

# UNITED NATIONS DEVELOPMENT PROGRAMME



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POLICY

## FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

### UNDP FINANCIAL REGULATIONS

#### Trust funds conditioned on procurement from a donor country

#### Report of the Administrator

#### Summary

This document contains the report of the Administrator, requested by the Governing Council in paragraph 6 of its decision 82/5, Part IV, concerning the use of the authority granted by paragraph 4 of that decision to accept trust funds conditioned on procurement from a donor country or countries in respect of the operations of the United Nations Sudano-Sahelian Office, the United Nations Capital Development Fund, and the United Nations Financing System for Science and Technology for Development.

It also contains the Administrator's proposal that this authority be extended for a further period of one year.

## INTRODUCTION

1. Paragraphs 4 and 5 of Governing Council decision 82/5 (a) authorized the Administrator to accept trust funds conditioned on procurement from a donor country or countries in respect of the operations of the United Nations Sudano-Sahelian Office (UNSO), the United Nations Capital Development Fund (UNCDF) and the United Nations Financing System for Science and Technology for Development (UNFSSTD); and (b) decided, pursuant to Financial Regulation 1.2, that Financial Regulation 14.5 may be waived in respect of these funds only to the extent necessary for those purposes and that the authorization given be automatically terminated at the expiration of one year unless the Governing Council expressly authorized its continuation.
2. By paragraph 6 of the same decision, the Council further requested the Administrator to submit a report on the use of this authority to the Governing Council at its thirtieth session.
3. In paragraph 2 of document DP/1983/ICW/13, dated 8 March 1983, the Intersessional Committee of the Whole was informed that in order to provide the Council with the most up-to-date information, a conference room paper on this subject would be submitted at the thirtieth session together with the Administrator's recommendations. In view of the significance of this subject and of the contents of this report, it has subsequently been considered preferable to present this report in the form of a regular Governing Council document rather than as a conference room paper.
4. This report contains the latest information available at the time of writing concerning negotiations on tied contributions to the three funds concerned. Should any additional information on the status of these negotiations become available by the time this subject is discussed at the thirtieth session of the Council, this will be presented to the Council in the form of an oral report.
5. A summary of the agreement concluded and the negotiations in progress in respect of trust funds conditioned on procurement from a donor country is provided in the annex to this document. As this summary shows, only one such agreement has been concluded since the twenty-ninth session of the Council up to the time of writing, but a number of negotiations are in progress relating to the operations of each of the three funds referred to in decision 82/5.
6. The following sections provide some additional information concerning the trust funds established or proposed for UNSO, UNCDF and UNFSSTD respectively.

## I. UNITED NATIONS SUDANO-SAHELIAN OFFICE

7. The proposed contribution of \$8.2 million to the secondary road construction programme in Senegal is intended to be used principally to establish a mechanized road construction brigade for the project. For this purpose, it is understood that a technical assistance team (\$900,000) would be recruited from the donor country and that the necessary heavy equipment and certain materials (\$3,750,000) would be procured in the donor country to the extent feasible. The contribution would also cover the costs of local personnel (\$800,000), operational costs and miscellaneous expenditures (\$2,090,000) and agency support costs (\$660,000). The project would permit the construction of 182 kms. of priority secondary roads over a period of 34 months in Senegal.

8. In connection with the priority secondary road construction programme in Niger, negotiations with one donor Government are at an advanced stage concerning two trust fund contributions: one, in the amount of \$3,967,000, to UNSO; the other, in the amount of \$2,094,000, to UNCDF (see also paragraph 14 below). The contribution to UNSO is to be utilized to cover the costs of local personnel (\$599,000), technical assistance (\$1,040,000), certain materials and equipment (\$690,000), operational costs and miscellaneous (\$1,320,000), and agency support costs (\$318,000). It is understood that the technical assistance team will be recruited from the donor country and also that materials and equipment will be procured, to the extent feasible, from the donor country. The contribution to UNCDF is to finance the procurement in the donor country of heavy equipment for a mechanized road construction brigade, including road construction/leveling vehicles, tractors, bulldozers, and pick-ups; concrete mixers, motor pumps and generators; topographic instruments and drafting materials; and spare parts.

9. Both these contributions will form part of the total financing of \$17.5 million required for this project, the objective of which is the realization of 431 kms. of secondary roads in Niger over a period of three years. The remaining funds will be provided by UNCDF general resources (\$2.4 million), the recipient Government (\$1.4 million) and two contributions from the African Development Bank (\$5.1 million and \$2.5 million). The contribution of \$2.5 million from the African Development Bank (ADB) represents funds provided to the ADB by another donor Government and it is understood that of this amount approximately \$1.2 million is required for a technical assistance team to be recruited, to the extent feasible, in that donor country.

10. The contribution of \$500,000 from a donor Government which is being considered for the establishment of fuelwood plantations in Ethiopia is intended to be used to provide an expert in public administration, to be recruited in the donor country, to assist in forestry administration and finance and to provide equipment and materials, to be procured in the donor country to the extent feasible, to strengthen a nursery in Dese and establish 200 hectares of fuelwood plantations there.

11. In addition to the information provided in the annex, UNSO has also carried out preliminary negotiations with a potential donor for two small projects and with another potential donor with respect to a project for the rehabilitation of an airstrip and road in the Cape Verde Islands, for a total amount of \$1.6 million.

## II. UNITED NATIONS CAPITAL DEVELOPMENT FUND

12. A trust fund contribution is presently being considered from a donor Government for an approved project to assist the Government of Ethiopia in the construction of unfinished shallow wells, boreholes and water distribution systems, and to rehabilitate existing boreholes in order to provide safe drinking water to approximately 251,000 people. The project also aims to strengthen the construction and maintenance capabilities of the Central Regional Office of the Ethiopian Water Works Construction Authority (EWWCA). The total project cost is estimated at \$2,642,000, of which \$522,000 is to be provided by the recipient Government and \$2,120,000 by the Trust Fund. The purpose of the Trust Fund is to finance procurement of well construction materials, drilling and maintenance equipment; water supply equipment; pipes and fittings; vehicles; and consultancy services. The duration is for two years.

13. Another trust fund contribution is being considered for the first phase of a project designed to assist the Ethiopian Government in the construction of a mini-hydropower complex, the installation of two generators and the construction of transmission lines to the town of Mettu (Phase I). The second phase of the project involves the installation of a third generator and the extension of the transmission system to the towns of Gambella and Dembidollo. The first phase of the project is estimated to cost \$3,819,000 and the second \$5,351,000. The Trust Fund would enable the procurement of construction materials for a powerhouse and related facilities; and electro-mechanical equipment including generators, switchgears, transmission lines, poles and spare parts. The duration is for three years.

14. As already mentioned in paragraph 8 above, a donor Government has confirmed its agreement to contribute an amount of \$2,094,000 to UNCDF for the purpose of financing the procurement in the donor country of heavy equipment for the secondary road construction programme in Niger.

15. Negotiations are also in an advanced stage concerning a trust fund contribution to a project the purpose of which is to assist the Government of Somalia in rehabilitating and maintaining reservoirs for the use of livestock in the lower Shebelli and Bay regions, by providing the National Range Agency with equipment, materials and expertise. The total project cost is \$4,959,000. The recipient Government will provide \$1,430,000; UNDP will contribute \$529,000; and the Trust Fund is for the amount of \$3,000,000. The Trust Fund will finance the procurement of equipment and materials for the project. This includes earthmoving equipment and spare parts; vehicles and spare parts; survey instruments, hand tools and compressor and spares; water tanks, pumps and spares; water facility construction materials and pipes; and housing materials. The duration of this project is for three years.

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16. Another donor Government has confirmed its agreement to contribute to a project designed to assist the Government of Mali in the construction, equipping, operation and maintenance of two regional abattoirs, one each in Ségou and Sikasso. The total project cost is \$2,148,000, of which \$312,500 is to be provided by the Trust Fund. The recipient Government, UNCDF (general resources) and UNDP are providing the remaining financing. The Trust Fund will finance the procurement of slaughterhouse equipment, including suspension rails, chains, hooks, hand winches, water towers, pumps and carts; construction materials, including cement and swinging doors; electrical equipment including generators, transformers, wiring and poles; and spare parts. The duration is for two years.

### III. UNITED NATIONS FINANCING SYSTEM FOR SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

17. As shown in part A of the annex, the agreement between UNFSSTD and the Government of Norway is the only trust fund to have been finalized at the time of writing. The agreement was signed on 1 February 1983. The project, which is to establish the Beijing Institute of Computer Software and Research, is being executed by UNDP, through its Office for Projects Execution (OPE), and its duration is expected to be two and a half years. Two subcontracts have been placed in Norway: one for the provision of three mainframe computers, peripherals and maintenance services; the other for the provision of expert services and training facilities.

18. In accordance with the directions of the Intergovernmental Committee on Science and Technology for Development for the development of noncore activities, UNFSSTD has been conducting negotiations for a number of months for the purpose of implementing several scientific and technological projects which have been requested by developing countries and approved by the Administrator subject to the availability of funds. Among these projects, 13 are for Sahel region, 4 for Latin America, 2 for the Arab States and 2 for Asia. The total value of the projects involved would amount to approximately \$29.6 million.

### IV. RECOMMENDATION OF THE ADMINISTRATOR

19. It is clear from the information above that the period of one year has not proved to be sufficient to finalize most negotiations for the purpose of establishing trust funds conditioned on procurement from a donor country. Experience has shown that the necessary negotiations relating to such trust funds tend to be protracted. In the view of the Administrator, more time would be required for a proper assessment to be made of the full potential of this new instrument, not least with respect to the negotiations currently underway.

20. From the number and size of the negotiations which have taken place during this relatively short period of time, some of which are now in an advanced stage, it would appear that the authority granted by decision 82/5 can result in significant, additional aid to developing countries being channelled through the United Nations system and can therefore provide a useful instrument for the fulfillment of the objectives of each of the three funds in question.

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21. In the light of the above, the Administrator recommends that:

The Governing Council,

Having considered the report of the Administrator on funds conditioned on procurement from a donor country or countries,

Taking note of the relatively short period of time which was available to pursue negotiations under the authority granted by paragraphs 4 and 5 of decision 82/5, Part IV,

Bearing in mind the status of negotiations for the establishment of such trust funds which are currently still in progress,

Considering that a proper assessment of the significance and usefulness of the authority granted would benefit from additional experience,

- (a) Authorize the continuation for a further period of one year of the authority granted to the Administrator by paragraph 4 of decision 82/5, Part IV; this authority shall be automatically terminated at the expiration of one year in June 1984 unless the Governing Council expressly authorizes its continuation; and
- (b) Request the Administrator to submit a report on the use of this authority to the Governing Council at its thirty-first session.

Annex

Summary of agreements concluded and negotiations in process in respect of trust funds conditioned on procurement from a donor country

A. Agreements concluded

<u>Fund</u>	<u>Donor</u>	<u>Recipient</u>	<u>Total amount</u>	<u>Amount conditioned on procurement from donor country</u>	<u>Description of project</u>
NFSSTD	Norway	China	\$ 1,306,480	\$ 1,027,500	Beijing Institute of Computer Software. Research and Training.

B. Negotiations in progress

<u>Fund</u>	<u>Recipient</u>	<u>Total Amount</u>	<u>Description of project</u>
UNSO	Senegal	\$ 8,248,000	Programme for the construction, improvement and maintenance of secondary roads.
	Niger	3,967,000	Programme for the construction, improvement and maintenance of secondary roads.
	Niger	1,200,000*	
	Ethiopia	500,000	Establishment of fuelwood plantations.
UNCDF	Ethiopia	2,120,000	Equipment and supplies for water works construction.
	Ethiopia		Mini-hydro power development of the Sor River -
		3,819,000	Phase I
		5,351,000	Phase II
	Niger	2,094,000	Programme of construction, improvement and maintenance of secondary roads in Niger.
	Somalia	3,000,000	Rehabilitation of rural water reservoirs.
	Mali	312,500	Regional abattoirs in Ségou and Sikasso.

Would be provided through the African Development Bank (ADB).

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<u>Fund</u>	<u>Recipient</u>	<u>Estimated Total Amount</u>	<u>Description of project</u>
UNFSSTD	Indonesia	\$ 2,190,000	Application of Technologies Appropriate for Rural Areas, Phase II
	Costa Rica	658,000	National Capacity for Mineral Prospection and Development
	Mexico	2,189,000	Technologies for the Exploration and Development of Geothermal Resources
	Peru	1,510,000	Technologies for Integrated Agro-industrial Development
	Regional Latin America	1,917,000	Technological Strengthening of Rural Extension Systems
	Malaysia	2,643,000	Agricultural Wastes Utilization for Derivation of Energy and Chemical Products
	Sudan	1,981,000	Adaptation and Demonstration of Mini-Hydro Technology
	Sudan	1,286,000	Research and Demonstration of Improved Building Technologies
	Sahel Region (Mauritania, Niger, Mali Chad)	15,232,000	12 National and 1 Regional Project for the Strengthening of Basic Technological Capacities