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S U P P O R T

**PROGRAMME IMPLEMENTATION
IMPLEMENTATION OF DECISIONS ADOPTED BY THE
GOVERNING COUNCIL AT PREVIOUS SESSIONS**

Progress report on pre-investment activities

Report of the Administrator

Summary

In accordance with decision 82/9 of the Governing Council, this report describes the progress achieved since the twenty-ninth session of the Council with respect to the various measures undertaken by the Administrator to strengthen UNDP's pre-investment role.

The co-operative arrangement between UNDP and FAO, whereby the multi-disciplinary expertise of the FAO Investment Centre is used to enhance the investment potential of UNDP-assisted projects and to promote them with sources of finance, continues to achieve positive results. Activities are also being undertaken or are under consideration as regards similar co-operative arrangements between UNDP and other executing agencies.

The report also covers the first year of operation of the Investment Feasibility Study Facility under which special programme resources are used to finance on a reimbursable basis feasibility studies for investment projects.

The report provides updated information on the special relationships established between UNDP and various sources of development finance as well as on the training of resident representatives, deputy resident representatives and agency staff in investment development, with particular emphasis on the seminars held at the Economic Development Institute (EDI) of the World Bank and the initiation of similar training at the Asian Development Bank.

Also discussed are umbrella projects and reimbursable aid arrangements both of which allow for the flexible use of country programme funds for pre-investment studies.

INTRODUCTION

1. At its twenty-ninth session, the Governing Council in decision 82/9 took note of the Administrator's report on pre-investment activities (DP/1982/12) and requested that a progress report be submitted biennially to the Council beginning at its thirty-first session. This report has been prepared in compliance with this request.

I. BACKGROUND

2. At previous sessions the Governing Council has invited Governments to give priority to pre-investment activities in their country programmes. UNDP, in conformity with the decisions of the Council and its mandate as expressed in the Consensus (General Assembly resolution 2688 (XXV), annex, paragraphs 52 and 53), continues to provide assistance and advice to Governments on behalf of the United Nations system in this regard. Particular efforts have focused on consulting with Governments so that, in co-operation with the agencies of the United Nations system, pre-investment projects are formulated, implemented and associated with sources of development finance as early as possible in order to increase prospects for the realization of follow-up investment.

II. MEASURES TO STIMULATE PRE-INVESTMENT ACTIVITIES

3. In recent years the Administrator has introduced a number of measures to strengthen or enhance UNDP's pre-investment role. Such measures have included: the establishment of co-operative arrangements with agencies to review UNDP-assisted projects and enhance their investment potential; the establishment of training courses in investment development which focus on improving participants' skills in identifying and preparing pre-investment projects; strengthening relationships with sources of finance through special interest arrangements; inaugurating a facility to finance, on a reimbursable basis, investment feasibility studies; and other actions designed to stimulate pre-investment activities such as the use by Governments of umbrella projects to provide a flexible mechanism for implementing pre-investment studies in various sectors. In addition, UNDP field offices have been urged to encourage Governments to use, to an increasing extent, their IPFs for pre-investment work. Moreover, resident representatives have been asked to explore possibilities for joint programming with financial institutions in order to intensify pre-investment activities.

III. CO-OPERATIVE ARRANGEMENTS WITH AGENCIES

4. In 1979, UNDP entered into a co-operative arrangement with the Food and Agriculture Organization of the United Nations (FAO) under which the multidisciplinary expertise of the FAO Investment Centre is used to assess the investment potential of ongoing or completed UNDP-assisted, FAO-executed projects and, where indicated, to reorient them so that they produce data necessary for the identification and/or preparation of investment projects.

In addition to carrying out such reviews, the Investment Centre, in co-operation with UNDP and with government concurrence, promotes investment projects with sources of finance. In a similar manner, UNDP has concluded co-operative arrangements with the World Health Organization (WHO) in 1980 and the United Nations Department of Technical Co-operation for Development (UNDTCD), the United Nations Industrial Development Organization (UNIDO), the International Labour Organisation (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) in 1981. In addition, UNDP has consulted with other agencies on the possibility of working out similar co-operative arrangements with them.

5. Governments, when using the IPF, may wish to bear in mind that interventions of agencies under the co-operative arrangements have resulted in the identification/preparation of a number of investment projects for which follow-up financing has been obtained or is contemplated. While recognizing that Governments have established priorities for the use of funds from the country programme, willingness on their part to allocate relatively small sums (typically about \$20,000) for agency missions in connection with UNDP-assisted projects should both increase the pre-investment content of country programmes and enhance possibilities for the realization of follow-up investment.

A. FAO

6. From the initiation of the UNDP/FAO co-operative arrangement in 1979 to the end of 1983, 72 UNDP-assisted, FAO-executed projects have been monitored with government concurrence by the Investment Centre. The results of this arrangement have been encouraging. By late 1983, 13 investment projects in 11 countries had been prepared with Investment Centre assistance for which follow-up financing of some \$300 million has been approved of which \$182 million was provided from multilateral and bilateral sources of finance.

7. Of particular significance was the marked increase during 1982-1983 in the amount of investment generated for projects assisted under the co-operative arrangement. By the end of 1981, follow-up financing of some \$65 million was approved for seven projects. During the subsequent two years an additional amount of some \$235 million was approved for six projects. Included in this latter amount is the supplemental financing of two projects for which commitments were made during the 1979-1981 period.

8. In addition to the \$300 million of investment commitments made during the 1979-1983 period, Investment Centre monitoring of UNDP-assisted, FAO-executed projects has currently identified 11 investment projects for which further preparation and some \$150 million of follow-up investment would be required. Sources of finance have expressed interest in 9 of these 11 projects. Six more investment projects at an estimated cost of some \$80 million have already been prepared. One of these projects has been appraised while the other five are awaiting appraisal by interested sources of finance. It is expected that financing will be approved for some of these during 1984.

9. In order to identify more comprehensively projects with investment potential which could be assisted under the co-operative arrangement, the Investment Centre is continuing to increase efforts to screen projects,

particularly those under formulation. By this means, the Centre may introduce design changes in project documents including, where indicated, provision for monitoring missions. Such action taken during the formulation of projects should reduce the need for unforeseen missions during project implementation, although, depending on circumstances arising, such missions may be required.

B. ILO

10. By the end of 1983 two missions were mounted under the UNDP/ILO co-operative arrangement. One of these took place during the latter half of 1982 to review the vocational training system in the Sudan and to identify investment projects which are being promoted with sources of finance. The other mission visited Malawi during the first half of 1983 to assess the investment and related technical assistance needs of small contractors in order to facilitate their participation in proposed infrastructure and housing construction. Indications are that both these projects will lead to investment.

C. WHO

11. With assistance provided by a consultancy mission mounted under the UNDP/WHO co-operative arrangement in August of 1982, a feasibility study and design documents for a sewerage and marine waste disposal system in the Cook Islands (Avarua, Raratonga) have been reviewed, revised and submitted to the Government for its use in approaching external sources of finance.

12. During 1982, within the framework of the UNDP/WHO co-operative arrangement, preparations were completed for the updating of a 1975-1977 pre-feasibility study on sewerage, solid waste disposal and stormwater drainage for Libreville, Gabon. A consultancy mission was subsequently mounted during 1983 which produced a report defining the priority work required for sewerage and stormwater drainage. It is expected that further action including studies of external financial requirements as well as detailed engineering and design studies will be required.

D. UNESCO

13. In 1981, UNDP and UNESCO entered into a co-operative arrangement similar to those concluded with other agencies for the purpose of reorienting and/or assisting UNDP-financed, UNESCO-executed projects with investment potential. UNDP has been informed that a number of projects are being reviewed within UNESCO for possible reorientation under this arrangement.

E. UNDTCD

14. In 1981, UNDP and UNDTCD concluded a co-operative arrangement also similar to those established with other agencies. Since that time UNDP at UNDTCD's request has reviewed and commented on a number of investment proposals linked with UNDP-assisted projects in the field of mineral development.

F. UNIDO

15. UNDP and UNIDO entered into a co-operative arrangement during 1981 for which the focal point in UNIDO is its Feasibility Studies Section. Since that time, UNDP and UNIDO have consulted on a number of projects for which assistance under the co-operative arrangement was considered. One project proposed is currently (end 1983) under review for possible assistance.

16. The Feasibility Studies Section of UNIDO has also developed computer software which is being made available to various developing countries for application to the pre-investment analysis of industrial projects. Consideration is being given to enlarging the scope of this system for application to other sectors as well, a measure which should help to improve the quality of pre-investment studies and thus strengthen the linkages between pre-investment activities of the United Nations system and follow-up investment from various sources of finance.

IV. TRAINING IN INVESTMENT DEVELOPMENT

17. As an additional means of improving the quality of pre-investment activities, the Governing Council in decision 80/23, adopted at its twenty-seventh session, endorsed the proposal of the Administrator (DP/479, paragraph 30) that arrangements should be made between UNDP and the World Bank to ensure that resident representatives and deputy resident representatives receive special training in investment development.

18. By the end of 1983, training in investment development had been provided during six sessions held at the World Bank's Economic Development Institute to 140 participants of whom 118 were UNDP staff and 22 from United Nations system organizations. The World Bank and UNDP intend to continue these seminars during 1984. In addition, after most of the World Bank training sessions, UNDP staff from the Latin American region have participated in one-day orientation sessions with the Inter-American Development Bank.

19. Discussions were also initiated between UNDP and the Asian Development Bank in 1982 on the design of a training course for UNDP staff and host government counterparts in the Asia and Pacific region. The first session of this course is scheduled for January/February 1984. It is intended that the course will familiarize participants with investment project preparation and develop their skills in formulating and managing pre-investment projects. Each stage of the project cycle will be examined. Using specific examples from the region, the course will also focus on the interests and requirements of potential investors.

V. STRENGTHENING OF RELATIONSHIPS WITH DEVELOPMENT FINANCE INSTITUTIONS

20. As one means of promoting linkages between pre-investment and investment, UNDP has entered into special interest or similar co-operative arrangements with the World Bank, regional development banks and several other sources of development finance, including IFAD. Special interest arrangements, in

conformity with UNDP policies and procedures, call for the distribution by UNDP field offices of drafts of country programmes and project documents, particularly for pre-investment projects, to development finance institutions. On the basis of these submissions or on their own initiative development finance institutions may express special interest in projects and/or furnish comments on the project design or its relationship to ongoing or intended activities of the development finance institution. For those projects in which an interest is expressed, UNDP, in consultation with Governments, arranges to keep the institutions concerned informed of the projects' status. In this manner, development finance institutions are able to monitor the execution of projects and, as appropriate, provide advice on the pre-lending activities required to facilitate appraisal for a loan or credit.

A. World Bank

21. During 1982 and 1983 the Bank was designated as executing agency for 31 and 27 UNDP-assisted projects respectively. UNDP funding for these projects amounted to some \$28 million in 1982, of which about \$8.5 million is cost-sharing, and to some \$23.8 million in 1983, of which about \$1.9 million is cost-sharing. Several of these projects are expected to result in follow-up investment, while others are providing institutional support or are investment-oriented concentrating on the implementation of master plans and sector studies.

22. While no follow-up investment has so far been reported as regards UNDP-assisted projects for which the Bank was designated as executing agency during 1982-1983, some \$950 million of investment commitments have been identified in relation to five projects prepared by UNDP-assisted, Bank-executed projects approved during 1981. Of this \$950, Bank loans and credits have provided some \$415 million.

23. The Caribbean Project Development Facility (RLA/81/010) represents an interesting example of a UNDP pre-investment project executed by the World Bank/International Finance Corporation which has led to follow-up investment. This project, which is being co-financed at a total cost of \$3.1 million by UNDP, IDB, the Caribbean Development Bank, USAID, the Canadian International Development Agency, and the Kingdom of the Netherlands, is designed to assist in identifying, preparing and arranging financing from various domestic and foreign sources for suitable small and medium-sized private sector projects in the Caribbean. Since the project became operational in late 1981, it has completed the preparation of 12 investment projects for which the total cost is estimated to be about \$40 million. For eight of these projects financing of some \$28 million has been arranged during 1982-1983, while three more are under negotiation and one project has been withdrawn. By the end of 1983, some 30 more projects were at various stages of preparation. Project staff have also provided financial advice and technical support to a number of entrepreneurs as well as government-owned enterprises.

B. Inter-American Development Bank (IDB)

24. During the second half of 1980, UNDP and IDB concluded a special interest agreement which focused on establishing procedures for systematic collaboration between the two organizations. The main aspects of this collaboration involve improved longer-term, joint programming and co-operation in the identification and design of pre-investment projects which may lead to IDB financing. To achieve these objectives, particular emphasis has been given to increasing consultation between the field offices of both UNDP and IDB.

25. As a result of this co-operation, some 60 UNDP-assisted projects were screened by IDB and UNDP and "special interest" declared by IDB in eight of them. IDB continues to follow the progress of some of these projects as well as others for which joint action has been agreed to or is pending. In the case of certain projects, follow-up investment is envisaged. It is expected that the cost of some UNDP-assisted pre-investment studies would be financed under the reimbursable aid arrangement established with IDB during 1980 (see section VI below).

26. A review of the previous year's collaboration was undertaken by UNDP and IDB during 1981 and again in 1982 on the basis of which it was concluded that further efforts must be made to enhance the joint programming process. In particular, it was decided that henceforth UNDP and IDB would consult on programming for specific countries at the Bank's headquarters, without prejudice to collaboration at the field level, prior to the mounting of IDB country programming missions in order to ensure that UNDP inputs were taken into account in a comprehensive and timely manner. Discussions continued during 1983 on the further co-ordination of activities between the two organizations including cost sharing and co-financing of technical co-operation as well as the identification of projects for IDB execution and follow-up financing.

C. Asian Development Bank (AsDB)

27. The relationship with AsDB has been considerably strengthened in recent years. UNDP entered into a special interest arrangement with AsDB in 1980 as a means of increasing the flow of draft project documents and country programmes from UNDP to AsDB for their examination. As an outgrowth of the special interest arrangement, UNDP and AsDB decided to consult periodically to consider projects for AsDB execution. As a result of this process, from 1980-1982 AsDB was designated as executing agency for 20 UNDP-assisted projects of which nine, at an estimated cost to UNDP of about \$3.4 million, were to implement studies of investment projects. By late 1983, loans amounting to \$153.7 million were approved for five of these nine projects while four more are in AsDB's pipeline. The amount of loans which could materialize for these four projects would be about \$200 million. Consultations to select additional UNDP-assisted projects for AsDB execution were commenced in mid-1983.

D. African Development Bank (AfDB)

28. A special interest arrangement was initiated between UNDP and AfDB in 1979 on the basis of which during 1982-1983, AfDB is following the progress of country and regional UNDP-assisted projects in which it has declared special interest.

29. A number of steps have been recently taken by UNDP in consultation with AfDB to strengthen co-operation. Notably, the UNDP office in Abidjan, where AfDB is located, was designated in late 1982 as a focal point to promote regular consultations and the co-ordination of activities between UNDP, particularly at the field level, and AfDB. Also, country programme documents and country programme management plans are now being sent to AfDB on a regular basis to provide its staff with timely information on the nature and status of UNDP-assisted projects for which AfDB comments and/or expressions of interest are invited.

E. International Fund for Agricultural Development (IFAD)

30. The special interest arrangement between UNDP and IFAD was initiated in 1979. Since that time UNDP and IFAD have exchanged information on numerous UNDP-assisted projects. IFAD has expressed interest in several of these projects one of which led to an IFAD loan to Egypt for the West Beheira Settlement project and for others of which IFAD has taken or is considering follow-up action in relation to the identification and preparation of investment projects. The Fund has also identified investment projects for which UNDP-financed pre-investment assistance has been provided to assist in the preparation of projects in the fields of livestock development; irrigation, flood control and drainage; and rural development. IFAD is expected to provide loan financing for one or more of these projects.

31. Moreover, the terms of the special interest arrangement encourage direct consultation between staff of UNDP field offices and IFAD. As a result many resident representatives have consulted with IFAD staff in Rome during 1982-1983 while IFAD missions as a standard practice consult with UNDP field offices. Such consultations place particular emphasis on the formulation of joint programming strategies and the association of IFAD with UNDP-assisted projects as a potential source of follow-up investment.

F. European Community

32. In 1977, following meetings between representatives of UNDP and the European Community's Directorate General for Development, both organizations contacted their representatives located in the African, Caribbean and Pacific (ACP) States to strengthen mutual co-operation at the field level. This co-operation called for, inter alia, increased collaboration in both programming and the identification, formulation and implementation of projects. Particularly stressed was early consultation on projects to avoid duplication of efforts and to foster such complementary activities as utilizing the European Development Fund, at the request of the ACP Governments concerned, to provide follow-up financing to UNDP-assisted pre-investment projects.

33. At the time these co-operative measures in the ACP States were introduced (1977), the European Community had not established delegations in the Maghreb and Mashreq countries. During the course of consultations between the European Community and UNDP in 1980-1981, it was therefore decided to extend the type of field-level co-operation already established in the ACP States to the Arab States of the Maghreb (Algeria, Morocco, Tunisia) and Mashreq (Egypt, Jordan, Lebanon, Syria) where field offices of both organizations now exist. Instructions to the field offices of both organizations in these States for developing such co-operation were issued during the latter half of 1982 in which it was noted that, at the request of the Government concerned, UNDP assisted pre-investment projects could lead to follow-up financing from the funds available within the context of the co-operation agreements concluded between the European Communities and the Arab States of the Maghreb and Mashreq.

34. With a view to further enhancing co-operation between the two organizations, UNDP and the European Community consult periodically on matters of mutual interest.

G. Caisse Centrale de Coopération Economique

35. During late 1982, a co-operative arrangement was concluded with the French Government-owned Caisse Centrale de Coopération Economique (CCCE). This financial institution, which is active in a number of countries (primarily LDCs in Africa) where it maintains offices or agency associations, finances both capital and, exceptionally, technical assistance with emphasis on the rural sector. Under the UNDP/CCCE arrangement, collaboration takes place between the two organizations, mainly at the field level, with a view to achieving complementarity in programming and the identification of investment opportunities which could lead to financing by the CCCE. Since the initiation of this co-operative arrangement, consultations have taken place between a number of UNDP and CCCE field offices on the basis of which increased collaboration is expected to materialize. Moreover CCCE has made available a senior staff member as a resource person for the training courses in investment development held at the EDI of the World Bank.

H. Nordic Investment Bank/Nordic Project Fund

36. As a result of discussions held during the latter half of 1982, UNDP in 1983 entered into a co-operative arrangement with the Nordic Investment Bank (NIB) and the Nordic Project Fund whereby information may be exchanged and UNDP-assisted pre-investment projects brought to the attention of NIB as a possible source of follow-up investment and to the Fund for possible assistance in financing pre-investment studies.

37. Justification for establishing the co-operative arrangement resulted from two events in 1982. First the Nordic Council of Ministers (Sweden, Norway, Finland, Denmark and Iceland) established a new financing facility of some \$380 million to be administered by NIB to finance investment projects of Nordic interest in developing countries. Second, the Nordic Council of Ministers also approved the establishment of a Nordic Project Fund which became operational in October 1982 with an initial budget of \$1.2 million.

The main purpose of the Fund is to support Nordic entities in implementing pre-feasibility and feasibility studies in developing countries.

38. Proposals concerning the possible financing of several projects have been made by UNDP to the NIB/Nordic Project Fund. Follow-up action has been taken or is under consideration at this time by the NIB/Nordic Project Fund as regards some of these proposals.

I. United Nations Capital Development Fund (UNCDF)

39. The emphasis given to ensuring the fullest co-ordination and complementarity between UNDP and UNCDF enables beneficiary countries to finance from UNCDF resources the implementation of a number of capital projects as a follow-up to UNDP-assisted pre-investment activities. Since UNCDF became fully operational in 1975, it has approved 219 projects for which UNCDF grant financing of \$277 million was approved. Thirty of these projects, financed by UNCDF at a cost of \$28.5 million, came as a follow-up to UNDP pre-investment projects. It is expected that UNCDF will continue to provide capital financing for other investment projects identified and prepared by UNDP-assisted pre-investment projects. In addition, 52 projects financed by UNCDF at a cost of \$57.6 million were identified and/or prepared during the period 1977-1981 by specific UNDP-assisted, short-term missions mounted on an ad hoc basis at the request of UNCDF with the concurrence of the Governments concerned. Since 1982, in accordance with a General Assembly resolution 36/196, the cost of such identification/preparation missions is met by UNCDF general resources.

40. UNDP also provides technical support in the preparation, approval and implementation of UNCDF financed projects. For example, UNCDF may call upon UNDP expertise to provide such assistance as preparing terms of reference for missions mounted by UNCDF, analysing mission reports and advising on the selection of specialized consultants. UNDP staff also participate in the project approval committee in which the technical and economic viability of prospective projects is examined prior to the approval of UNCDF grants. UNDP field offices for their part are involved with administering and monitoring the implementation of UNCDF financed projects as well as UNDP-assisted support projects related to them.

J. Other development finance institutions

41. Discussions have also taken place during 1982-1983 with other development finance institutions, including some located in Arab States, to work out special interest or similar arrangements for co-operation whereby these institutions could also provide follow-up investment to or become associated with UNDP-assisted pre-investment projects. Such co-operation remains under review with these institutions and may result in the conclusion of additional special interest or co-operative arrangements in the future.

VI. REIMBURSABLE AID ARRANGEMENTS

42. The concept of reimbursable aid arrangements between UNDP and multilateral and regional development finance institutions was discussed during the twenty-eighth session of the Governing Council. (See summary records DP/SR.709, 710, 712-716, 727 and 734.) Such arrangements call for co-operation in the formulation of a UNDP-assisted pre-investment project in which the financial institution may express special interest. Once such interest is expressed, an understanding would be reached on a case-by-case basis between the Government, UNDP and the development finance institution that, should a pre-investment study financed under the IPF lead to a loan, an amount to cover the cost of this study would be reimbursed to the country's IPF from the loan proceeds and would thus be available to finance other UNDP-assisted projects. In the event that a study did not result in a loan, its cost would be considered as a grant to be absorbed under the IPF.

43. Agreement was reached during December 1980 between UNDP and IDB on the terms and conditions of such an arrangement. A similar agreement was also concluded with the Caribbean Development Bank (CDB) during the last quarter of 1981.

44. One application of the reimbursable aid concept involving CDB was the 1982 approval of a UNDP-financed, World Bank-executed project (STV/81/001) wherein a sum of \$500,000 was provided to finance a feasibility study for a hydro-electric scheme in St. Vincent and the Grenadines and to prepare the necessary bidding documents required for the procurement of equipment, materials and civil works in connection with the implementation of the scheme. CDB has indicated that it is prepared to contribute to the financing of this hydro-electric scheme from which the cost of the study would be reimbursed to the IPF of St. Vincent and the Grenadines.

VII. UMBRELLA PROJECTS

45. At its twenty-fifth session, the Governing Council in decision 78/6 endorsed the concept of the umbrella project. Under this concept several projects are packaged together and approved as a single project, usually encompassing several sectors. Significant features of this approach are simplification and flexibility which allow for appropriate substitution of pre-investment studies as required by changing priorities. By establishing an umbrella project and setting aside funds in this way, UNDP is in a position to enhance its capacity to respond promptly to pre-investment needs as they arise.

46. In recent years there have been a number of interesting examples of such UNDP-assisted umbrella projects as follows:

(a) In Burma, Pre-investment and Investment Assistance (BUR/74/024), executed by the World Bank, was approved in 1974 and ended in 1980 with a total UNDP contribution of \$4.1 million. Pre-investment and project preparation studies carried out through this project have led to the financing of five projects (power development, urea fertilizer, seed development and

distribution, road improvement, rehabilitation of rubber plantations) at a total cost of over \$400 million. Of this amount about \$286 million has been provided from multilateral and bilateral sources. Encouraged by the results achieved through BUR/74/024, two subsequent phases of this umbrella project were approved in 1979 (BUR/79/003) and 1983 (BUR/82/004) with UNDP contributions of \$2.6 million and \$3 million respectively. Several of the projects for which pre-investment studies were carried out during Phase II are under consideration by sources of finance.

(b) Also in Burma, another umbrella project, Multi-sector Programme of Project Preparation (BUR/78/028), was executed by AsDB. This project approved in 1980 with a UNDP contribution of \$1.5 million was completed during the latter half of 1983. So far one project (pump irrigation and area development), for which a feasibility study was prepared with assistance provided by BUR/78/028, has led to financing of \$33 million of which \$26 million was provided by multilateral sources of finance. Other projects are being processed under BUR/78/028 and are under consideration for future financing. During September 1983, a second phase of this project, BUR/82/005, was approved with a UNDP contribution of \$2 million. This project will continue to focus on the identification and preparation of specific investment projects suitable for external financing.

(c) In Sri Lanka, an umbrella project entitled Multi-sector Programme of Project Preparation (SRL/77/012) is being executed by the World Bank. The UNDP contribution for this project, which was approved in 1978 and is scheduled for completion at the end of 1984, amounts to some \$3.1 million. Pre-investment studies carried out through SRL/77/012 have led to the financing of a forestry project at a total cost of \$15 million of which some \$11.5 million has been financed from multilateral and bilateral sources.

(d) Also of interest is an umbrella project in China, Preparation of Investment Projects (CPR/80/072). This UNDP-assisted, World Bank-executed project was approved in 1981. The total UNDP contribution is \$1.4 million with the project scheduled for completion in 1984. Project preparation activities of CPR/80/072 have so far led to some \$925 million of follow-up financing for university development, port development and an agriculture, education and research project. Of this sum, about \$400 million has been provided from World Bank loans and credits.

VIII. FACILITY FOR THE FINANCING OF INVESTMENT FEASIBILITY STUDIES

47. At its twenty-ninth session, the Governing Council in decision 82/9 authorized UNDP to establish a facility to assist the Governments primarily of least developed countries to finance feasibility studies for projects of high priority. A special account was established with \$1 million from Special Programme Resources for this purpose during the third programming cycle, 1982-1986. The proposed facility was to be used only when the cost of investment feasibility studies could not be met out of country IPF resources. Moreover, financing from the facility would be conditional on acceptance by its sponsors to reimburse the facility the cost of the investment feasibility study from investment generated as a result of the study.

48. The first proposal for financing under the Facility was for a feasibility study of an irrigation project in Haiti costing about \$46,000 of which the FAO Investment Centre and UNDP through the Facility will each provide half the amount. On the basis of this feasibility study, carried out by the FAO Investment Centre, UNCDF is considering the approval of grant financing to cover part of the cost of the construction of this irrigation project for which the total cost is estimated to be \$8-8.5 million. In line with the arrangements for the use of the Facility, UNDP would be reimbursed its portion, amounting to some \$23,000 of the total cost of the study, from the UNCDF grant once it is approved. In addition, financing of \$66,000 from the Facility has been approved for a feasibility study of a fisheries rehabilitation project in Liberia. The follow-up investment requirement for this project which is sponsored by the International Finance Corporation, is estimated to be \$5-10 million. Moreover, financing of \$60,000 from the Facility has also been approved for a feasibility study of a pulp and paper mill project in Malawi. The follow-up investment requirement for this project, which is also sponsored by IFC, is estimated to be \$37 million. Aggregate follow-up investment for all three projects would amount to some \$50-55 million. It is intended that both the private sector and the Governments will be participating in the investment projects in Liberia and Malawi.

49. Other proposals are under active consideration for studies which could be financed from the Facility in regard to investment projects sponsored by IFC. Discussions have also taken place with several financial institutions concerning the use of the Facility and some of these have expressed interest.

IX. INVESTMENT COMMITMENTS IN RELATION TO UNDP COSTS

50. UNDP's impact on linking pre-investment activities with follow-up investment is well illustrated by the statistics on reported investment commitments related to UNDP-assisted pre-investment projects. For 1981 and 1982 these investment commitments amounted to some \$2.5 billion and \$3.2 billion respectively or an increase of 28 per cent from 1981 to 1982.

51. The growth of investment commitments related to pre-investment projects may be partly attributed to the various special measures undertaken by the Administrator to strengthen UNDP's pre-investment function. It may be noted, however, that beginning in 1982 more comprehensive reporting of investment commitments was introduced which resulted in an increased flow of investment commitment data from a variety of reporting entities some of which had hitherto not participated in providing such information.

52. One measure to determine the effect of UNDP's role in promoting investment in developing countries is the ratio of UNDP's cost for pre-investment projects to the amount of reported investment commitments resulting from these projects. For 1982 the ratio was 1:45. This ratio may be compared with a similar exercise carried out based on 115 pre-investment projects for which investment commitments were reported during the period 1976-1981. In this case, the ratio based on UNDP's cost for these projects to the amount of reported investment commitments amounted to 1:46. If only the

cost of the pre-investment component of these projects were considered, these ratios would be higher.

X. CONCLUSIONS

53. UNDP will continue to seek means to strengthen its pre-investment role including the promotion of investment as a follow-up to its pre-investment activities. As regards the specific measures discussed in this paper, scope exists for both their improvement and expansion.

54. Specifically, further consultations between UNDP and agencies should help to identify and increase the number of projects with investment potential which could be assisted with government concurrence under the co-operative arrangements. In addition, such arrangements may be extended to other interested agencies. As regards training in investment development, it is expected that additional seminars will be held for UNDP and agency personnel in co-operation with the Economic Development Institute of the World Bank. The initiation of a similar training course at the Asian Development Bank will further increase the number of individuals trained and expand the coverage of such training to include government personnel from the region. Wherever appropriate, increased use can be made of reimbursable aid arrangements as a means of extending the use of IPF for pre-investment studies. The notable results achieved in connection with multisectoral umbrella projects should be carefully considered by Governments as an effective means of utilizing UNDP-assisted projects to realize follow-up investments.

55. Strengthening relationships between UNDP and development finance institutions through the establishment of special interest or similar arrangements has been a useful means of promoting co-operation and improving linkages between pre-investment and investment. The initiation of such arrangements with other development finance institutions is being actively pursued and should provide UNDP with further opportunity to assist Governments in realizing the investment potential of UNDP-assisted projects.

56. Concerning the Facility established to finance investment feasibility studies, it is expected that the number of such studies to be financed will increase significantly. Provided that the results of many of these studies are positive and lead to investment without undue delay, the Facility is expected to have funds at its disposal from the Special Programme Resources allocation, supplemented by the reimbursement of study costs, to continue its financing operations.

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