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GOVERNING COUNCIL
BUDGETARY AND FINANCE COMMITTEE
Twenty-ninth session
June 1982

REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Finn Norman Christensen (Denmark)

Chapter I

MATTERS REFERRED TO THE COMMITTEE BY THE PLENARY

B. Pre-investment activities

1. For its consideration of the financial implications of item 4 (b)(iv) of the Council's agenda the Committee had before it a Progress Report of the Administrator on pre-investment activities as contained in document DP/1982/12/Add.1.

2. The Deputy Administrator introduced the report and described the main characteristics of the pre-investment activities for which the Governing Council's authorization was being sought for the utilization of $1 million from the special Programme resources during the next few years. He pointed out that in recent discussions with financial and development institutions, it was suggested that the UNDP country programming process was not always sufficiently flexible to meet contingency needs when investment opportunities arose unexpectedly. He emphasized that while the Administrator intended to continue to finance investment feasibility studies primarily out of country IPFs, the proposed facility would be available to meet unforeseen needs for the preparation of priority projects of interest to potential investors. The Administrator believed that these funds would be particularly helpful in financing feasibility studies in LDCs.

3. Most members supported the proposal to allocate $1 million from the Special Programme Resources. Several members enquired how the sum of $1 million was arrived at. Some of these members felt that $ 1 million was too modest an amount for pre-investment feasibility schemes and that a higher amount was necessary. Other members, while fully supportive of the scheme, expressed concern that these activities, which should be temporary in nature, would become permanent. They indicated that they were

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willing to accept the proposal on the basis of the Deputy Administrator's assurance that allocation of funds from the $1 million would be authorized only when the IPFs of the countries concerned could not absorb the additional commitment. One member wanted to know the average cost of each such study. Another member stated that while his Government was entirely supportive of the requirements of developing countries in this area, he considered that certain aspects of the scheme were improper in that they were catering to the investment of private and semi-private funds from a selected group of countries.

4. In his reply the Deputy Administrator assured members that the use of IPFs for feasibility studies would continue to be the rule. He explained that opportunities for feasibility studies had arisen in the past during the course of the year but because the respective IPFs were fully committed, Governments had been unable to meet the required additional costs. He explained that the proposed amount of $ 1 million was based on the best possible estimate of requirements, taking into account that the average cost of a study was $50,000. He reiterated that the scheme was temporary in nature and that the authorization requested from the Council for $1 million was a one-time effort for the entire third IPF cycle. He also emphasized that the cost of a study would be reimbursed if it led to an investment-oriented project.

5. Following the discussion and the response of the Deputy Administrator, the Committee agreed to recommend that the allocation of $1 million from the Special Programme Resources for the purpose of pre-investment activities be approved.
