GOVERNING COUNCIL

Thirtieth session

SUMMARY RECORD OF THE 37th MEETING

Held at Headquarters, New York
on Thursday, 23 June 1983, at 3 p.m.

President: Mr. SLIM (Tunisia)
later: Mr. ALBORNOZ (Ecuador)

CONTENTS

Other funds and programmes (continued)

(d) United Nations Capital Development Fund (continued)

(e) United Nations Revolving Fund for Natural Resources Exploration (continued)

(f) Technical co-operation among developing countries

This record is subject to correction.

Corrections should be submitted in one of the working languages. They should be set forth in a memorandum and also incorporated in a copy of the record. They should be sent within one week of the date of this document to the Chief, Official Records Editing Section, Department of Conference Services, room A-3550, 866 United Nations Plaza.

Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.
The meeting was called to order at 3.20 p.m.

OTHER FUNDS AND PROGRAMMES (continued)

(d) UNITED NATIONS CAPITAL DEVELOPMENT FUND (continued) (DP/1983/33)

1. Mr. THYNDEE (Assistant Administrator, Bureau for Special Activities) said that the Administration would like to change its recommendation concerning the United Nations Capital Development Fund as contained in paragraph 65 of document DP/1983/33. Paragraph 1 should read:

"Take note of the annual report of the Administrator DP/1983/33, and, in particular, take note of the resource projections for 1982-1986 in the annex to the report".

Paragraph 2, which had been the subject of extensive discussions in the Budgetary and Finance Committee, should be deleted.

2. Mr. FLEMING (United States of America) said that UNCDF was a small but important programme meeting a very special need in technical co-operation in the developing countries.

3. Mr. KENEALLY (Australia) said that the evolution of UNCDF with regard to the kinds of projects it undertook was becoming much clearer and its activities could be seen to stand on their merits. His delegation, like that of the Netherlands, would be interested to learn of the latest developments in the funding arena.

4. In the past two years, Australia had been pleased to contribute to the Fund's core budget resources. His Government approved of the Fund's primary focus on the least developed countries, its concessional capital assistance role and its orientation towards the financing of projects smaller than those that were attractive to the major financial institutions. In many respects, the real key to development was to be found at the grass-roots level, where small and medium-sized enterprises operated. UNCDF's growing ability to bridge the gap between pre-investment and large-scale capital assistance and its close affiliation with UNDP's technical co-operation role warranted the support of the international community.

5. With regard to the acceptance of trust funds conditioned on procurement from a donor country, his Government shared many of the concerns expressed in the Budgetary and Finance Committee. The Fund's enthusiasm for that mechanism must be admired, as must its energetic adoption of the trust fund strategy for the mobilization of resources and the enhanced flexibility of operations. His delegation had, however, supported the agreement on a detailed review of those arrangements in 1984, when its approach to the renewal of that mandate would probably be some sympathy and understanding mixed with a strong feeling that overall, to be successful in generating additional resources, some tight criteria and guidelines would be necessary.
6. With reference to the staffing of UNCDF, his delegation had been impressed by the dedication of the small team that had placed the Fund on a firmer and more effective footing. The enhanced project monitoring and operational evaluation systems, other management initiatives and streamlining were favourably noted. His delegation was confident that future staffing would be structured so as to ensure the Fund's efficiency and integrity and the continuation of the closest functional co-operation between the Fund and UNDP both at headquarters and in the field.

7. Mr. Sangare (Mali) said that, since the beginning of its involvement in Mali, the Fund had financed projects to the amount of $8,960,000. The sectors concerned included food production, drinking water supply, construction of secondary roads, rural broadcasting, agricultural credits, construction of small dams and primary health care. A planning and programming mission had visited Mali in July 1982 and, together with the Government and the UNDP Resident Representative, had studied programmes being implemented and new projects for which financing was being requested from UNCDF. Several such projects had been identified, including those for the construction of two regional abattoirs, a maintenance system and eight health centres. His delegation had been pleased with the approval in October 1982 of about $1 million for the project for strengthening the maintenance system. The Fund had established contacts, under the terms of Council decision 82/5, with a view to locating financing in the amount of $412,000 for the regional abattoir project.

8. His delegation fully supported the recommendation of the Administrator contained in document DP/1983/33. It recognized the importance of Council decision 82/5, which made it possible for the United Nations Sudano-Sahelian Office, UNCDF and the United Nations Financing System for Science and Technology for Development to mobilize additional resources for developing countries. That recognition in no way called in question his Government's dedication to the principle of sovereignty.

9. Intensive negotiations had taken place between his Government and UNCDF with regard to the renovation and re-equipping of the regional health centres. His Government accorded high priority to rural health and therefore hoped that that project would be approved.

10. It was gratifying to note that financing for projects approved in 1981 and 1982 had covered 47 per cent of the costs involved. The dynamism of which that was an expression was, unfortunately, unlikely to continue owing to a lack of resources. His delegation urgently appealed to the donor countries to contribute further to the Fund. His country was grateful to those donors which had greatly increased their contributions in national currencies and, in particular, to those which had contributed for the first time.

11. Despite the laudable efforts of UNDP and UNCDF, much remained to be done, and his delegation called upon members of the Council to work together so that the Fund could accomplish the mission entrusted to it by the international community.
12. **Mrs. VERVALCKE** (Belgium) said that UNCDF had found its place in the United Nations system and, what was more important, had found the means to assist the least developed countries effectively. Co-ordination was often lacking in the United Nations development system, and it was therefore a pleasure to note the determination of the staff of UNCDF to see to it that their efforts were effective in the wider context of development. The Fund became involved either to fill lacunae or to perform a complementary role in small-scale projects in which the larger organizations did not participate. Although the scope of such projects was modest, the resources of the Fund were still insufficient. In that regard, contributions, trust funds and the present experience of the partial funding system could stimulate an increase in the overall resources of the Fund.

13. **Mr. SCHILLER** (Sweden) said the report contained in document DP/1983/33 confirmed his delegation's impression that the activities of the Fund had been infused with a new vigour. What was needed now was a realization among donors that the Fund was a factor to be taken into account in the field of development co-operation. It was saddening to note that even a relatively limited programme such as that of the Fund, operating as it had in 1982 at a level of actual disbursements of less than $30 million, had had to sustain a decrease in the inflow of resources in dollar terms.

14. The Fund had nevertheless developed criteria for project selection and working methods and techniques whose efficacy none could dispute. The Fund's emphasis on rural development, in particular, reflected the priorities of the Swedish bilateral development co-operation programme and those of the Nordic countries generally. That emphasis applied not only to agricultural production but also to health, transport and communications, agro-industries, education and training and energy. The final outcome of development efforts in many countries would be determined in large measure by their success in raising productivity in the rural areas, where the poorest people lived. That required many-faceted and multisectoral efforts such as those in which UNCDF was engaged.

15. There had been a dramatic drop in project expenditures from 1981 to 1982, although 1982 had represented a striking improvement over 1980. It would seem from the table reproduced in the annex to document DP/1983/33 that the Administrator expected 1982 to remain a peak year for quite some time to come. The expenditure figures for the early 1980s looked strange. Not only had project expenditures been more than $20 million lower in 1982 than in 1981, but they had also been more than $30 million lower than foreseen in previous documents. Even if the explanations contained in paragraph 20 of the report were accepted, it seemed that something had gone wrong in the forecasting exercise. It would not be surprising if, in the attempted acceleration of 1981, the forward planning process had suffered somewhat.

16. Among the explanations for the shortfall were delays in implementation by the United Nations co-operating agencies. UNCDF should by now have a good idea from which agencies it could expect a fully professional job and should develop, on that basis, the necessary selectivity in choosing partners for project execution.
17. With respect to chapter V of the report, in which the Administrator requested continued authority to accept trust funds conditioned on procurement in a donor country, his delegation could accept the arguments presented there. It did, however, attach considerable importance to the last sentence of paragraph 46, which pointed out that such trust funds should be viewed as a vehicle for additionality rather than a substitute for voluntary contributions to the general resources of the Fund. Any trust fund arrangements with an industrialized country should be preceded by substantial contributions to general resources.

18. Where administrative matters were concerned, his delegation was content to note that no additional staff was being requested. However, it agreed that, should income show a sudden and considerable upsurge, the question might deserve renewed consideration.

19. His delegation had been puzzled to find evaluation treated in chapter VII under the heading of administrative matters, since it viewed it almost exclusively as a programme matter. However, the fact that the question of evaluation had been broached in the document was promising in itself. It would be wise for UNCDF to rely largely on the evaluation unit of UNDP, which his delegation was anxious to see created.

20. Miss QOANE (Lesotho) said that the Fund's role in complementing the activities of other multilateral financing institutions and its provision of concessional capital assistance to the least developed countries were of great importance.

21. As was reflected in document DP/1983/33, her country was one of the beneficiaries of the Fund in key areas affecting the basic needs of the people. It was assisting in an ongoing project for rural communications through which essential health services could be delivered to remote areas. A successful low-income housing scheme had been started with the Fund's assistance. Short-term assistance had been provided to the Lesotho Agricultural Credit Union and, in manufacturing, the Fund had assisted in a pilot project for a canning factory.

22. Her delegation commended the Fund for its role in the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. It joined in the appeal for the contributions required to enable the Fund to pursue and fulfil its commitments in response to the needs of the least developed countries. It was grateful to those donor countries which had already made generous contributions to the Fund.

23. Mr. DORJEE (Bhutan) said that UNCDF played a useful role in providing concessional capital assistance to the least developed countries, complementing the technical assistance provided by UNDP and concentrating its activities in the rural sector and in projects that addressed basic human needs. The small-scale projects supported by the Fund were often catalytic in the overall development of the countries concerned.
24. The success of the Substantial New Programme of Action, in the implementation of which the Fund had been given a direct role, would depend on the ability of funds like UNCDF to assist the least developed countries in their efforts to achieve self-sustained development.

25. In the light of those considerations, it was necessary to augment the resources of the Fund. His delegation urged those countries which had made contributions to the Fund's general resources to increase their contributions and called upon those countries which had not yet contributed to do so.

26. While the usefulness of accepting trust funds conditioned on procurement from donor countries remained to be fully assessed, Bhutan agreed with many recipient countries that such an arrangement provided an additional avenue for assistance to those countries. The use of conditioned procurement should not, however, erode the multilateral character of the Fund or lead to a decrease in voluntary contributions.

27. His delegation noted with satisfaction the sound operation and management of the Fund under the partial funding system. It supported efforts to improve the evaluation and monitoring of projects and to strengthen the Fund's collaboration with other elements of the United Nations system, and requested the Administrator to pursue those efforts with greater vigour in the months ahead.

28. From the information contained in the resource planning table contained in the annex to document DP/1983/33, there appeared to have been an increase in administrative costs. Since those resources would otherwise have been used for enhancing programme delivery, his delegation would be grateful to the Executive Secretary of the Fund for an explanation of the increase and an indication of the administrative costs for 1981, at that time borne by UNDP, for purposes of comparison.

29. Mr. RONNER (Switzerland) said that his delegation had been gratified to note the progress made by the Fund over the past three years as a result of the introduction of partial financing. Certain characteristics of the Fund had been strengthened, such as its concentration on the least developed countries, its complementarity with the activities of other agencies and the priority it accorded to basic needs and productive activities. Although the Fund had been able to step up its activities, the present rate of general contributions would restrict its future impact. His delegation was not sure that multi-bilateral contributions were the answer to the problem. Tied contributions should remain limited if a fundamental principle of multilateral co-operation was not to be called in question.

30. The annual report contained some very valuable quantitative data but lacked a table showing the various general and multi-bilateral contributions. The qualitative aspect of the programme seemed to have been somewhat overlooked, and the annual report might in future contain more substantial information on completed projects, those being implemented and problems encountered. Information should also be given on evaluations carried out and the lessons to be drawn from them.
31. **Mr. EL GHAOUTHE** (Mauritania) said that his country would like to thank the Fund for its assistance, under difficult physical and economic circumstances, in the construction of a road infrastructure that had previously been almost non-existent. UNCDF had helped in the financing of such priority projects as the construction of secondary roads in rural areas, the fixation of sand dunes, the construction and maintenance of dams and the elaboration of a plan for soil conservation.

32. Although his delegation was aware of the situation described in document DP/1983/33, it would like to appeal to UNDP and to those countries which had sufficient resources to grant UNCDF the means to enable it to continue assisting Mauritania in coping with a serious drought. That drought was linked to desertification, which was a factor restricting the country's development.

33. His delegation noted with great distress the discontinuation of the authorization contained in Council decision 82/5 in respect of UNCDF. On behalf of the countries of the Sudano-Sahelian region, he thanked those countries which had already contributed and those which had lent their support in the debate in the Budgetary and Finance Committee.

34. **Mr. THYNESS** (Assistant Administrator, Bureau for Special Activities) said that the shortfall in expenditures against estimates for 1982 appeared dramatic. However, he wished to point out that UNCDF was a financing, rather than an executing, agency and thus did not have full control over the expenditure rate. He drew attention to paragraphs 18 to 20 of document DP/1983/33, which provided a detailed breakdown of the shortfall. Approximately $10 million of the discrepancy was the result of delays in project implementation, many of which had been caused by inadequate staffing and inefficient procedures in the Office for Projects Execution. Those situations had since been rectified. In addition, approximately $8 million of the difference represented savings that had been effected during the year, an outcome which should meet with the approval of the Governing Council. Finally, approximately $12 million for procurement of inputs had been rescheduled for 1983 so that the delivery of Fund inputs could be synchronized with the delivery of complementary inputs, especially UNDP technical assistance support projects.

35. One delegation had suggested that the partial funding system had not met expectations during 1982. However, the insufficiency of resources during 1982 had been the result of a delay in disbursement rather than the system's ineffectiveness. Moreover, if the partial funding system had not been approved in 1979, the Fund's project commitments for 1982 would have stood at $70 million less than the current level and the project expenditures for the year would have been $30 million less than at present.

36. He agreed that it was in the interest of beneficiary countries that available resources should be deployed rapidly for priority projects; however, faster deployment should always be consistent with prudent management of resources and, in particular, with projects of sound quality.
37. In response to comments made by a number of delegations, he wished to stress that project evaluation was a major concern of the Fund. Initially, it had been deemed more effective to conduct in-depth evaluation of UNCDF projects by drawing upon the increased evaluation capacity of UNDP. However, in view of the differences between capital assistance and technical assistance projects and the large number of its own projects that UNDP was required to evaluate, it might be more beneficial in the future for UNCDF to develop its own evaluation capacity.

38. In answer to a question on the provision of UNDP services to the Fund, he pointed out that such services at headquarters were paid for entirely from Fund resources, while services in the field were covered at least in part by Fund resources. However, UNCDF was not assessed for the normal services of resident representatives, who provided important assistance to the Fund in such areas as project identification.

39. Mr. MAGDI (Executive Secretary, United Nations Capital Development Fund) expressed appreciation to the many delegations that had endorsed the Fund's policies and reaffirmed its role in the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. In answer to questions concerning the Fund's mobilization of resources during 1982 through cost-sharing and trust funds, he reminded the Council that, under the cost-sharing system, the Fund had mobilized $1,350,000 in combination with the Arab Gulf Fund in 1982. In 1983, an additional $750,000 had been secured in co-operation with the same Fund. With regard to trust funds not tied to the procurement of equipment in donor countries, an agreement had been reached with a non-governmental organization in the Federal Republic of Germany that would result in the provision of approximately $1.3 million for water supply in Nepal. In 1983, a trust fund agreement was being elaborated with the European Development Fund for 500 million units of account for a health and sanitation programme in Maldives. With regard to trust funds tied to procurement, he noted that three agreements had recently been concluded, involving $300,000 from Belgium for a livestock development project in Mali and $5.1 million from Italy for projects in Somalia and the Niger.

40. Arrangements had been made with bilateral and multilateral funding agencies for the co-financing of certain projects; the Netherlands and Sweden were among the countries that had been approached for assistance with projects in sectors where they were already involved. By working out a system for bilateral, trust-fund or parallel financing, it was possible to alleviate pressures on the general resources of UNCDF, thereby freeing them for priority projects in the least developed countries. He drew attention to the large number of projects, totalling $126 million, a figure which indicated the broad scope of UNCDF activities.

41. It was too early to judge whether the trust-fund method of financing had encouraged many donors to contribute to UNCDF. However, the use of that method had made it possible to identify Fund activities more effectively with donors not currently contributing to the Fund's general resources by allowing UNCDF to join with donors in financing projects of interest to them, thereby providing them with a better understanding of the Fund. It was hoped that that action would broaden the Fund's resource base.
42. With regard to the partial funding system, he wished to mention one point not addressed by the Assistant Administrator. During the twenty-ninth session of the Governing Council, concern had been expressed that an increase in the number of Fund activities might lead UNCDF to overlook its basic mandate, which was to promote basic needs projects at the grass roots level. It was his belief that the Fund was still fulfilling its mandate effectively. He agreed that, in the process of expanding Fund activities, certain weaknesses had become apparent with respect to project monitoring, but efforts would be made to overcome them during 1983.

43. One delegation had stressed the need for increased Fund resources for activities in the energy and industrial sectors. However, those sectors already received approximately 15 per cent of the Fund's general resources, and there was a continued need to strike a balance between the productive sector and basic development needs. However, the Fund would continue to seek the guidance of the Governing Council with respect to its activities and the fulfilment of its mandate.

44. Evaluation was very important to UNCDF. Although it drew heavily on the vast experience of UNDP with regard to in-depth evaluation, the Fund was actively involved in reviewing the implementation of projects to ensure that objectives were being met.

45. With regard to the implementation by UNCDF of the Substantial New Programme of Action, he pointed out that, since its adoption, the Programme of Action had become the focus of Fund activities. The Fund had participated in the UNDP task force established to co-ordinate inputs to the Programme and also in UNDP-organized round tables, where it had acted as a catalyst to increase aid to developing countries and had co-ordinated its efforts with those of other sources of funding.

46. Turning to questions which had been asked about problems in the administrative budget, he said that information on administrative costs for 1981 had not been included in document DP/1983/33 because the Fund had assumed responsibility for meeting support costs originally borne by UNDP only in 1982. In 1981 those costs had amounted to approximately $1.4 million; in 1982 they had been $2.2 million, and they would be approximately the same in 1983. The increase had been due to an increase in the number of staff and normal increases in expenditure to offset inflation.

47. In future, the Fund would attempt to provide more substantial information regarding project implementation, as requested by the representative of Switzerland.

48. The President said that, if there was no objection, he would take it that the Governing Council adopted the recommendations in paragraph 65 of document DP/1983/33, as orally amended.

49. It was so decided.
50. Mr. KOBAYASHI (Director, United Nations Revolving Fund for Natural Resources Exploration) said that the Fund had come a long way in a relatively short time and was vigorously pursuing its objectives, with strict adherence to its operational principles, to the benefit of both developing and industrialized nations. For the Fund, it was a time of optimism and increased sense of responsibility as a result of positive mineral findings in several countries.

51. The Fund was being well received in its contacts with potential financiers in the public and private sectors as well as with international financial institutions, and the current environment of depressed private-sector activity made its work even more critical for developing countries. Many major resource groups had now virtually ceased all of their high-risk exploration funding in the developing countries. The Fund therefore had the responsibility of making every effort to ensure that resource supplies were made available on an equitable world-wide basis.

52. One of the options available to Governments for post-discovery feasibility requirements was to enter into an agreement with the Fund. It was important for the Fund to be in a position to provide assistance as soon as possible after the termination of a positive exploration activity. For that reason, it was requested that the Council should consider delegating authority to the Administrator for the approval of small-scale feasibility studies. Since a feasibility study in accordance with decision 81/24 and recommendation E/1981/23 required reimbursement to the Fund with interest, its total assets were not reduced by feasibility-study financing and the potential benefits were considerable for all parties.

53. In 1982, the Council had authorized the Fund to extend its activities into the field of geothermal exploration. Already a number of geothermal prospects had been identified throughout the world and, as a result of prior studies, were nearing the exploration drilling stage, thus reducing project costs. The Fund had also been in contact with the World Bank and other development institutions for an exchange of information aimed at complementarity of efforts in geothermal assistance and at seeking the most promising opportunities for follow-up financing.

54. There were some noteworthy administrative and management trends which had increased the cost-effectiveness of the Fund's programme. While programme delivery had increased 67 per cent over the past two years, administrative costs had remained virtually at the same level. However, that trend could be maintained only if a viable level of resources was immediately forthcoming. The Fund had continued its close co-operation with the United Nations Department of Technical Co-operation for Development.

55. The Council was again being advised that the Fund's financial resources were inadequate. The present annual level of voluntary contributions must be increased substantially to maintain the desired level of operations. In order to put to good use what financing was available, the only new projects that would be submitted for approval would be those for which potential economic viability had been favourably...
assessed. At the current session, the Council was requested to approve two projects for which the minimum work had been approved by the Administrator in accordance with decision 80/29: precious and base metals exploration in Haiti (DP/NRE/PROJECT/REC/2) and mineral exploration for base metals and gold in Peru (DP/NRE/PROJECT/REC/3).

56. **Mr. LIMA** (Brazil) said that his delegation had difficulties with the revised operational procedures and administrative arrangements (DP/142/Rev.1) because they still granted to the Fund, during the exploration period, the exclusive right to explore for minerals in the exploration areas. Under Brazilian legislation, authorization for such research could be granted only to a Brazilian or to a company engaged in mining activities which was constituted and based in Brazil. His delegation therefore maintained the reservation it had expressed in the Committee on Natural Resources because, although paragraph 44 of document DP/142/Rev.1 stated that the legal instrument required was only a model agreement, it also stated that the model arrangement had to be consistent with the operational procedures and administrative arrangements set forth in that document.

57. His delegation also had some doubts as to whether the replenishment system was the most suitable mechanism for contributing to the Fund. In addition, paragraph 26 seemed to be limited with respect to the participation of Governments in appointing technical staff and in controlling the projects negotiated with the Fund. His delegation also had some difficulties with footnote 4, which conferred on the International Atomic Energy Agency the responsibility for operations supervision in the areas of specific competence of IAEA. He also sought clarification from the Secretariat on the question of recruitment of experts and acquisition of goods. In addition, he wished to know whether the legal instrument to be concluded between the interested Government and the Fund could include clauses with respect to safeguarding the utilization of local human resources and the national industries of the countries concerned.

58. While the objectives of the Fund were satisfactory, his delegation would like to receive additional information on its functions and also the data available on projects already being implemented.

59. **Mrs. VERVALCKE** (Belgium) said that Belgium, as one of the major contributors to the Fund, shared the desire of the developing countries that it should operate successfully. She therefore hoped that contributions would be more regular and more generous, and, it was important in that connection to be informed of how the Fund managed its resources. Her delegation believed that the Fund did useful work but was not convinced that all developed countries wanted to see it strengthened. Its staff consisted of a small team that was doing excellent work with a lack of encouragement and adequate resources.
60. Mr. MENDEZ ITURBIDE (Argentina) said that, after a slow start, the Fund had made steady progress and should continue to co-operate with countries, maintaining its revolving method and overall operational procedures. Argentina co-operated fully with the Fund, which, in accordance with Governing Council decision 82/23, had extended its activities into the field of geothermal exploration in Argentina. His delegation therefore believed that the Fund should be strengthened and urged the Council to increase its resources and adopt all the recommendations in document DP/1983/34.

61. Mr. WANG Jinren (China) said that his delegation now had a clear understanding of the operational activities and administrative procedures of the Fund. It was pleased to note that eight projects had been completed and nine were in progress, that the Fund had continued its co-operation with DTCID and that it had extended its operations into geothermal exploration. His delegation also noted that the operational procedures and administrative arrangements had been revised and hoped that they would be carried out with flexibility, in accordance with the wishes of the countries themselves. Finally, his delegation agreed with the recommendations in paragraph 59 of document DP/1983/34.

62. Mr. HUSAIN (Pakistan) said that his delegation appreciated the useful work which the Fund carried out for developing countries and hoped that its operations would be extended. However, it was concerned about the inadequate resources available to the Fund and associated itself with the appeals for increased contributions. With respect to replenishment contributions, his delegation felt that the conditions set forth in paragraphs 15-19 of document DP/142/Rev.1 were stringent and rather hard on developing countries. Accordingly, Pakistan specifically suggested that replenishment contributions for projects which did not cover financing of feasibility studies should be fixed at 0.5 per cent of the annual value of produced commodities for 10 years, with a ceiling of three times the Fund's investment. Finally, his delegation agreed with the representative of China that the implementation of the financial and operational procedures should be carried out with flexibility.

63. Mr. HAMDI (Tunisia) said that all mineral and geothermal exploration procedures should conform to the national legislation of the country concerned. With respect to replenishment, the Fund was not a financial institution, despite its revolving nature, and it had to rely on voluntary contributions. It should be flexible and its first priority should be to assist developing countries, with replenishment taking precedence over profitability. In addition, feasibility studies should be regarded as technical assistance and the costs incurred should not have to be reimbursed. Finally, geothermal exploration should not raise financial difficulties for recipient countries.

64. Mr. DANBOLT (Observer for Norway) said that Norway had contributed to the Fund for the first time in 1982 because of the positive evaluation of its procedures and because the Governing Council had authorized it to include geothermal exploration in its activities. As for the future of the Fund, Norway looked to the years ahead with hope.
65. Mr. EL GHAOUTHE (Mauritania) said that Mauritania associated itself with other developing countries that had questioned the flexibility and viability of the procedures set forth in paragraph 16 of document DP/142/Rev.1. It believed that the levy of 2 per cent of the annual value of produced commodities should be reduced to 0.5 per cent as soon as possible.

66. Mr. AKAO (Japan) said that his Government had supported the activities of the Fund since its inception in 1973 because it provided important assistance to the development of natural resources in developing countries, thereby contributing to the economic development of those countries as a group. He was pleased to note that steady progress had been made in the operation of the Fund and believed that the quality of its operational activities had been quite high. That high success ratio was a good indication of the Fund's potential to assist developing countries in their efforts to explore for natural resources. His delegation also believed that the Fund would eventually achieve financial independence through replenishment.

67. His delegation was of the view that, after exploration studies were completed, the Fund should assume a leading role in efforts to mobilize the resources required for the feasibility studies and pre-investment activities leading to production. It therefore supported the recommendations of the Administrator regarding the delegation of authority for approval of small-scale feasibility studies. It also endorsed the recommendations contained in paragraph 59 of document DP/1983/34.

68. Finally, his delegation reiterated its appeal to all Governments for contributions to the Fund, so that it could continue to assist the developing countries in developing their natural resources.

69. Mr. SANGARE (Mali) said that mining activities represented Mali's greatest prospect for economic development. His Government fully supported the assistance provided by the Fund to developing countries and subscribed to the idea that the Fund should support feasibility studies, making the requisite funds available as quickly as possible. Mali unreservedly supported the recommendations in paragraph 59 of the Administrator's report, and called for an ever-increasing volume of contributions to the Fund.

70. Mrs. VERVALCKE (Belgium) said it appeared that most of the speakers on the subject supported the Fund's activities. Some evidently wished the Fund to be extremely flexible and to adopt the policies that would be least onerous from the point of view of the developing countries. On the other hand, her delegation believed that it would be logical and reasonable to pursue the steps which the Council believed were necessary to enable the Fund eventually to become self-replenishing. Some speakers seemed to expect the Fund to provide assistance virtually free of charge; assistance of that kind had long been available in the form of assistance under country IPFs. It would be wise to continue to consider the Fund in the light of the two opposing points of view, and she hoped that all countries in a position to do so would contribute to the Fund.
71. Mr. ALBORNOZ (Ecuador) said that his Government had accepted the conditions laid down in the agreements governing assistance to Ecuador from the Fund, including the commitment to contribute to the Fund a part of the profits it derived from the projects which the Fund supported. It was very interested in the findings of the evaluation mission, and in continuing some of the projects which the Fund was supporting. He had altered its legislation in some respects, clarifying the State's title to areas selected for exploration activities. The operation of the Fund had a marked multiplier effect, as was appropriate in UNDP. He could see no conflict between the use of multilateral and bilateral funding in such activities.

72. Mr. THYNNESS (Assistant Administrator, Bureau for Special Activities) said that the Fund could not guarantee to use exclusively local staff and contractors in the projects it sponsored because the financial rules and regulations to which it was subject required all such projects to be put out to international competitive bidding. Nevertheless, efforts were always expected to make to make maximum use of local staff and facilities.

73. One representative had questioned the need to retain an exclusive right to exploration in the project area. That was necessary to safeguard the Fund's replenishment contributions, which were required under the mandate given to the Fund by the General Assembly. Unless such an exclusive right was stipulated in the project agreement, a discovery might be claimed by a third party, and the result could well be endless litigation for which the United Nations was ill-equipped.

74. A number of delegations had questioned the whole concept of replenishment contributions. The Fund had been set up specifically to compensate for the lack of private resources for high-risk projects, but it had not been thought proper to use concessional finance made available to the United Nations for such ventures. It was true that a number of countries had legislation which prevented them from making use of the Fund's facilities, but more than 30 countries had accepted the Fund's terms and had conducted projects with which they had been very satisfied. The Fund had attracted capital to the area of mineral resource exploration on the understanding that constant contributions would not be necessary. The replenishment requirement was also valuable, in his view, because it forced the Fund to concentrate its efforts on the most promising projects.

75. There had been calls for a reduction in the replenishment rate to 0.5 per cent annually. Even with the present rate of replenishment it was unlikely that the Fund would ever be truly a revolving one, but at least that rate alleviated the need to request constant replenishment through voluntary contributions. Reducing the rate further might create grounds for challenging the Fund's raison d'être.

76. Mr. KOBAYASHI (Director, United Nations Revolving Fund for Natural Resources Exploration), replying to a comment made by the representative of Mauritania, said that the Fund's mandate required it to provide financial and technical assistance strictly in accordance with the principle of national sovereignty. As had already been explained, the replenishment arrangements were a part of the Fund's mandate, and they benefited developing and industrialized countries alike. Perhaps, as some delegations had suggested, a discussion of the replenishment rate was overdue,
but a large number of countries had accepted the current replenishment terms, indicating keen interest in the Fund on the part of Governments of developing countries.

77. The PRESIDENT said that, if there was no objection, he would take it that the Council adopted the recommendations in paragraph 59 of document DP/1983/34.

78. It was so decided.

(f) TECHNICAL CO-OPERATION AMONG DEVELOPING COUNTRIES (DP/1983/35; DP/1983/L.17)

79. Mr. BROWN (Deputy Administrator) introduced the draft decisions submitted by the Budgetary and Finance Committee in document DP/1983/L.17 and outlined the discussions and recommendations of the High-level Committee on the Review of Technical Co-operation among Developing Countries upon which the Budgetary and Finance Committee's drafts were based.

80. Mr. KROUSTALEV (Union of Soviet Socialist Republics) said that the Soviet Union supported the development of technical co-operation among developing countries, in view of its essential role in overcoming the difficult problems facing those countries. His delegation was convinced that such co-operation must be aimed at strengthening the political and economic independence of the developing countries, removing the obstacles to the development of their domestic productive forces, strengthening the State sector, accelerating industrial and agricultural development, achieving sovereignty over natural resources and strengthening control over foreign capital. Co-operation among developing countries could not be divorced from overall international co-operation to strengthen peace and curtail the arms race and could develop effectively only if there was a radical restructuring of international economic relations based on respect for sovereignty, equality and mutual advantage in accordance with the progressive principles of the Charter of Economic Rights and Duties of States and the Declaration and Plan of Action adopted at the sixth special session of the General Assembly.

81. He drew attention to the experience of co-operation among socialist countries within CMEA and between socialist and developing countries and said that, in its relations with the newly independent States, the Soviet Union upheld such important principles as the right of every people to manage its internal affairs without interference from outside, strict respect for the territorial integrity and inviolability of the borders of developing countries, the right of all States in Asia, Africa and Latin America to take part in international life as equals and to develop relations with all countries of the world, the sovereignty of the newly independent States over their natural resources and their full equality in international economic relations, supported their efforts to eliminate vestiges of colonialism and to eradicate racism and apartheid in accordance with United Nations decisions, and respected the non-aligned status chosen by the majority of the developing countries.
82. The provision of effective assistance to the developing countries in their struggle to overcome economic backwardness had been raised to the level of State policy in the USSR, and that policy had been reaffirmed at the twenty-sixth Congress of the Communist Party of the Soviet Union. In providing such assistance, the USSR did not seek unilateral advantages, did not base its aid on any political conditions and did not violate the sovereignty of its partners. Consistently supporting the struggle of developing countries to eliminate their unequal position in the capitalist world economic system, the Soviet Union provided them with much assistance in forms which corresponded to their social structures and which had been proved effective in practice and had earned the recognition of those countries themselves. One of the most important features of his country's economic ties with the newly independent countries was the way it promoted, in line with the requests of the Governments concerned, the establishment of key enterprises in the State sector as a basis for independent development. The expansion and strengthening of the State sector was an effective means of accomplishing the major economic tasks and defending domestic industry and the economy as a whole from the transnational corporations which were dominant in the capitalist world economy.

83. His delegation believed that the results of the third session of the High-level Committee would help to increase the effectiveness of the participation of United Nations institutions, including UNDP, in developing technical co-operation among developing countries. If such participation was to be effective, it was of course essential that rational use should be made of available resources and that duplication of effort among the various bodies in the United Nations system should be avoided.

84. Mr. Albornoz (Ecuador) took the Chair.

85. Mr. CHRISTIANSEN (Denmark), speaking on behalf of Denmark, Finland, Norway and Sweden, said that the UNDP Special Unit for TCDC was doing a good job within the resources allocated to it. Budgetary constraints and cuts in allocations for other administrative bodies meant that there was no room for expansion, and it was natural that the Unit should be bearing its fair share of the pro rata reduction.

86. He regretted that the Administrator's proposal to convert the Information Referral System (INRES) into a project to be financed from the Special Programme Resources had not received general support. In principle, the four Nordic countries did not consider the Special Programme Resources an appropriate source of financing for INRES. However, financing as a project should only be temporary and could facilitate future financing by the developing countries themselves, bearing in mind that the Tunis meeting in October 1982 had stressed the need for the development of a "multisectoral information network" to be run by the developing countries themselves.

87. The four Nordic countries were in favour of the continued use of IPF resources for TCDC activities, as that ensured that financial resources were allocated in line with the overall development priorities of developing countries. However, they did have some reservations regarding the allocation of IPF resources in one
country to cover TCDC activities in another developing country, in so far as it might be seen in the IPF-receiving country as export promotion rather than technical assistance. The average proportion of country IPFs allocated for TCDC activities was about 1 per cent. Compared with the ceiling of 10 per cent, or SUS 7.5 million, there were sufficient possibilities for financing TCDC activities within the existing financial regulations. For the time being, there was no justification for revising those provisions either with respect to reimbursement in convertible currencies of local costs, as long as UNDP was the holder of the local currency in question, or with respect to the guidelines for procurement of equipment.

88. In conclusion, he reiterated the four Nordic countries' full support for the mandate of the Special Unit for TCDC, including the three priority areas identified by the Administrator: to act as the secretariat for the High-level Committee, to develop an information/inquiry system, and to analyse TCDC experiences.

89. Mr. CHOWDURY (Observer for Bangladesh), speaking on behalf of the Group of 77, said that the Caracas Programme of Action should be the basis for all TCDC activities. The recommendations of the Meeting of Heads of National Agencies of Technical Co-operation among Developing Countries had stressed the importance of the development of a multisectoral information network, and the High-level Committee had decided that the existing reference system should be reorientated in line with the objectives of the Tunis Report to reflect the needs of the developing countries.

90. Noting the importance of the decisions of the High-level Committee on the allocation of liquid resources from the Special Programme Resources, he said that, in its decision 3/5, the Committee had recommended that $1 million should be allocated for the period 1984-1985 for promotional technical co-operation among developing countries activities. Although it had not been possible for the Budgetary and Finance Committee to allocate the entire sum, the Group of 77 would continue its efforts to have that amount allocated at future sessions of the Governing Council.

91. With regard to the important activities of the Special Unit for TCDC, he recalled that the High-level Committee, in its decision 3/8, had stressed that all the functions of the Unit should continue and that they were crucial for the progress of TCDC. The Group of 77 expected the Administrator to take steps to implement that decision, bearing in mind the decision of the Budgetary and Finance Committee.

92. In conclusion, he reaffirmed the importance which the Group of 77 attached to TCDC and its expectation that the TCDC activities of UNDP, in accordance with the Caracas Programme of Action, would provide a basis for the expansion of such co-operation.
93. Mr. HUSAIN (Pakistan) said that TCDC could not be a substitute for traditional co-operation and assistance programmes, but was rather an additional instrument to increase the technical capabilities of developing countries. It must be based on reciprocity and should not lead to a donor/recipient relationship between the participants. TCDC programmes should be flexible and should allow for the inclusion of third countries of the developed world, which might be able to supply additional sources of finance.

94. As for the sharing of IPFs, it must be left to the Member States themselves to decide on the proportion of their IPFs to be allocated to TCDC, bearing in mind the bilateral programmes which were funded out of those countries own budgets. World lending institutions should also be encouraged to recruit consultants from developing countries in order to promote TCDC.

95. In conclusion, he said that Pakistan conducted assistance programmes with 80 countries in Latin America, Africa and Asia and organized regular training courses in a number of fields.

96. The PRESIDENT said that, if there was no objection, he would take it that the Governing Council adopted the draft decisions in document DP/1983/L.17.

97. The draft decisions were adopted.

98. The PRESIDENT suggested that the Governing Council should take note with appreciation of the report of the High-level Committee on the Review of Technical Co-operation among Developing Countries on its third session (DP/1983/35), bearing in mind that the final text of the report would be issued as a document for the thirty-eighth session of the General Assembly.

99. It was so decided.

The meeting rose at 6.30 p.m.