

UNITED NATIONS DEVELOPMENT PROGRAMME



Distr.
GENERAL

DP/142/Rev.1
10 February 1983

ORIGINAL: ENGLISH

GOVERNING COUNCIL
Thirtieth session
June 1983, New York
Agenda Item 6(e)

SUPPORT

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

OPERATIONAL PROCEDURES AND ADMINISTRATIVE ARRANGEMENTS

Note by the Administrator

The operational procedures and administrative arrangements of the United Nations Revolving Fund for Natural Resources Exploration have been revised in accordance with paragraph 11 of Governing Council decision 81/24 and are presented here for the information of the Council.

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INTRODUCTION

1. In accordance with resolution 1762 (LIV) of the Economic and Social Council and General Assembly resolution 3167 (XXVIII) of 17 December 1973, the United Nations Revolving Fund for Natural Resources Exploration was established as a trust fund and placed in the charge of the Secretary-General. The Fund, as a separate unit with its own identity, is administered on behalf of the Secretary-General by the Administrator of UNDP. The Governing Council of UNDP is the governing body of the Fund. The Fund extends and intensifies the activities of the United Nations system in the field of natural resources exploration in developing countries and provides a means for mutual assistance and co-operation among developing countries.

2. The Fund is distinguished from other forms of assistance provided by the United Nations system by its revolving nature stemming from the requirement of replenishment contributions from successful exploration projects based on the proceeds of production, as well as reimbursement for feasibility studies carried out by the Fund. The Fund's co-operation with developing countries in the field of natural resources is additional to the assistance available to these countries through projects financed under their country programme within their indicative planning figures (IPFs), or through regional or interregional projects when appropriate.

3. The following operational procedures and administrative arrangements of the Fund are based on and supersede document DP/142, UNRPNRE - Operational Procedures and Administrative Arrangements, dated 24 October 1975, and reflect decisions of the Governing Council subsequent to the formulation of that document. Since the Fund is a unique venture and is largely devoted to exploration activities involving a high element of risk and uncertainty, the Fund's procedures and arrangements are, of necessity, flexible. Its success will be dependent upon a prudent approach to project selection, sound management in project execution and the employment of the best available professional expertise.

I. OPERATIONAL PRINCIPLES

4. The revolving nature of the Fund influences 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.

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5. All types of natural resources exploration may, in principle, be included within the scope of the Fund. The natural resources to be explored should have a potential market, whether domestic or external, and the exploration activities required for their discovery should fall within the financial resources of the Fund. The Fund will concentrate its activities on exploration for solid minerals. In addition, the Fund has been authorized by the UNDP Governing Council, in its decision 82/23, to become active in the area of geothermal exploration.

6. Projects shall 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. On this basic criteria, however, in selecting projects due consideration shall be given to the equitable distribution of the Fund's resources and to the special situation of the least developed countries and of developing landlocked and island countries.

7. The services to be provided by the Fund shall be exclusively in the exploration and associated pre-investment fields, broadly defined. They shall not include broad geological surveys, training or institution building, as such, although they will naturally provide opportunities for on-the-job training of nationals, transfer of technology and utilization of national institutional facilities to the extent that these contribute to the expeditious execution of the project as determined by the management of the Fund. Such broad surveys, training and institution-building projects, as well as the other technical assistance and pre-investment services traditionally provided by UNDP shall continue to be available to the developing countries under their IPFs.

8. In order to ensure effective UNDP support for the development of the natural resources sector in user countries, maximum efforts shall be made to co-ordinate projects financed by the Revolving Fund with current and future institution building, institution strengthening and manpower training programmes of UNDP in this sector.

9. The Fund may engage in such research activities as would contribute to the fulfilment of its main objectives, consistent with the revolving character of the Fund.

Exploration sequence

10. Project operations shall normally be designed in phases. This will enable the Fund, throughout an exploration sequence, to take the appropriate decisions to modify or reorient project activities and to discontinue less promising avenues to avoid losses. The first phase of exploration will be the Minimum Work programme. By phasing and selective progression, subsequent

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to the completion of the Minimum Work, the Fund's projects shall concentrate on those areas and activities that, in the light of the results obtained, are considered most promising.

11. An exploration programme may commence with pre-project activities and may continue through subsequent phases as favourable results are obtained. Where earlier exploration, whether financed by UNDP or other public or private sources, has yielded favourable results, the Fund's activities may commence at an advanced stage of the exploration sequence.

12. Phasing and selective progression, whereby decisions on further activities are dependent on technical and economic assessment of previous results, require an objective decision-making capability by the Fund as well as authority to terminate a project when findings are disappointing or other circumstances impair its chances of success. As the ability to continue, terminate or modify a project is basic to the effectiveness of the Fund, the Project Agreement with the user Government (see chapter III) shall stipulate such authority. The Fund shall take such decision after consultation with the user Government. Moreover, in order to assure user Governments that the Fund will proceed vigorously, the Fund will be obligated to carry out at least a Minimum Work programme as the first phase of a Fund project.

13. Solid minerals. Exploration activities for solid minerals will generally fall within the following categories and may be initiated or terminated at any point in the exploration sequence:

(a) Preliminary activities to verify and evaluate geological and related data provided by the applicant country 1/ and limited field checking within the area or areas said to possess good potential for mineral development. These evaluative activities shall normally be carried out at the pre-project stage;

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

(c) Detailed exploration and evaluation, including large-scale mapping of the targets, detailed geochemical and geophysical investigation, trenching, pitting or other methods of underground access and prospect drilling to limited depths to outline geological structure 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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(d) The successful conclusion of (c) above can be defined in regard to most solid mineral deposits as completion of the pre-feasibility phases, e.g., reasonable indication of a deposit which is potentially economic. Further work required to produce the data to establish viability and thereby to assist in bringing together the financial and technical requirements needed for further investment decisions aimed at obtaining production is defined 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 other economic elements used for determining the potential profitability of the enterprise. The Fund is authorized to undertake feasibility studies when such requests would be the logical sequence to successful exploration projects financed by the Fund, provided such studies are within the limitation imposed by the Fund's operational and financial capacity. In these cases special arrangements for reimbursing the Fund for these costs are contained in paragraph 19.

14. Geothermal energy. In the case of geothermal exploration, which will be oriented towards power generation and/or thermal energy production from high enthalpy geothermal sources, projects will normally be phased as follows:

(a) Based on prior reconnaissance studies, which are not normally undertaken by the Fund,^{2/} investigation shall be made of prospect areas by detailed geological mapping, geochemical studies and by specific geophysical prospecting. In special circumstances this phase may include the execution of some small diameter drilling (slim holes). The objective of this phase is to define the geothermal model, to determine the physical characteristics of the possible reservoir, to make a preliminary estimate of the field resource and to site large diameter exploration drill-holes. (In normal geothermal exploration terminology, this phase is referred to as the pre-feasibility study);

(b) Exploration drilling of a minimum number of wells shall be undertaken. The objectives are to prove the existence of the reservoir, to test the productivity of the wells and to indicate the possible reserves of the field. This would represent the last phase of a successful Fund project;

(c) Upon successful completion of (b) above, the Fund may consider a feasibility study involving production drilling and engineering, drilling of additional wells to demonstrate the availability of sufficient fluid for the first permanent power unit (or thermal plant in the case of direct use), production tests, encrustation and corrosion studies, assessment of multi-purpose utilization, fluid processing, transport studies, and efficient disposal studies.

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Replenishment Contributions

(a) Exploration projects

15. Replenishment Contributions to the Fund for exploration projects are not intended to be repayment of loans but rather to provide the Fund, from its successful projects, with a share of the proceeds from resulting production. This is expected eventually to make the Fund revolve, so that its resources will be replenished and the Fund will be able to continue its exploration activities for the benefit of developing countries. Governments requesting projects shall be required to assume an obligation to make such Replenishment Contributions to the Fund at rates set forth in paragraphs 16 and 17 below and incorporated in a Project Agreement which shall be effective for a period of 30 years, unless extended (a) for any period or periods of interruption of production not exceeding in the aggregate total a period of 10 years and (b) for any period or periods of suspension of project execution by the Fund. Replenishment Contributions for both solid mineral and geothermal energy projects shall be made in convertible currencies or any other currencies acceptable to the Fund.

16. Replenishment Contributions from user countries for (a) solid minerals exploration projects shall be levied at the uniform rate of 2 per cent of the annual value of produced commodities (1 per cent for countries designated as least developed by the United Nations) and shall be payable at this rate for a period of 15 years from the start of commercial production or until a ceiling of 10 times total project costs at constant prices is attained. "Constant prices" shall be determined by annual adjustments to the aggregate total of the Fund's project expenditures (to be presented to the Government in a final statement pursuant to paragraph 31 hereof) in accordance with the "Manufactured Goods Exports, Unit Value Index in U.S. Dollars, Total", as reported in the "Monthly Bulletin of Statistics" published by the United Nations. A suitable formula for application of this index shall be contained in the Project Agreement between governments and the Fund. For geothermal energy projects (b), the Replenishment Contribution shall be 5 per cent of the fair market value of the energy produced for a period of 15 years or until a ceiling of three times total project costs at constant prices is attained. "Constant prices" shall be determined as stated in (a) above.

17. The 15-year period over which the afore-mentioned Replenishment Contribution shall be due shall be counted from the commencement of commercial production and shall be automatically suspended for periods of non-production and extended accordingly. Where economically marginal projects may be prevented from coming into production because of the 2 per cent (1 per cent

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for least developed countries) 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 lower percentage for part of the 15 year period and a higher percentage for the balance of the period.

18. In order to identify the successful projects that may lead to Replenishment Contributions to the Fund, the Project Agreements for exploration activities between a Government and the Fund shall delineate and define the project area to be explored. The project area shall be declared by the Government an "exploration area" with respect to which the Fund shall have exclusive rights to explore for minerals or other substances covered by the terms of the Project Agreement between the Government and the Fund. The Agreement shall specify procedures whereby portions of the "exploration area" may be relinquished by the Fund, except for smaller "target areas" of limited size designated as a result of the work of the project. The obligation of the Government to make Replenishment Contributions to the Fund shall relate to all production of natural resources which have been identified in the exploration or target areas and reported upon by the Fund project.

(b) Feasibility studies

19. With respect to feasibility studies undertaken by the Fund for solid minerals and geothermal projects, replenishment shall consist of repayment to the Fund of its expenditures plus overheads. Such repayment shall be made payable in equal annual installments of principal over a period of five years with interest at the rate established by the World Bank for its regular operations at the time the agreement with the Fund was signed. This shall occur whether or not production ensues, with payment beginning six months after acceptance by the Government of the report covering those activities. Interest accruing until the repayment begins shall be capitalized and added to the principal outstanding.

Funding

20. The Fund utilizes voluntary contributions and funds generated through the production of resources discovered or developed with the assistance of the Fund (i.e. replenishment contributions). While the Fund is intended to become self-sustaining, it must until then rely on voluntary contributions. In carrying out its mandate the Fund may also accept (a) donations and advances in cash or kind, from inter-governmental and non-governmental institutions, consistent with the policies, aims and activities of the United Nations and the Fund; (b) co-financing by governments, international financial institutions and public and semi-public institutions, with the agreement of the recipient country and on the understanding that the repayment arrangements will remain unaffected.

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21. With respect to financial allocations for projects, the concept of replenishment and the revolving character of the Fund make 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 is applied to total project approvals to determine funding availability for additional programming 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.

II. ORGANIZATION AND MANAGEMENT

22. Within the over-all role of policy guidance of UNDP, its administration of the Fund assures appropriate support to carry out the managerial and financial responsibilities of the Fund. The Fund will maintain a core of technical staff, commensurate with its resources and volume of operations, for decision making and in order to ensure adequate direction of all aspects of project selection, financing and management. Also, commensurate with its requirements, the Fund will make maximum use of the technical and other services of the Natural Resources and Energy Division of the United Nations Department of Technical Co-operation for Development, and of other organs of the United Nations system as appropriate.

Organization

23. In conformity with Economic and Social Council resolution 1762(LIV), paragraph 1(n), the Administrator, in full consultation with the Secretary-General, appoints a Director of the Fund. Such appointment is subject to confirmation by the Governing Council.

24. A Joint Operations Group advises on major project decisions, including such matters as the manner of execution of projects, the appointment of operations managers, and the modification, reorientation or discontinuation of projects. The Joint Operations Group consists of the Director of the Fund and representatives of (a) UNDP, (b) the World Bank and (c) the substantive office of the competent agency of the United Nations system, which for mineral resources will generally be the United Nations. ^{3/} The Joint Operations Group is chaired by the Administrator of UNDP, or his representative, and meets in the composition required for the subject under discussion, including a representative of the UNDP Regional Bureau concerned. It can associate outside experts selected for their professional competence in the technical field covered by the project.

25. The Administrator, in co-operation with the Secretary-General, may from time to time seek, on major issues, the advice of a panel of experts of international reputation in the field of resources exploration.

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26. Project decisions shall be the responsibility of the Administrator, delegated as appropriate to the Director. The Fund shall appoint operations supervisors who will be responsible for the supervision and guidance of project operations at the headquarters level.^{4/} In addition, a technical manager shall be appointed who will be responsible for the co-ordination and guidance of the operations supervisors. UNDP resident representatives shall be designated as representatives of the Fund and be the Fund's point of contact in the field.

27. Normally, an operations manager will be appointed for each project and will be responsible for project implementation. To the extent that specialized expertise is required, the Fund will utilize consultants and sub-contractors to assist in the implementation of its activities. In order to continue the strengthening of co-operation within the United Nations system, the Fund will, in the most propitious manner, make maximum use of the existing staff of that system, including the legal advisory and other services of the World Bank.

28. The Fund may use, as appropriate, the facilities of UNDP and the United Nations for the purpose of recruiting project personnel, awarding contracts and purchasing equipment. Procedures are modelled on those in force for UNDP-financed projects, with such modifications as may be indicated by the operational requirements of the Fund.

Financial management, control and reporting

29. The Fund shall adhere to the UNDP Financial Regulations and Rules, modified as appropriate. Financial management and control of the Fund's operational activities shall be exercised by the Director of the Fund through the staff of the Fund in co-ordination with UNDP.

30. Services rendered to the Fund by personnel of UNDP and co-operating United Nations agencies shall normally be reimbursed on the basis of costs incurred.

31. In carrying out a project, the Fund shall maintain a separate project account to which all expenditures incurred in preparing and carrying out that project shall be charged, and shall submit to the Government for information an annual statement of expenditures charged to the project account. Such a statement will form an integral part of the UNDP accounts and as such will be subject to the audit responsibility of the UNDP Internal Audit Service and the United Nations Board of Auditors. A final statement of project expenditures shall be made available to the Government as soon as possible after completion of a project.

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Project requests, project approval and field operations

(a) Requests

32. Project requests shall be presented by Governments to the resident representatives, who shall forward them to the Fund with their own comments and recommendations. The request for Fund financing should contain a description of the area(s) and objective(s) of the proposed project with all possible supporting technical data.

33. Upon receipt of the request from the Government, the Fund will normally send one or more missions to evaluate the proposed project. The cost of mission(s) and other pre-project expenditures shall be included in the project costs if and when a project is carried out in that country. Such mission(s) shall, in co-operation with the resident representative, assist the Government in developing its project request into an official project proposal.

(b) Project approval

34. The project proposal, as agreed upon by the Government and the Fund, shall be submitted to the Administrator, along with the recommendation of the Joint Operations Group, for approval of the Minimum Work programme subject to availability of funds. This approval by the Administrator will be reported to the Governing Council at its regular annual session. At this time the approval by the Governing Council will be sought for the expenditure for subsequent phases that the Fund might decide to undertake beyond the Minimum Work. The project proposal shall include the best possible estimate of the costs involved, bearing in mind the special characteristics of exploration activities, which in many cases may allow only the Minimum Work phase to be costed with any precision.

35. When agreement is reached between the Government and the Fund on the definition of the project proposal and the Government has agreed to accept these operational procedures and administrative arrangements, a Project Agreement shall be negotiated with the Government by staff assigned by the Fund.

36. Ratification of the Project Agreement by the Government and approval of Minimum Work by the Administrator will be conditions for effectiveness for the Agreement.

(c) Field operations

37. Field operations may commence only after the Project Agreement becomes effective as specified in paragraph 54 hereof. During field operations, the operations manager and other project personnel in the field shall keep in close contact with the user Government and the resident representative as well as Fund headquarters. There shall be close user Government/Fund co-operation in the management and operation of individual projects.

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38. Locally available professional and other staff, institutional facilities and equipment and supplies shall be utilized by the Fund to the extent conducive to the effective execution of the project. Project personnel shall co-operate with the appropriate professional staff of the Government.

39. In implementing projects financed by the Fund, the Director of the Fund, in co-operation with the user Government, shall give special consideration to recruiting experts, consultants and contractors from developing countries on a preferential basis. In the procurement of equipment and other materials required for Fund projects, the Director shall be invited to purchase suitable and competitive equipment and materials available in developing countries on a preferential basis.

40. The user Government shall participate in the selection of contractors and the recruitment of experts for Fund-financed projects.

41. The Fund shall keep the Government informed periodically of the progress of the project and shall advise the Government immediately of any major developments.

42. Secrecy of information and data produced by and for a project shall be maintained except as the Fund and the user Government may otherwise agree.

43. If during the execution or upon the completion of a project the Fund determines that any of its equipment or materials imported by or on behalf of the Fund into the Government's territory for the purpose of carrying out the project shall no longer be required for such purpose, and the user Government and the Fund agree that it shall be more economical to sell in the Government's territory rather than to export therefrom any such equipment or materials, then the user Government shall use its best efforts to facilitate such sale and shall permit the free transfer of the proceeds thereof outside the user Government's territory.

III. PROJECT AGREEMENTS

44. As the Fund is not covered by the UNDP Basic Agreements with Governments, a separate legal instrument (herein called a Project Agreement) shall have to be agreed upon between the Fund and any Government for which the Fund shall carry out a project of exploration of natural resources under its national jurisdiction, or feasibility study. A standard form of such a Project Agreement has been issued (document UNDP/PROG/44, UNDP/PROG/FIELD/60, UNDP/PROG/HQTRS/78), to be adapted in order to meet specific requirements of individual projects. Each user Government shall negotiate with the Fund its own Agreement consistent with the operational procedures and administrative arrangements as set forth in the present document. The "Model" Agreement shall serve only as a model and shall form the basis of negotiations.

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45. The Project Agreement is designed to regulate the mutual rights and obligations of the Fund and of a user Government and should be fully consistent with the principle of permanent sovereignty of States over their natural resources as recognized by the relevant resolutions of the United Nations General Assembly. Under the Project Agreement, the Fund shall undertake to carry out a project of exploration of natural resources under the national jurisdiction of the Government, or a feasibility study, while the latter shall undertake to make Replenishment Contributions or repayment to the Fund under the circumstances and in the manner described in chapter I. Without limitations, the Project Agreement includes provisions on matters contained in paragraphs 46 to 54.

46. Privileges and immunities. The Fund shall be accorded the same privileges and immunities as are or shall be accorded to UNDP.

47. Settlement of disputes. The Project Agreement shall provide for the settlement by arbitration of any controversy that might arise between the Fund and the Government under the Project Agreement which is not settled by negotiation or other agreed mode of settlement.

48. Work plan. Attached to the Project Agreement is a work plan describing the work to be performed by the Fund in carrying out the project. The work plan and the respective provisions in the Project Agreement shall be different depending on whether the Fund is to carry out an exploration project or a feasibility study:

(a) In the case of an exploration project, it is difficult to define in advance the kind and the amount of work to be carried out by the Fund as well as the Fund's respective expenditure for the whole project period. The work plan shall therefore include the Minimum Work which the Fund shall be obligated to carry out as the first phase of the project, expressed in inputs in monetary terms, and in objectives to be agreed between the Fund and the Government in each specific case. The description of Minimum Work to be carried out should be followed by a broad outline of additional work that, based on its findings, the Fund may subsequently undertake. The Project Agreement shall entitle the Fund, based on an objective technical evaluation of the results obtained in carrying out the exploration project, to decide at any time whether or not further work is justified, and, if so, its nature and extent. Amendments to the work plan of a project to be carried out by the Fund shall be made in consultation with the user Government. Whenever, in the course of the Fund's activities on a project, qualified public or private interests are willing to undertake the further exploration activities leading to exploitation in the Fund's project area, the Fund, at the request of the Government, may agree to discontinue its exploration activities, provided that the Fund retains all its rights to Replenishment Contributions with respect to the exploitation in the exploration or target area. The Project Agreement for an exploration project shall normally cover only exploration work. For feasibility studies it may, therefore, be necessary to enter into a separate Project Agreement between the Fund and the Government;

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(b) In the case of feasibility studies, a separate work plan shall describe in detail the work to be performed by the Fund. Any separate Project Agreements for feasibility studies shall provide for the Fund's obligation to carry out the work so described and shall provide for repayment as set forth in paragraph 19.

Final Report

49. Solid minerals. At the conclusion of solid mineral exploration activities carried out by the Fund, the Fund shall submit a final report to the Government specifying whether or not minerals were identified. If a mineral deposit is identified, it shall be referred to in the final report as a "reported mineral deposit". A "reported mineral deposit" shall be any or all occurrences of reported mineral or minerals having known or potential economic value that have been investigated in a professional manner to the stage where a possible economic potential can be indicated in respect of composition and possible grade and tonnage of valuable elements or compounds in the deposit. The final report shall contain geological, geochemical, geophysical, drilling and other survey data collected during the exploration work. In particular, the results of all relevant elemental analyses carried out by the Fund on all samples shall be recorded in the final report, together with illustrations accurately depicting the type, location and extent of the sampling which may entail pitting, trenching, drilling or other means of access to the deposit as determined by the Fund's technical representative on the project. The Project Agreement will provide that the Government shall have an opportunity to express its views to the Fund:

(a) As to whether all obligations under the Agreement have been fulfilled by the Fund;

(b) As to its acceptance of the reported minerals listed in the final report insofar as their occurrence can be deemed to be of potential economic significance.

If the Government should not agree that the report meets these requirements, the Government and the Fund shall consult as to the measures required and, failing agreement on such measures, the matter will be submitted to arbitration.

50. Geothermal energy. At the conclusion of geothermal exploration activities carried out by the Fund, the Fund shall submit a final report to the Government specifying whether or not the existence of an economically exploitable geothermal fluid has been identified. If the existence of such a fluid has been identified, it shall be referred to in the final report as a "reported geothermal fluid." A "reported geothermal fluid" shall be any or all occurrences of superheated steam, saturated steam, steam-water mixtures,

or hot water suitable for electrical power generation and/or thermal energy exploitation which have been investigated in a professional manner to the stage where a possible economic potential may be indicated in terms of quantity and quality of the geothermal fluid. The final report shall contain geological, geochemical, geophysical, drilling and other survey data collected during the exploration work. The Project Agreement will provide that the Government shall have an opportunity to express its views to the Fund:

(a) As to whether all obligations under the Agreement have been fulfilled by the Fund;

(b) As to its acceptance of the reported geothermal fluid as identified in the final report insofar as this fluid may be considered to be of potential economic significance.

If the Government should not agree that the report meets these requirements, the Government and the Fund shall consult as to the measures required and, failing agreement on such measures, the matter will be submitted to arbitration.

51. With respect to feasibility studies, a final report shall be prepared and shall contain all details of work carried out in accordance with the work plan contained in the Project Agreement between the Fund and the Government. Such report shall also contain recommendations on further steps to be taken by the Government concerning exploitation of the resources in question.

52. Duration of the Project Agreement for exploration activities. The Project Agreement for exploration activities shall be concluded for a period of 30 years. ^{5/} As a consequence, 30 years (plus any period or periods of extension) after the date of the Agreement, the Agreement itself and all the rights and obligations of the parties thereunder shall terminate, irrespective of whether up to that moment the Fund has received Replenishment Contributions on a discovery for 15 years, for a shorter period of time, or not at all. In addition, the Project Agreement shall provide for termination prior to the end of the 30-year period in the following circumstances:

(a) The Government shall have the right to ask for the Project Agreement to be terminated by arbitration if the Fund has failed to perform its obligations and has not improved its performance within a given period of time;

(b) The Fund shall have the right to ask for the Project Agreement to be terminated by arbitration if circumstances (including the failure of the Government to perform its obligations under the Agreement) arise and continue to exist which, in the judgement of the Fund, interfere with the successful completion of its project;

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(c) If the Fund is unable to make a discovery of natural resources and decides to discontinue its exploration activities, it shall submit a final report to the Government stating its findings and its decision. As of the date of this report, the Project Agreement and all the rights and obligations of the parties thereunder (including the Fund's right to receive Replenishment Contributions if discoveries in the project area should subsequently be made by others) shall automatically terminate;

(d) Whenever the entire Replenishment Contribution due the Fund under the Project Agreement shall have been made to the Fund's satisfaction prior to the expiration of the 30-year period, the Project Agreement and all the rights and obligations of the parties thereunder shall terminate upon dispatch by the Fund to the Government of a notification that these payments have been made.

53. Duration of Project Agreement for a feasibility study. The Project Agreement for a feasibility study shall terminate on the date on which all payments of principal and interest to be made by the Government to the Fund have been duly made. Furthermore, either the Government or the Fund shall have the right for such a Project Agreement to be terminated by arbitration under the circumstances referred to in sub-paragraphs (a) and (b) of the preceding paragraph 52.

54. Effectiveness of Project Agreement. Both because of the unusual features of the Project Agreement and because of its long duration, the Fund shall use every precaution to ensure that the Project Agreement becomes a valid and binding obligation of the Government. The Project Agreement shall stipulate that it shall not become effective until the submission of a certificate satisfactory to the Fund, of a competent official of the Government, showing that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Government and is legally binding upon the Government in accordance with its terms. Depending on the Government's laws, the authorization or ratification may involve the issuance of a governmental decree or a ratification decision by the Government's legislative authority or other action.

Notes

1/ Countries where adequate geological and related data are not available for the purpose of making a request may first be investigated through a UNDP project financed from the country's IPF. Where a 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.

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2/ See footnote 1.

3/ The substantive office in the United Nations is the Natural Resources and Energy Division of the Department of Technical Co-operation for Development. If the project falls within the specific competence of the International Atomic Energy Agency (IAEA) or another United Nations agency, the arrangements will be adapted accordingly.

4/ If the project falls within the specific competence of IAEA or another United Nations agency, responsibility for operations supervision may be delegated by the Fund to that agency.

5/ The 30-year period shall be extended by any period or periods of interruption of production not exceeding in the aggregate total a period of 10 years as well as for any period or periods of suspension of project execution by the Fund.

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