthcoming to the extent desirable, placing the Fund in the situation of soon having to curtail project approvals. This goes back to the Fund's inception, when considerable doubt was expressed as to its suitability as an instrument for development co-operation. The Group recognized that this new, innovative activity had now gained wider acceptance among developing countries and thereby proved its usefulness. On that background the Group concluded that an appeal should be made to donor countries to contribute funds necessary to continue the Fund's activities in the solid minerals sector, and to expand gradually on the basis of a broadened mandate.

14. As the review of operational experience to date underlay the deliberations concerning the Fund's functions and scope, as well as the replenishment system, it was further discussed in those contexts (see sects. II and III below).

## II. FUNCTIONS AND SCOPE

15. The Fund was established to provide assistance in the exploration of mineral, water and energy resources. In principle, therefore, all types of natural resources may be included within the scope of the Fund. At the time when its operational procedures and administrative arrangements (DP/142) were approved by the Governing Council of UNDP, however, its activities were concentrated on exploration for solid minerals owing mainly to the fact that certain types of exploration would be too expensive to be undertaken until it had received or earned substantially larger financial resources than were likely to be at its disposal during the early stages.

16. The revolving nature of the Fund influenced the operational principles with regard to (a) the type of natural resources to be explored; (b) the criteria for project selection; (c) the types of services to be provided; and (d) the phased approach to the design of projects. Projects were to be selected on the basis of their technical and economic viability and, therefore, their potential for contributing to the requesting country's economic development and ability to help achieve the revolving nature of the Fund. At the same time, however, in selecting projects due consideration was to be given to the equitable distribution of the Fund's resources and to the special situation of the least developed countries and of land-locked and island developing countries, consistent with the revolving character and objectives of the Fund. The services to be provided were to be exclusively in the exploration and associated pre-investment fields, broadly defined, thus not including regional geological surveys, training or institution building, as such, although they would provide opportunities for on-the-job training of nationals, transfer of technology and utilization of national institutional facilities to the extent that those contributed to the expeditious execution of the project as determined by the management of the Fund. Projects normally were to be designed in phases in order, by selective progression, to enable the Fund to take the appropriate decisions to modify or re-orient project activities and to discontinue less promising avenues to avoid losses.

17. The Group, looking into the future functions of the Fund, agreed that its mandate should be retained, as set forth in the following extracts from document DP/142, which describe the stages of the exploration sequence into which Fund activities in solid mineral exploration will generally fall:

"14. ...

"(a) Preliminary activities to verify and evaluate geological and related data provided by the applicant country 2/ and limited field checking within the area or areas said to possess good potential for mineral development;

"(b) Technical reconnaissance within the chosen area or areas using photogeological, geochemical, geophysical and other techniques to define more precisely targets for detailed prospecting;

"(c) Detailed evaluation including large-scale mapping of the targets, detailed geochemical and geophysical investigation, trenching, pitting and prospect drilling to limited depths to outline geological structure in depth, and as far as possible to obtain information on the order of magnitude of tonnages and grades of possible ore bodies. Additionally, limited beneficiation tests and preliminary studies of infrastructure, marketing, profitability, etc. may be included.

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2/ Countries where insufficient geological and related data are available for the purpose of making a request will normally first be investigated through a UNDP project financed from the country's IPF. Where the country's IPF cannot accommodate such preliminary reconnaissance, the Fund may in exceptional circumstances undertake a limited survey in such a way as to identify a potential project area.

"15. The successful conclusion of 14 (c) can be defined in regard to most mineral deposits as completion of the pre-feasibility phases, e.g., indication of a deposit which is potentially economic ..."

18. The Group considered the possibility of expansion of activities in two directions, vertical and horizontal.

#### Vertical expansion

19. Several fields of potential activity were considered, as set out below.

20. In respect of general geological and other related data collection, the Group noted that, with regard to the need for many developing countries to be fully and progressively informed about the geological and related resource potential of their countries, the United Nations system already had adequate facilities to assist countries in that respect. The Group generally endorsed the views expressed in document DP/142, paragraph 14 (a), and foot-note 2 to that paragraph, quoted above. The Group also noted that such needs did not seem to have arisen because sufficient facilities existed through UNDP, the Department of Technical Co-operation for Development, the International Atomic Energy Agency, and national geological surveys, possibly with bilateral assistance.

21. With regard to promotion of research, the Group agreed with the view of the Administrator of UNDP that there was high competence readily available within the United Nations system, especially within the Department of Technical Co-operation for Development, and that it would not be logical to extend the Fund's mandate into such activities.

22. In respect of training, the Group recognized the beneficial aspects of on-the-job training inherent in projects of the Fund. The Group reaffirmed that training as an end in itself should not be an object of Fund assistance. The same conclusion applied with respect to institution building and strengthening of national institutions.

23. The Group also discussed the possible role of the Fund with regard to activities following the successful conclusion of a project. These are described in document DP/142, paragraph 15, as follows:

"... Further work required to produce the data which, when and if viability is established, will provide the basis for bringing together the financial and technical requirements for reaching the production stage is defined for Revolving Fund purposes as the feasibility study. The data referred to above will result in relatively precise definition of tonnages, grades, principal minerals and by-products, beneficiation methods and recoveries, infrastructure and manpower needs, and all the economic elements which will determine the profitability of the enterprise ..."

24. The Group recognized both the interest of the Fund and its responsibility to assist countries in their efforts to pursue the findings of a project in such a

way as to improve its chances of reaching the stage of acceptability for exploitation. They recognized that existing institutions, including UNDP, the Department of Technical Co-operation for Development and financial institutions, normally might be in a position to assist a country in that respect. At the same time, they were of the opinion that the Fund should be prepared to negotiate with the Government concerned with regard to its involvement in such further activities and the financial conditions of such further involvement (see para. 35 below).

#### Horizontal expansion

25. The Group reached the conclusions set out below.

26. The Group supported expansion of the Fund's scope to include hydrocarbon work and recommended that, assuming that substantial additional funding became available, a Group of Petroleum Experts should be convened at the appropriate time to consider the ways and means of integrating those activities into the operations of the Fund.

27. The Group reached a general consensus that the Fund should expand its activities into geothermal energy, but limit them for the present to exploration of hydrothermal systems. In particular, it recommended that geothermal work should be oriented exclusively towards power generation and/or thermal energy production in substitution for fuel-based consumption. However, the Fund should exclude any direct involvement in plant construction and operation, as well as any field management and/or disposal of residual fluids. The Group recommended that the Fund should not continue its activities beyond the exploration drilling stage (see para. 36 below). For the purposes of the Fund, a geothermal project should be subdivided according to the following scheme: 3/

(a) Reconnaissance study, comprising regional and/or semi-detailed investigations of mainly geological and geochemical type;

(b) Pre-feasibility study, including investigation of the prospect area(s) by detailed geology and geochemistry and by specific geophysical prospecting; in special circumstances, the pre-feasibility study may include the execution of some small-diameter drilling (slim holes);

(c) Feasibility study, having two main stages: (i) exploration drilling, including a limited number of wells (two to four); and (ii) production drilling and engineering, including the drilling of a number of wells sufficient to demonstrate the availability of the fluid required to supply the first permanent power unit (or of the thermal plant in case of direct use). 4/

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3/ The terms "reconnaissance study", "pre-feasibility study" and "feasibility study" as used hereunder have the meaning commonly assigned to them by the geothermal industry and do not necessarily correspond to similar terms used by the mining industry as described in para. 14 of document DP/142.

4/ It can be assumed that the capacity of this unit may range between 15 and 30 megawatts (electricity).

28. It was generally understood that ground-water exploration, although of high priority for many developing countries, did not coincide with the fundamental objectives of Fund investigations. To the extent that sources of water supply were required in connexion with the Fund projects, investigation of possible sources of supply could be included.

### III. REPLENISHMENT SYSTEM

29. In the light of Economic and Social Council resolution 1762 (LIV), in which the payments by recipient participating States are described as amounts equivalent to a percentage of the value of natural resources produced under projects assisted by the Fund, the Group reviewed the replenishment system for solid minerals. The review had to proceed on the basis of the formula approved by the Governing Council of UNDP, since the Fund had no tangible experience based on completed projects to draw upon. The formula is given in document DP/142 as follows:

"20. Replenishment Contributions from user countries shall be levied at the uniform rate of 2 per cent of the annual value of produced commodities and shall be payable at this rate for a period of 15 years from the start of commercial production or until a ceiling as may be determined in accordance with paragraph 22 below is reached, whichever is earlier. 3/

"21. The 15-year period over which the 2 per cent shall be due shall be counted from the time the mine commences commercial production and shall be automatically suspended during periods of non-production and extended accordingly. Where economically marginal projects may be prevented from coming into production because of the 2 per cent replenishment contribution, the Government and the Fund may agree to a lower percentage over a period longer than 15 years or to the payment of a percentage higher than 2 per cent for the balance of the period.

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"3/ The relationship between exploration costs for geothermal energy resources and the value of the energy released would be such as to require a formula for the replenishment contribution other than the standard formula referred to above. An alternative formula for geothermal energy, and probably also for petroleum and gas, may be developed by the time the Fund is in a position to enter those fields."

30. In respect of feasibility studies, it is indicated in paragraph 15 of document DP/142 that such investigations require heavy expenditure closely related to the production stage of resources development but that the Fund could undertake feasibility investigations at the request of Governments as soon as it is financially in a position to do so; in these cases special arrangements for reimbursing the Fund for these costs would be required. Subsequently, the Governing Council, in its decision 79/26, authorized the Fund to undertake feasibility studies, when so requested, particularly when such requests were the logical sequence to successful exploration projects financed by the Fund. Such studies were, however, to be within the limitations imposed by the Fund's operational and financial capacity.

31. The Group agreed that the revolving character of the Fund, reflecting also the spirit of mutual assistance among developing countries, should be maintained. At the same time, it was aware that the self-sustaining objective of the Fund was unlikely to be achieved in the foreseeable future. The essential objectives of the Fund were assistance to development of natural resources in developing countries and expansion of the resource base for the whole world, including industrialized countries.

32. Although the agreed replenishment system, according to which the Fund had been operating since its inception, had gained a measure of acceptance, the Group felt that certain aspects needed to be reconsidered and others clarified, in the light of its operational experience. They also agreed that any new formula proposed should be clear, definite and simple.

33. The Group recommended that the basic formula, applicable to solid minerals, of a uniform rate of 2 per cent of the annual value of produced commodities, payable at that rate for a period of 15 years from the start of commercial production (DP/142, para. 20) should, in principle, be maintained. It recommended, however, that for the least developed countries, recognized as such by the United Nations, the rate should be 1 per cent. That lowering of the replenishment rate would respond to the general acceptance within the United Nations system and elsewhere that the least developed countries should receive a maximum of relief in terms of the assistance extended to them. The Group believed that the lower rate of replenishment would not violate the basic concept of revolvability of the Fund, and that its potential effects upon the Fund's replenishment could be taken care of if donors could also assume that share of the Fund's eventual income by making additional voluntary contributions in accordance with the benefits they derived from the discoveries made by the Fund.

34. When the Governing Council of UNDP approved the operational procedures and administrative arrangements of the Fund, it decided that:

"In principle, a ceiling shall be imposed on repayment contributions to the Revolving Fund. Insufficient experience is available to establish the level at which such a ceiling should be imposed. Such data as are available, however, suggest that the ceiling should probably be in the region of a multiple of 15 times the original investment by the Fund, in constant prices. Accordingly, should a user country in consultation with the Director of the Fund consider that a level of repayments approaching this ceiling is in sight of being reached, the situation shall be reviewed by the Governing Council."  
(DP/142, para. 22.)

Concluding that fixing a definite ceiling, rather than suggesting relief through recourse to the Governing Council of UNDP, would provide a desirable point of additional clarity when user countries entered into negotiation of Project Agreements, the Group recommended that a ceiling should be imposed on replenishment contributions. Since the Fund would, for some time to come, have insufficient data upon which to base any definite conclusions on the total amount of replenishment, the Group concluded that 10 times the original investment, in

constant prices, in the case of solid minerals, should be recommended, given current circumstances. Although a lower ceiling than 15 times might appear to reduce the opportunity for the Fund to achieve revolving status, it might on the other hand attract a greater number of quality projects, eventually permitting it to achieve a better success ratio.

35. The Group recommended that the Fund should be authorized, on a flexible basis, to undertake the activities referred to in paragraphs 23 and 24 above as a continuation of its projects, in order to increase the likelihood of bringing a mineral deposit into production and thereby generating replenishment. It would undertake those activities within the limits of sound financial management and with due attention to opportunities for investors to take over those activities in agreement with the Government concerned. It would, however, not be reasonable to expect Governments to be prepared to accept the replenishment arrangements in paragraphs 33 and 34 above to apply also to those activities in view of the reduced risks involved. The latter should, therefore, be covered by an arrangement which, in the Group's view, would provide for reimbursement to the Fund of its expenditures plus overheads. The reimbursement would be payable, in equal annual instalments of principal over a period of five years, whether or not production ensued, beginning six months after acceptance by Governments of the report covering those activities, with interest at the rate established by the World Bank for its regular operations at the time the agreement was signed.

36. In the case of geothermal projects (see para. 27 above), the Group considered that, initially and until some experience was gained, an appropriate form of replenishment might be a contribution at the rate of 5 per cent of the fair market value of the energy produced. That replenishment contribution would become payable six months after the beginning of commercial production of energy and would be paid for a period of 15 years or until a ceiling of three times the Fund's cost in constant prices was reached, whichever was earlier.

37. The Group recognized that work undertaken by the Fund might represent only the first stage in a long and costly process of assessment leading to production. It noted that financing of further work could become available to certain user countries from the private sector and through bilateral arrangements, but in general the problem of attracting further investment on favourable terms would remain. It recognized that the lack of continuity in the diligent pursuit of economic assessment would adversely affect the mineral and hence economic development of recipient countries as well as undermine the revolving character of the Fund. The Group recommended that the Fund should help obtain, through the United Nations system including the World Bank and regional development banks, any assistance that might be required to bring the ore body to the production stage as early as possible, particularly in negotiating with the private sector. It was understood that the approach taken would be at the request of, and after consultation with, the Government.

#### IV. FUNDING SYSTEM

38. In accordance with General Assembly resolution 34/109 and UNDP Governing Council decision 80/29, the Group reviewed the funding system of the Fund. It noted in this connexion that, in that decision, the Governing Council had recommended that the Administrator should explore the possibility of co-financing for projects and programmes by Governments, international financial institutions and public and semi-public institutions of natural resources exploration and development, always with the agreement of the recipient country and on the understanding that the repayment arrangements would remain unaffected.

39. The Group recognized the current lack of new pledges of financing to assure continuity of operations, while also noting that the policy of full funding in approval of projects had caused a high level of cash liquidity and had left a very small margin available for additional project approvals. It recalled that a statistically reasonable success ratio would not be achieved without a steady level of new projects ready for implementation - approximately six per year - and the Secretariat has estimated that that would require at least \$US 10 million of additional contributions per year.

40. The Fund is unlike most other technical co-operation activities funded by the United Nations system, where full funding is provided on an assumption of eventual full expenditure. The nature of the Fund, including the concept of replenishment and revolvability, makes it incumbent on management, whenever possible, to spend less than the approved allocation for a project, if results obtained in earlier phases of project execution do not justify further work. As a consequence, an actuarial formula allowing approval of projects for a greater sum than total resources available is at present being applied. This formula is based on the assumption that approximately one third of all approved projects expend their total allocations, one third expend only the minimum work commitment and one third expend an amount equal to minimum work plus half of the remaining amount allocated. This formula, while retaining the principle of fully-funded approvals, allows for a modest reduction in excess liquidity.

41. Members of the Group were well aware that large cash holdings by the Fund discouraged donor countries from further contributions, and thereby prevented a steady level of annual income that would make it possible to move from full funding to a partial-funding system.

42. As recognized from the outset by the Governing Council of UNDP, the most practical arrangement would be a partial-funding system whereby total disbursement for all project activities, plus administrative costs and an operational reserve, were conservatively established close to anticipated annual income, and within a projection of continuing new funding at an assured level.

43. There being at present no basis for a partial-funding system, the Group recommended that an effort should be made to introduce a system by which Governments would indicate future pledges and thereby give the Administrator of UNDP reasonable expectations of future contributions on a firm and continuing basis.

44. The Group also took note of a suggestion that a new financial policy should be considered in the competent intergovernmental bodies whereby estimated expenditures on a two-year forward planning basis would be matched against funding available at the stage of approval for individual projects. This assurance of the availability of funds to cover fully two years of operations might be an alternative to the present full funding system until such time as a partial-funding system would appear to be feasible.

45. The Group supported the principle of co-financing as a means of attracting additional resources for project implementation, which could have an effect on the amount of work that could be carried out in relation to the amount invested by the Fund. Because of its revolving nature, no form other than grant financing should be accepted. In such cases, the calculation of the ceiling would be based on the Fund's expenditures on projects, the 2 per cent over 15 years replenishment arrangements remaining otherwise unaffected. Even in the case of co-financing, the management of the project should remain in the hands of the Fund.

#### V. INSTITUTIONAL ARRANGEMENTS

46. The Group noted that the Fund had been established as a trust fund placed in the charge of the Secretary-General and administered on his behalf by the Administrator of UNDP. Since it would take some time for the resources of the Fund and its scope of operations to grow to a size making administration by an intergovernmental body necessary, the Governing Council of UNDP had been designated as its governing body. In its resolution 1762 (LIV) on the establishment of the Fund, the Economic and Social Council had decided that this matter would be included in the review to which the present report is addressed.

47. The Group, in considering the established institutional arrangements of the Fund, directed its attention to the request of the Governing Council of UNDP that it should include in its review the relationship between the Fund, the United Nations, the World Bank and other relevant agencies of the United Nations system, including the subvention arrangements with the Department of Technical Co-operation for Development.

48. Within UNDP's over-all role of policy guidance and co-ordination, its administration of the Fund assures appropriate support to carry out its managerial and financial responsibilities.

49. The Group agreed 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.

50. It further agreed 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.

51. The Group stressed the need for close co-ordination and co-operation between the Fund and the Division of Natural Resources and Energy, in all its fields of competence, in order to best serve the developing countries, and in the interest of economizing financial and staff resources.

52. The Group suggested that the existing arrangements of the Joint Operations Group should be suitably strengthened in its role of ensuring co-ordination and co-operation between the Fund and the Division of Natural Resources and Energy. A further recommendation was made to the effect that the Joint Operations Group should be chaired by the Administrator of UNDP or his representative.

Annex

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